

New Mexico
Office of the State Auditor

Audit Requirements for Local Governments

August 13, 2015



Agenda

- **Overview of the Office of the State Auditor (OSA)**
- **Audit Requirements**
- **What is OSA doing to help facilitate compliance?**
- **Audit Findings**
- **Questions**



Overview of the OSA

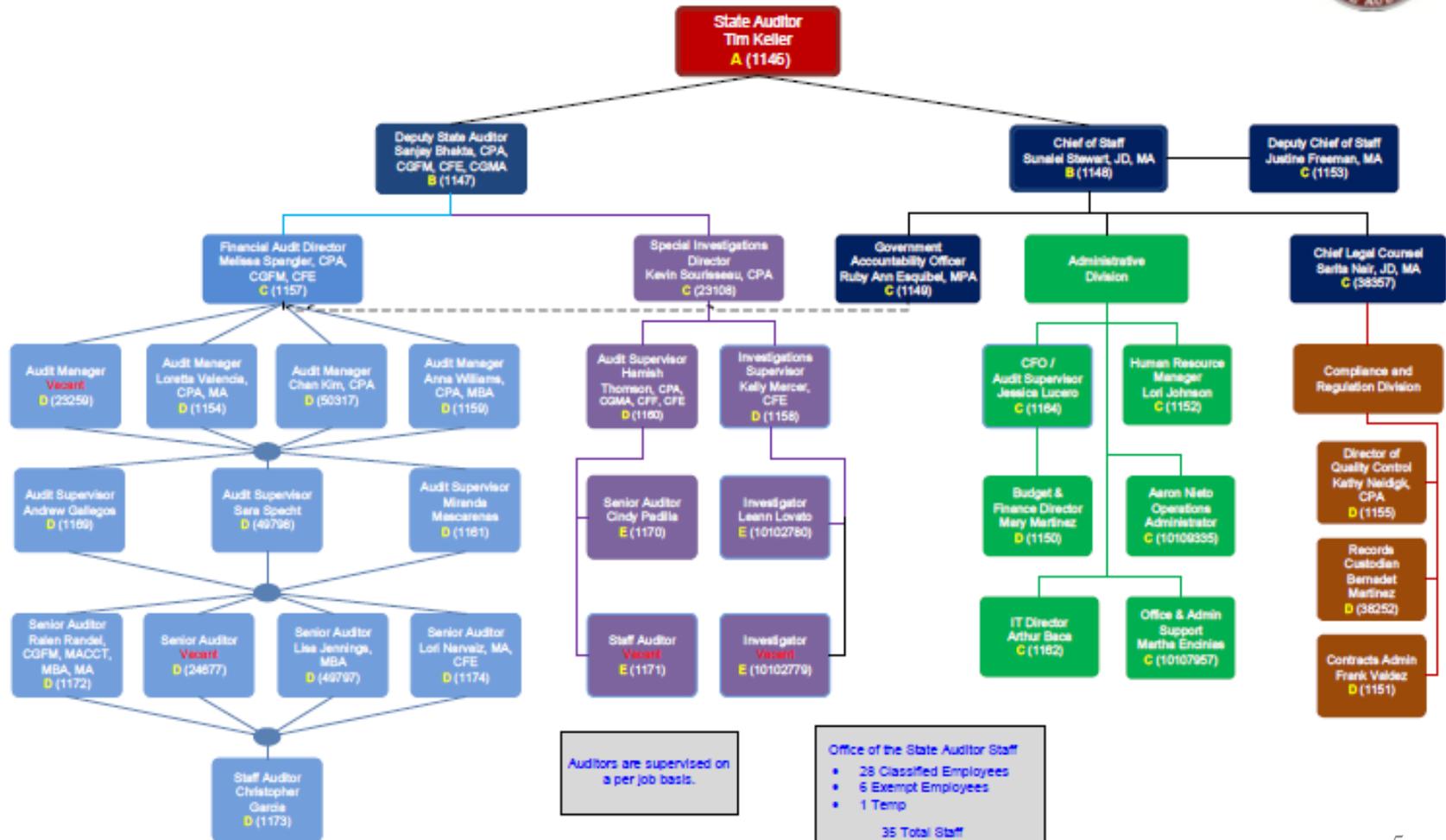
Overview of NM's State Auditor

- **Financial Audits**
- **Special Investigations**
- **Government Accountability Office (GAO)**
- **Regulating Accounting Industry**

The Office of the State Auditor (OSA)



Office of the State Auditor Org Chart July 2015



OSA Constitutional Authority

Statewide office created by the New Mexico Constitution (Article V, Section 1).

“Historically and fundamentally, the Office of State Auditor was created and exists for the basic purpose of having a completely independent representative of the people, accountable to no one else, with the power, duty and authority to examine and pass upon the activities of state officers and agencies who, by law, receive and expend public moneys.” Thompson v. Legislative Audit Comm’n (1968).

Statutory Authority (Annual Audits)

Section 12-6-3(A) NMSA 1978 provides that:

“The financial affairs of every agency be thoroughly examined and audited each year by the state auditor, personnel of his office designated by him or by independent auditors approved by him.... The audits shall be conducted in accordance with generally accepted auditing standards and rules issued by the state auditor.

Statutory Authority (Special Audits)

Section 12-6-3 NMSA 1978 states:

“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.”

Sections 2.2.2.15(A) and (B) NMAC detail the process by which the OSA may “initiate a special audit, performance audit or attestation engagement regarding the financial affairs and transactions of an agency....”

Statutory Authority (Tiered System)

- **Section 12-6-3(B) NMSA 1978 establishes a tiered system of financial reporting for local public bodies in which the amount of a local public body's annual revenue determines whether the local public body is subject to agreed upon procedures engagements.**
- **See Section 2.2.2.16 NMAC for information applicable to local public bodies.**

7 Tiers of Financial Reporting

- Tier 1 - Less than \$10,000 in revenue
- Tier 2 - $> \$10,000 < \$50,000$ in revenue
- Tier 3 - $< \$50,000$ in revenue and spends 50% or remainder of capital outlay award
- Tier 4 - $> \$50,000 < \$250,000$ in revenue (no capital outlay expenditures)
- Tier 5 - $> \$50,000 < \$250,000$ in revenue plus capital outlay expenditures
- Tier 6 - $> \$250,000 < \$500,000$ in revenue
- Tier 7 - $> \$500,000$ in revenue

New Mexico Government Agencies

Agency Name	Number	Agency Name	Number
State Agencies	104	Regional Housing Authorities	3
Council of Governments	7	Soil & Water Districts	48
Municipalities	107	Special Districts	57
Counties	35	Mutual Domestic Water Association	213
School Districts	89	Regional Education Coops	11
State Chartered CS (58) District Charter Schools (39)	97	Workforce Development Board	5
Higher Education (17) and Comp. Units- (23)	40	Charter Schools Component Units	2
District Attorneys	15	Public Improvement Districts	11
District Courts	14	Tax Increment Development Districts	8
Hospitals	13	Land Grants	31
Housing Authorities	45	Acequias and Ditches	27

Total Entities 980

Office of the State Auditor Vision

Helping government work better by combating fraud, waste and abuse

- **Annual Audit Accountability and Finding Reduction**
- **Accessible and responsive to agencies and IPAs**
- **Government Accountability Office (GAO)**
- **Support for At Risk Entities**



Audit Requirements

Report Due Dates 2.2.2.9(A)(1)

Entity	2014 Report Deadline	2015 Report Deadline 2.2.2.9(A)
Local Public Bodies that qualify for the tiered system	5 months after FYE	5 months after FYE
CAFR	None	February 15
Cooperative Educational Services	September 30	September 30
Independent Housing Authorities	September 30	September 30
Regional Education Cooperatives	September 30	September 30

Report Due Dates 2.2.2.9(A)(1) Cont.

Entity	2014 Report Deadline	2015 Report Deadline 2.2.2.9(A)
Hospitals and Special Hospital Districts	October 15	October 15
Counties	November 15	November 1
Higher Education	November 15	November 15
School Districts	November 15	November 15
Combined County/Municipality governments	December 1	December 1
District Attorneys	December 15	December 1
District Courts	December 15	December 1

Report Due Dates 2.2.2.9(A)(1) Cont.

Entity	2014 Report Deadline	2015 Report Deadline 2.2.2.9(A)
State Agencies – 60 days after notice of audit readiness	December 15	December 1
PERA and ERB	December 15	December 1
Councils of Governments	December 15	December 15
Local Public Bodies that <u>do not</u> qualify for the tiered system	December 1	December 15
Local Workforce Investment Boards	December 1	December 15
Component Units	Same as primary unit deadline	15 days before primary unit deadline

Non Compliance with Audit Requirements

"At Risk" Designation through Fiscal Year 2014

Group	Agency #	Agency Name	Last Year of Compliance with the Audit Act	Last Year Financial Opinion Issued by IPA *
Hospitals	2084	Roosevelt General Hospital	FY13	Unmodified
Municipality	6032	Village of Cimarron	FY13	Unmodified
Municipality	6060	City of Espanola	FY11	Disclaimer
Municipality	6072	Village of Folsom	FY10	Unqualified
Municipality	6090	Village of Hope	FY11	Unqualified
Municipality	6100	Town of Lake Arthur	FY10	AUP (No Opinion)
Special Districts	4021	Hammond Conservancy District	FY09	In Review
Special Districts	4031	North Central Solid Waste Authority	FY09	Adverse
Special Districts	4039	Vermejo Conservancy District	FY13	Unmodified
Special Districts	4080	Rio San Jose Flood Control District	FY04	Unqualified
Special Districts	4090	Yah-ta-hey Water & Sanitation District	FY06	Disclaimer
Special Districts	4098	Ramah Water & Sanitation District	FY12	AUP (No Opinion)
State Agency	605	Martin Luther King, Jr. Commission	FY13	Unmodified
State Agency	662	Miners' Colfax Medical Center	FY13	Unmodified
State Agency	669	Health Policy Commission	FY09	Unqualified
State Agency	924	Public Education Department	FY13	Unmodified

On 2013 "At Risk List"

August 5, 2015



**What is OSA doing to help
ensure compliance?**

OSA Assistance

- **Financial Assistance to Small Political Subdivisions**
- **Assisting entities in finding the right IPA for them**
- **Providing educational assistance**
- **Working directly with funding agencies**

Small Political Subdivision (SPS) Financial Assistance

- **The Legislature allocated \$160,000 to assist small political subdivisions in becoming compliant with the Audit Act.**
 - **A Small Political Subdivision includes mutual domestic water consumers associations, land grants, certain municipalities and special districts (including but not limited to soil and water conservation districts, acequias, water and sanitation districts, etc.)**
- **Financial assistance award can be used by entities that must receive either:**
 - **1) a full financial and compliance audit or;**
 - **2) an agreed-upon procedures under the “tiered system of financial reporting.”**

Small Political Subdivision Assistance Cont.

OSA will give priority to applicants that:

1) Demonstrate financial need or hardship associated with completing their audit reports and/or agreed-upon procedures reports.

1) Demonstrate that their noncompliance with financial reporting requirements will adversely impact its eligibility to receive federal or state funding.

Applications can be found at:

[http://www.saonm.org/media/news_pdf/OSA_Application_Cover_Page_Form - Funding for Small Political Subdivisions-Final.pdf](http://www.saonm.org/media/news_pdf/OSA_Application_Cover_Page_Form_-_Funding_for_Small_Political_Subdivisions-Final.pdf)

Applications are due by August 31, 2015



Audit Findings

Audit and Finding Trends

- **Good news, of over 400 audits statewide, about 94% of entities had unmodified opinions.**
- **28% of all governmental entities had no findings.**
- **Less good news, audits contained about 2,000 findings.**
- **About 40% of findings repeated.**
- **Frequency and severity of findings across governmental entities suggest that many agencies need to improve their accounting and financial control systems.**

New Audit Rule Finding Requirements

- **Within the condition, for repeat findings, management's progress or lack of progress towards implementing the prior year corrective action plan should be included.**
- **Within the agency response, a specific corrective action plan with a timeline and designation of what employee position(s) are responsible for meeting the deadlines in the timeline must be included.**



Questions?
Thank You.

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