

1 SENATE BILL 145

2 **57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026**

3 INTRODUCED BY

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10 AN ACT

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

16  
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

18 SECTION 1. Section 12-6-2 NMSA 1978 (being Laws 1969,  
19 Chapter 68, Section 2, as amended) is amended to read:

20 "12-6-2. DEFINITIONS.--As used in the Audit Act:

21 A. "agency" means:

22 (1) any department, institution, board,  
23 bureau, court, commission, district or committee of [~~the~~  
24 ~~government of~~] the state, including district courts, magistrate  
25 or metropolitan courts, district attorneys and charitable

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1 institutions [~~for which appropriations are made by the~~  
2 ~~legislature~~] funded by appropriation;

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

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

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

16 [~~(4)~~] (5) every office or officer of any  
17 entity listed in Paragraphs (1) through [~~(3)~~] (4) of this  
18 subsection; and

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

22 (1) a drainage district;

23 (2) a conservancy district;

24 (3) an irrigation district;

25 (4) a sanitation district;

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

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

10                   "12-6-3. ANNUAL AND SPECIAL AUDITS--FINANCIAL  
11 EXAMINATIONS.--

12                   A. Except as otherwise provided in Subsection B of  
13 this section, the financial affairs of every agency shall be  
14 thoroughly examined and audited each year by the state auditor,  
15 personnel of the state auditor's office designated by the state  
16 auditor, ~~[or]~~ independent auditors approved by the state  
17 auditor or personnel of the state auditor's office designated  
18 by the state auditor working jointly with independent auditors  
19 approved by the state auditor. The annual comprehensive  
20 ~~[annual]~~ financial report for the state shall be thoroughly  
21 examined and audited each year by the state auditor, personnel  
22 of the state auditor's office designated by the state auditor,  
23 ~~[or]~~ independent auditors approved by the state auditor or  
24 personnel of the state auditor's office designated by the state  
25 auditor working jointly with independent auditors approved by

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1 the state auditor. The audits shall be conducted in accordance  
2 with generally accepted auditing standards, generally accepted  
3 government auditing standards and rules [~~issued~~] promulgated by  
4 the state auditor; provided that for fiscal year 2028 and each  
5 fiscal year thereafter, in accordance with Section 6-5-4.1 NMSA  
6 1978, the financial control division of the department of  
7 finance and administration shall conduct an annual agency  
8 federal single audit in accordance with the Federal Single  
9 Audit Act (31 U.S.C. 7501 through 7507), as amended, and Title  
10 2, Subtitle A, Chapter II, Part 200, Subpart F, as amended.

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

22 (1) less than [~~ten thousand dollars (\$10,000)]~~  
23 one hundred thousand dollars (\$100,000) and does not directly  
24 expend at least fifty percent of, or the remainder of, a single  
25 capital outlay award, it is exempt from submitting and filing

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1 quarterly reports and final budgets for approval to the local  
2 government division of the department of finance and  
3 administration and from any financial reporting to the state  
4 auditor;

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

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

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

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

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

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

25 ~~(a) narrowly tailored to the affected~~

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1 ~~local public body;~~

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

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

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

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

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

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

19 ~~(6) at least two hundred fifty thousand~~  
20 ~~dollars (\$250,000) but not more than five hundred thousand~~  
21 ~~dollars (\$500,000), it shall submit to the state auditor, at a~~  
22 ~~minimum, a compilation of financial statements and a financial~~  
23 ~~report consistent with agreed-upon procedures for financial~~  
24 ~~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 ~~or more, it shall be thoroughly examined and audited as~~  
6 ~~required by Subsection A of this section]~~

7 (2) less than one hundred thousand dollars  
8 (\$100,000) and directly expends at least fifty percent, or the  
9 remainder, of a single capital outlay award, the local public  
10 body shall submit to the state auditor a financial report  
11 consistent with agreed-upon procedures for the financial  
12 reporting that are:

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

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

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

19 (3) more than or equal to one hundred thousand  
20 dollars (\$100,000) but less than one million dollars  
21 (\$1,000,000), the local public body shall submit to the state  
22 auditor, at a minimum, a financial report that includes a  
23 schedule of cash basis comparisons and a test sample of any  
24 expended capital outlay funds and that is consistent with  
25 agreed-upon procedures for financial reporting that are:

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

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

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

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

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

13                   D. If a local public body is required to be  
14 examined and audited pursuant to Subsection A of this section,  
15 the local public body shall not be eligible for the reporting  
16 requirements provided pursuant to Paragraphs (1) through (4) of  
17 Subsection B of this section and shall be required to be  
18 examined and audited each year.

19                   ~~[D.]~~ E. Annual financial and compliance audits of  
20 agencies under the oversight of the financial control division  
21 of the department of finance and administration shall be  
22 completed and submitted by an agency and an independent auditor  
23 to the state auditor no later than sixty days after the state  
24 auditor receives notification from the financial control  
25 division ~~[to the effect]~~ that an agency's books and records are

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1 ready and available for audit. The local government division  
2 of the department of finance and administration shall inform  
3 the state auditor of ~~[the]~~ any compliance or ~~[failure to~~  
4 ~~comply]~~ noncompliance by a local public body with the  
5 provisions of Section 6-6-3 NMSA 1978.

6 ~~[E.]~~ F. In order to comply with United States  
7 department of housing and urban development requirements, the  
8 financial affairs of a public housing authority that is  
9 determined to be a component unit in accordance with generally  
10 accepted accounting principles, other than a housing department  
11 of a local government or a regional housing authority, at the  
12 public housing authority's discretion, may be audited  
13 separately from the audit of its local primary government  
14 entity. If a separate audit is made, the public housing  
15 authority audit shall be included in the local primary  
16 government entity audit and need not be conducted by the same  
17 auditor who audits the financial affairs of the local primary  
18 government entity.

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

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

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

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

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

14 (2) the state auditor has investigated the  
15 matter and attempted to negotiate with the [~~state~~] agency,  
16 state institution, municipality or county but the state agency,  
17 state institution, municipality or county has not made  
18 satisfactory progress toward compliance with the Audit Act."

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

21 "12-6-5. REPORTS OF AUDITS.--

22 A. The state auditor shall cause a complete written  
23 report to be made of each annual or special audit and  
24 examination made. Each report shall set out in detail, in a  
25 separate section, any violation of law or good accounting

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1 practices found by the audit or examination. Each report of [~~a~~  
2 ~~state~~] an agency shall include a list of individual deposit  
3 accounts and investment accounts held by each [~~state~~] agency  
4 audited. A copy of the report shall be sent to the agency  
5 audited or examined and the secretary of finance and  
6 administration; five days later, or earlier if the agency  
7 waives the five-day period, the report shall become a public  
8 record, at which time copies shall be sent to [~~(1) the~~  
9 ~~secretary of finance and administration; and (2)~~] the  
10 legislative finance committee.

11 B. The state auditor shall send a copy of reports  
12 of [~~state~~] agencies to the department of finance and  
13 administration.

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

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

23 "12-6-13. AUDIT FUND--PAYMENT FOR AUDITS--EXPENSES OF  
24 AUDITOR.--

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

11 B. Fees and costs pursuant to Subsection A of this  
12 section shall be determined by the state auditor to recover all  
13 fees and costs of the state auditor for performing an  
14 engagement in accordance with professional standards.

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

18 SECTION 5. APPROPRIATION.--Fifty thousand dollars  
19 (\$50,000) is appropriated from the general fund to the office  
20 of the state auditor for expenditure in fiscal year 2027 to  
21 purchase computer software to administer statewide single  
22 federal audits. Any unexpended balance remaining at the end of  
23 fiscal year 2027 shall revert to the general fund.