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FISCAL IMPACT REPORT

ORIGINAL DATE 02/09/11

SPONSOR McSorley LAST UPDATED _____ HB _____

SHORT TITLE State Fair Commission Audit Appropriation SB 358

ANALYST Archuleta

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
NA	\$30.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	*See Fiscal Impact	*See Fiscal Impact	*See Fiscal Impact			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Auditor's Office (OSA)

State Fair Commission (SFC)

SUMMARY

Synopsis of Bill

Senate Bill 358 appropriates \$30,000 from general fund to the office of the State Auditor to conduct a financial and program audit of the State Fair Commission and Expo New Mexico.

FISCAL IMPLICATIONS

The State Fair Commission is an enterprise fund agency and must generate its own revenue to cover operating expenses. The only general fund money appropriated to the State Fair Commission is for educational programs at the African American Performing Arts Center.

In addition, House Bill 6, otherwise referred to as the State Fair Commission Appropriation Act,

includes an appropriation for purposes of conducting a financial audit for agency.

*The bill requires the State Auditor to “conduct a financial and program audit of the State Fair Commission and Expo New Mexico.” If such audit cost more than the amount of appropriation, it will have an adverse fiscal impact on the OSA.

SIGNIFICANT ISSUES

Currently, the Commission, which includes Expo New Mexico is audited annually by an independent public accountant approved by the State Auditor. The financial audit reports are submitted by the Commission and reviewed and released by the State Auditor. Unless the bill intends to require an audit other than an annual financial audit, such audit would be duplication of the annual financial audit required by the Audit Act.

PERFORMANCE IMPLICATIONS

The Expo New Mexico administration and accounting department would be pleased to work with all necessary parties in order to comply with the auditing process. The New Mexico State Fair Commission submitted their FY10 audit performed by Griego Professional Services, LLC to the State Auditor in December 2010.

TECHNICAL ISSUES

The State Auditor’s Office indicates the bill does not specify what is the intended meaning of “financial and program audit”. Generally, the annual financial audit, which the Commission submits to the State Auditor pursuant to the Audit Act, includes the financial audit and the program activities of the entity on a test basis. If the intended purpose of the bill is to require a special audit to examine the Commission’s financials and programs, that type of audit should be specified in the bill.

ALTERNATIVES

The State Auditor’s Office suggests that given the issues raised above, the following alternatives/additions to the bill could be considered:

- 1) The bill should clarify the type of audit required and whether it is for a specific program(s) or issue(s).
- 2) The bill could appropriate the amount directly to the Commission rather than to the OSA. The Commission could be required to procure the services of an independent public accountant approved by the State Auditor. The OSA could review and approve the contract and the Commission would pay for such audit out the proposed appropriation.

DA/bym