

SENATE BILL 145

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

INTRODUCED BY

George K. Muñoz and Pamelya Herndon and Cynthia Borrego

This document may incorporate amendments proposed by a committee, but not yet adopted, as well as amendments that have been adopted during the current legislative session. The document is a tool to show amendments in context and cannot be used for the purpose of adding amendments to legislation.

AN ACT

RELATING TO AUDITING; PROVIDING FOR FEDERAL SINGLE AUDITS;
AMENDING THE AUDIT ACT; RESTRUCTURING AUDIT REQUIREMENTS;
AMENDING LOCAL PUBLIC BODY AUDIT THRESHOLDS; AMENDING
DEFINITIONS; UPDATING TERMS; AMENDING AUDIT REPORTING
REQUIREMENTS; AMENDING THE AUDIT FUND; MAKING AN APPROPRIATION.

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

SECTION 1. Section 12-6-2 NMSA 1978 (being Laws 1969,

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Chapter 68, Section 2, as amended) is amended to read:

"12-6-2. DEFINITIONS.--As used in the Audit Act:

A. "agency" means:

(1) any department, institution, board, bureau, court, commission, district or committee of ~~[the government of]~~ the state, including district courts, magistrate or metropolitan courts, district attorneys and charitable institutions ~~[for which appropriations are made by the legislature]~~ funded by appropriation;

(2) any political subdivision of the state, created under either general or special act, that receives or expends public money from ~~[whatever source derived]~~ any source, including counties, county institutions, boards, bureaus or commissions ~~[municipalities; drainage, conservancy, irrigation or other special districts]~~ and school districts;

(3) any entity or instrumentality of the state specifically provided for by law, including the New Mexico finance authority, the New Mexico mortgage finance authority and the New Mexico lottery authority;

SFC→~~(4) any organization subject to the requirements of Section 6-5A-1 NMSA 1978 that supports a public post-secondary educational institution;~~←SFC and

~~(4)~~ SFC→~~(5)~~←SFC SFC→~~(4)~~←SFC every office or officer of any entity listed in Paragraphs (1) through SFC→~~(3)~~←SFC SFC→~~(3)~~←SFC SFC→~~(4)~~←SFC of this subsection;

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and

B. "local public body" means a mutual domestic water consumers association, a land grant, an incorporated municipality, an acequia or a special district, including:

- (1) a drainage district;
- (2) a conservancy district;
- (3) an irrigation district;
- (4) a sanitation district;
- (5) a solid waste district;
- (6) a transit district;
- (7) a zoning district;
- (8) a utility district;
- (9) a communication district;
- (10) a public improvement district; or
- (11) a tax increment development district."

SECTION 2. Section 12-6-3 NMSA 1978 (being Laws 1969, Chapter 68, Section 3, as amended) is amended to read:

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

A. Except as otherwise provided in Subsection B of this section, the financial affairs of every agency shall be thoroughly examined and audited each year by the state auditor, personnel of the state auditor's office designated by the state auditor, ~~[or]~~ independent auditors approved by the state auditor or personnel of the state auditor's office designated

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by the state auditor working jointly with independent auditors approved by the state auditor. The annual comprehensive ~~[annual]~~ financial report for the state shall be thoroughly examined and audited each year by the state auditor, personnel of the state auditor's office designated by the state auditor, ~~[or]~~ independent auditors approved by the state auditor or personnel of the state auditor's office designated by the state auditor working jointly with independent auditors approved by the state auditor. The audits shall be conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards and rules ~~[issued]~~ promulgated by the state auditor; provided that for fiscal year 2028 and each fiscal year thereafter, in accordance with Section 6-5-4.1 NMSA 1978, the financial control division of the department of finance and administration shall SFC→~~conduct~~←SFC SFC→~~engage~~←SFC an annual agency federal single audit SFC→~~of agencies that are reported in the state's annual comprehensive financial report~~←SFC in accordance with the Federal Single Audit Act (31 U.S.C. 7501 through 7507), as amended, and Title 2, Subtitle A, Chapter II, Part 200, Subpart F, as amended.

B. The examination of the financial affairs of a local public body shall be determined according to its cash and investments assets, annual revenue or federal expenditures each year. All examinations and compliance with agreed-upon procedures engagements shall be conducted in accordance with

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generally accepted auditing standards, generally accepted government auditing standards and rules issued by the state auditor. If a local public body has an annual revenue, calculated on a cash basis of accounting, exclusive of capital outlay funds, federal or private grants or capital outlay funds disbursed directly by an administering agency, of:

(1) less than ~~[ten thousand dollars (\$10,000)]~~ one hundred thousand dollars (\$100,000) and does not directly expend at least fifty percent of, or the remainder of, a single capital outlay award, it is exempt from submitting and filing quarterly reports and final budgets for approval to the local government division of the department of finance and administration and from any financial reporting to the state auditor;

~~[(2) at least ten thousand dollars (\$10,000) but less than fifty thousand dollars (\$50,000), it shall comply only with the applicable provisions of Section 6-6-3 NMSA 1978;~~

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

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

~~(b) economically feasible for the~~

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~~affected local public body; and~~

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

~~(4) at least fifty thousand dollars (\$50,000)
but not more than two hundred fifty thousand dollars
(\$250,000), it shall submit to the state auditor, at a minimum,
a financial report that includes a schedule of cash basis
comparison and that is consistent with agreed-upon procedures
for financial reporting that are:~~

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

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

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

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

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

~~(b) economically feasible for the~~

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~~affected local public body; and~~

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

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

~~(a) economically feasible for the
affected local public body; and~~

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

~~(7) five hundred thousand dollars (\$500,000)
or more, it shall be thoroughly examined and audited as
required by Subsection A of this section]~~

(2) less than one hundred thousand dollars
(\$100,000) and directly expends at least fifty percent, or the
remainder, of a single capital outlay award, the local public
body shall submit to the state auditor a financial report
consistent with agreed-upon procedures for the financial
reporting that are:

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

(b) economically feasible for the

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affected local public body; and

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

(3) more than or equal to one hundred thousand
dollars (\$100,000) but less than one million dollars
(\$1,000,000), the local public body shall submit to the state
auditor, at a minimum, a financial report that includes a
schedule of cash basis comparisons and a test sample of any
expended capital outlay funds and that is consistent with
agreed-upon procedures for financial reporting that are:

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

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

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

(4) one million dollars (\$1,000,000) or more,
the local public body shall be examined and audited as required
by Subsection A of this section.

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

D. If a local public body is required to be
examined and audited pursuant to Subsection A of this section,
the local public body shall not be eligible for the reporting

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requirements provided pursuant to Paragraphs (1) through (4) of Subsection B of this section and shall be required to be examined and audited each year.

[D-] E. Annual financial and compliance audits of agencies under the oversight of the financial control division of the department of finance and administration shall be completed and submitted by an agency and an independent auditor to the state auditor 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. The local government division of the department of finance and administration shall inform the state auditor of [~~the~~] any compliance or [~~failure to comply~~] noncompliance by a local public body with the provisions of Section 6-6-3 NMSA 1978.

[E-] F. In order to comply with United States department of housing and urban development requirements, the financial affairs of a public housing authority that is determined to be a component unit in accordance with generally accepted accounting principles, other than a housing department of a local government or a regional housing authority, at the public housing authority's discretion, may be audited separately from the audit of its local primary government entity. If a separate audit is made, the public housing authority audit shall be included in the local primary

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government entity audit and need not be conducted by the same auditor who audits the financial affairs of the local primary government entity.

[F-] G. The state auditor shall notify the legislative finance committee and the public education department if:

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

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

[G-] H. The state auditor shall notify the legislative finance committee and the secretary of finance and administration if:

(1) [~~a state~~] an agency, state institution, municipality or county has failed to submit a required audit report within ninety days of the due date specified by the state auditor; and

(2) the state auditor has investigated the matter and attempted to negotiate with the [~~state~~] agency,

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state institution, municipality or county but the state agency,
state institution, municipality or county has not made
satisfactory progress toward compliance with the Audit Act."

SECTION 3. Section 12-6-5 NMSA 1978 (being Laws 1969,
Chapter 68, Section 5, as amended) is amended to read:

"12-6-5. REPORTS OF AUDITS.--

A. The state auditor shall cause a complete written
report to be made of each annual or special audit and
examination made. Each report shall set out in detail, in a
separate section, any violation of law or good accounting
practices found by the audit or examination. Each report of [~~a~~
~~state~~] an agency shall include a list of individual deposit
accounts and investment accounts held by each [~~state~~] agency
audited. A copy of the report shall be sent to the agency
audited or examined and the secretary of finance and
administration SFC→, **provided that the report shall remain**
confidential until release by the state auditor←SFC ; five
days later, or earlier if the agency waives the five-day
period, the report shall become a public record, at which time
copies shall be sent to [~~(1) the secretary of finance and~~
~~administration; and (2)] the legislative finance committee.~~

B. The state auditor shall send a copy of reports
of [~~state~~] agencies SFC→**that are reported in the state's**
annual comprehensive financial report←SFC to the department of
finance and administration.

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C. Within thirty days after receipt of the report, the agency SFC→~~audited~~←SFC SFC→audited←SFC SFC→~~auditor~~←SFC may notify the state auditor of any errors in the report. If the state auditor is satisfied from data or documents at hand, or by an additional investigation, that the report is erroneous, the state auditor shall correct the report and furnish copies of the corrected report to all parties receiving the original report."

SECTION 4. Section 12-6-13 NMSA 1978 (being Laws 1969, Chapter 68, Section 13) is amended to read:

"12-6-13. AUDIT FUND--PAYMENT FOR AUDITS--EXPENSES OF AUDITOR.--

A. ~~[There]~~ The "audit fund" is created as a nonreverting fund in the state treasury [the "audit fund" into which the state auditor shall deposit all]. The fund consists of earmarked revenue, appropriations, SFC→~~gifts~~←SFC grants SFC→~~, donations~~←SFC and fees and costs received from agencies audited by [him] the state auditor. The state auditor shall administer the fund, and money in the fund is appropriated to the state auditor for the purposes of carrying out the Audit Act. Disbursements from the fund shall be made by warrant of the secretary of finance and administration pursuant to vouchers signed by the state auditor or the state auditor's authorized representative.

B. Fees and costs pursuant to Subsection A of this

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section shall be determined by the state auditor to recover all fees and costs of the state auditor for performing an engagement in accordance with professional standards.

[B-] C. Payments for salaries and expenses of the state auditor shall be made from the audit fund [~~and the fund shall not revert at the end of any fiscal year~~]."

SECTION 5. APPROPRIATION.--Fifty thousand dollars (\$50,000) is appropriated from the general fund to the office of the state auditor for expenditure in fiscal year 2027 to purchase computer software to administer statewide single federal audits. Any unexpended balance remaining at the end of fiscal year 2027 shall revert to the general fund.

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