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FISCAL IMPACT REPORT

SPONSOR Lujan, B. DATE TYPED 03/4/05 HB 1096/HGUACS

SHORT TITLE Legal Review of Auditor Contracts SB _____

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			NFI		

SOURCES OF INFORMATION

Responses Received From
State Auditor (SA)

SUMMARY

Synopsis of Bill

The Government and Urban Affairs Committee substitute for House Bill 1096 will exempt professional services contracts entered into by the state auditor with a value of less than \$20 thousand from any requirement for legal review by the attorney general or an attorney of any state agency.

The bill also exempts all contracts for auditing entered into between an agency and an independent auditor and all contracts for auditing entered into between an agency and the state auditor ex from any requirement for legal review by the attorney general or an attorney of any state agency if the contracts are on a contract form approved by the attorney general as to legal sufficiency.

The bill contains an emergency clause.

Significant Issues

The Department of Finance and Administration (DFA) passed a new administrative rule in January 2005 which removed the requirement of the attorney general's review of contracts under \$200 thousand and replaced it with agency in-house council. As a result, agencies such as the state auditor without in-house council are faced with the increase cost of outside council review of their contracts.

Regular contracts that did not require an RFP and used standard legal forms did not require outside review before the new rule took effect. Now DFA asserts that outside legal review of these contracts is required as well for agencies that do not have in-house council. Other agencies received an exemption from these requirements but not the state auditor.

ADMINISTRATIVE IMPLICATIONS

The state auditor processes approximately 570 contracts yearly for independent financial compliance audits, without the exemption as proposed by HB 1096, the audit work of the state auditor will be delayed and it will be very expensive to contract for outside legal council.

DW/YR