

OFFICE OF THE STATE AUDITOR

TIERED SYSTEM OF FINANCIAL REPORTING FOR LOCAL PUBLIC BODIES<sup>1</sup>

FORM FOR DETERMINING TYPE OF REPORTING REQUIREMENTS  
AND INDEPENDENT PUBLIC ACCOUNTANT (IPA) SERVICES NEEDED

Pursuant to Sections 12-6-2(B) and Sections 12-6-3(B) NMSA 1978, local public bodies (mutual domestic water consumers associations, land grants, incorporated municipalities, and special districts) may be subject to different types of financial reporting requirements. This form should be used by all local public bodies to determine what type of professional services they are required to procure from an independent public accountant for fiscal years ending on or after June 30, 2010.

NAME OF LOCAL PUBLIC BODY (LPB): \_\_\_\_\_

**STEP ONE: Determine the LPB’s revenue and capital outlay award expenditures (if any) for the fiscal year:**

The LPBs total revenues/total money brought in (on a cash basis, excluding capital outlay funds, federal or private grants) were \$\_\_\_\_\_ for the fiscal year to which this recommendation applies, which is for \_\_\_\_\_ (fiscal year end).

**If applicable:** Capital outlay award funding received and expended by the LPB for this fiscal year was:

Type of Awards (i.e., capital outlay)	Award Received on (Fiscal Year 20XX)	Total Amount Awarded	Total Amount Expended

Note: Please be sure to do this calculation for each separate capital outlay award the LPB expended and add more rows if necessary.

**STEP TWO: If the LPB is NOT a municipality with an associated housing authority, then proceed to STEP THREE below. Otherwise:**

**Determine whether the incorporated municipality associated with a housing authority should include or exclude the housing authority when completing this form. Check the ONE box below that applies to the municipality.**

- If the municipality has a housing authority that is a component unit, then the component unit housing authority must procure a separate audit pursuant to 2.2.2 NMAC because it is not a local public body under the tiered system. The municipality should check this box and proceed to Step Three of this form. The tiered system may apply to the municipality, excluding its component unit housing authority.

<sup>1</sup> Section 12-6-2(B) of the Audit Act (effective July 1, 2010) defines “local public body” as a mutual domestic water consumers association, a land grant, an incorporated municipality or a special district.

- If the municipality has a housing authority that is a department, then the municipality should check this box and proceed to Step Three of this form. The tiered system may apply to the municipality, including its housing authority department.

**STEP THREE: If the LPB did NOT expend any federal funds during the fiscal year then skip to STEP FOUR. Otherwise:**

**Determine expenditures of federal funds for the fiscal year and application of the tiered system. Check the ONE box below that applies to the LPB:**

- If the LPB (including a component unit housing authority, if applicable) expended \$750,000 (or \$1,000,000 for federal awards issued on or after 10/1/2024) or more in federal funds and is required by the grantor to obtain a single audit of the financial statements and federal funds in accordance with the Uniform Guidance for Federal Awards, then check this box and proceed to Step Four of this form. The tiered system does not apply to the LPB. The entity must obtain an audit of the financial statements. **Proceed to Step Four and select “Full Financial Audit”.**
- If the local public body expended \$750,000 (or \$1,000,000 for federal awards issued on or after 10/1/2024) or more in federal funds and elects to obtain a program-specific audit in accordance with the Uniform Guidance for Federal Awards, then check this box and proceed to Step Four of this form. The tiered system may apply to the LPB. **Proceed to Step Four and select “Tier Engagement with Program Specific Audit”.**
- If the LPB (including a component unit housing authority, if applicable) did not expend \$750,000 (or \$1,000,000 for federal awards issued on or after 10/1/2024) or more in federal funds, then check this box and proceed to Step Four of this form. The tiered system may apply to the local public body.

**STEP FOUR: Based on the local public body’s revenue calculation in Step ONE and adjusted, if necessary, for items in Steps Two or Three, check the ONE box below that applies to the LPB:**

- Tier 1 - Revenue is less than \$10,000 and the LPB did not directly expend at least 50% of, or the remainder of, a single capital outlay award:** The LPB falls under Tier 1. An LPB under Tier 1 is exempt from submitting a financial report to the State Auditor and is not required to procure the services of an IPA. However, the LPB shall certify by submission of a Tier 1 Certification to the to the Office of the State Auditor and notify the Local Government Division of the Department of Finance and Administration that it meets the revenue threshold of Tier 1.
- Tier 2 - Revenue is \$10,000 or more but less than \$50,000:** The LPB falls under Tier 2. An LPB under Tier 2 is exempt from submitting a financial report to the State Auditor and is not required to procure the services of an IPA. However, the LPB shall certify, by submission of a Tier 2 Certification to the Office of the State Auditor and notify the Local Government Division (LGD) of the Department of Finance and Administration (DFA) that it meets the revenue threshold of Tier 2. The LPB is required to comply with quarterly and final budget reporting requirements to Local Government Division of the Department of Finance and Administration pursuant to Section 6-6-3 NMSA 1978.
- Tier 3 - Revenue is less than \$50,000 and the LPB expended at least 50% of, or the remainder of a capital outlay award:** The LPB falls under Tier 3. An LPB under Tier 3 is required to procure the services of an IPA for the performance of a Tier 3 agreed upon procedures engagement in accordance with the Tier 3 agreed upon procedures checklist on the State Auditor’s website.
- Tier 4 - Revenue \$50,000 or more but less than \$250,000:** The LPB falls under Tier 4. An LPB under Tier 4 is required to procure the services of an IPA for the performance of a Tier 4 agreed upon procedures engagement in accordance with the Tier 4 agreed upon procedures checklist on the State Auditor’s website.

- **Tier 5 - Revenue is \$50,000 or more but less than \$250,000 and the LPB expended any capital outlay funds:** The LPB falls under Tier 5. An LPB under Tier 5 is required to procure the services of an IPA for the performance of a Tier 5 agreed upon procedures engagement in accordance with the Tier 5 agreed upon procedures checklist on the State Auditor’s website.
- **Tier 6 - Revenue is \$250,000 or more but less than \$500,000:** The LPB falls under Tier 6. An LPB under Tier 6 is required to procure the services of an IPA for the performance of a Tier 6 agreed upon procedures engagement in accordance with the Tier 6 agreed upon procedures checklist on the State Auditor’s website.
- **Full Financial Audit - Revenue is \$500,000 or more:** The tiered system does not apply to the LPB and the entity must procure the services of an IPA for the performance of a financial and compliance audit in accordance with generally accepted auditing standards and rules issued by the State Auditor.
- **Tier Engagement with a Program Specific Audit** - The tier system applies the LPB and the entity is required to procure the services of an IPA for the performance of the appropriate tier engagement. The entity is also required to procure the services of an IPA for the performance of a program specific audit in accordance with Uniform Guidance for Federal Awards and rules issued by the State Auditor.

Please note that this is not the Tier certification form which is to be entered in OSA-Connect. Use of this form is for the local public body’s information and convenience.

\_\_\_\_\_

(Print Name)

\_\_\_\_\_

(Signature)

\_\_\_\_\_

(Date)