



State of New Mexico Office of the State Auditor

AUDITOR ALERT REGARDING EXCEPTIONS TO THE “ONE-COVER” REQUIREMENT FOR AUDITS THAT INCLUDE A FEDERAL SINGLE AUDIT AND RELATED CONTRACT AMENDMENTS

October 28, 2025

TO: Agencies that require a FY 2025 Federal Single Audit

RE: Amending Contracts to Submit Single Audit Reports Under Separate Cover

Due to the continued delay in the release of the FINAL 2025 Compliance Supplement for Federal Single Audits—further impacted by the Federal Government shutdown—and in response to a request from the New Mexico Legislative Finance Committee, the Office of the State Auditor (OSA) is granting an exception to the Audit Rule requirement specified in NMAC 2.2.2.10(T)(4) to submit audits under “one cover.” This temporary exception allows flexibility in how agencies submit their financial and Single Audit reports, recognizing the challenges posed by the delayed guidance. This exception supersedes previous OSA due date extensions.

State Agencies and Component Units that are included in the State of New Mexico Annual Comprehensive Financial Report (ACFR) and need a Federal Single Audit are required to submit separate annual financial audit reports and Federal Single Audit reports.

Other agencies that are not part of the ACFR but still require a Federal Single Audit may choose between the following options:

- Submit a separate financial audit report, or
- Take a “wait and see” approach regarding the release of the final Compliance Supplement, with the intent to submit a combined report under one cover.

Contract amendments—processed through the OSA-Connect system—are required for all impacted ACFR components and any other agency choosing to submit a separate Federal Single Audit report to formally break the “one-cover” requirement, account for potential increases in IPA compensation, and to modify deadlines. **OSA has posted step-by-step instructions on its website to assist agencies in completing the contract amendment process in the OSA-Connect system.** Agencies should also refer to the FAQs related to this situation on OSA’s website for additional information and guidance. You can access the instructions and FAQs [here](#). OSA has also included required amendment language in this document for agencies to reference during the contract amendment process.

In addition, all affected state agencies and components of the State of New Mexico ACFR must adhere to the earlier “separate cover” submission deadlines. Draft financial audit reports must be submitted in accordance with these earlier due dates. Table 1 identifies the due dates for agencies’ contract amendment and separate financial audit report.

TABLE 1: Contract Amendment Due Dates and Financial Audit Report Due Dates

AGENCY TYPE	SEPARATE COVER CONTRACT AMENDMENT DUE DATE	SEPARATE COVER FINANCIAL AUDIT REPORT DUE DATE
State agencies with normal November 1st deadlines	November 10, 2025	December 1, 2025
State component units such as NMFA and Lottery Authority	November 10, 2025	December 1, 2025
Institutes of Higher Education	November 10, 2025	December 1, 2025
State agencies with normal November 17th deadlines	November 17, 2025	December 15, 2025
State agencies with normal November 26th deadlines	November 17, 2025	December 15, 2025
Mortgage Finance Authority	November 17, 2025	December 15, 2025
All Other Entities (schools, municipalities, counties, special districts,)	December 15, 2025 (if taking the “two-cover” option)	January 20, 2026

Due to ongoing uncertainty, the OSA will not establish deadlines for the separate Single Audit report in this communication. OSA will provide further guidance once there is additional clarification.

All other agencies required to complete Single Audits may choose to submit their financial audit and Single Audit reports under separate cover through January 20, 2026. Please note that bond rating agencies may request a separately issued financial statement audit report. Additionally, these changes may affect IPA scheduling and resource availability. OSA strongly recommends early decisions to ensure a smooth process for all parties—do not wait until January to decide.

If your agency is a component unit with a separate IPA, and subject to the 15-day earlier deadline, the draft report must be submitted 15 days prior to the extended deadline. For example, if a county elects to submit its report by January 20, 2026, a component unit of that county—such as a hospital or housing authority—with a different IPA must submit its draft report to the OSA by January 5, 2026. This requirement ensures that primary governments have sufficient time to incorporate component unit financial information into their reports. As a reminder, group audit standards apply, and effective communication and coordination among IPAs and agencies is essential to ensure timely submission of draft reports.

Agencies choosing to submit audit reports under separate cover are encouraged to submit their financial audit reports to the OSA once the draft is complete. The Office continues to evaluate options for issuing separate Single Audit reports. Specific guidance regarding the submission process and additional requirements will be provided once finalized.

Amendment Language for the “Compensation” Section of the Standard Contract

Agencies should follow OSA’s contract amendment instructions available [here](#). The instructions identify areas where contract amenders will need to insert (copy/paste) certain amendment language. This language is included below for ease of reference and copy/pasting.

1. When deleting section 3.C, insert (copy/paste) the following in its place:
 - a. C. Total compensation will consist of the following: Services Amounts (1) Financial statement audit (2) Federal Single Audit \$_____ (3) Financial statement preparation \$_____ (4) other non-audit services, such as depreciation schedule updates_____ (5) Other (i.e. component units, specifically identified \$_____ Gross receipts tax \$_____ Total Compensation \$_____, including applicable gross receipts tax.
2. In the blank sections, fill in the corresponding amounts from the Fee and Hour Breakdown table.
3. State Agencies and other ACFR Components with single audits must insert (copy/paste) the additional language in Step A below. All other agencies that *choose* to submit Single Audit reports under separate cover, insert (copy/paste) the additional language in Step B.

A. For State Agencies and other ACFR Components with single audits:

Insert (copy/paste) the following language in the “Changes to Scope of Work” section after inserting Section C showing your agency’s changes to fee and hour breakdown:

This contract is being amended pursuant to guidance issued by the Office of the State Auditor due to the Federal Government delay in issuing a Final Version of the 2025 Uniform Guidance. All affected state agencies and ACFR components are granted an exception to the “one cover” requirement prescribed at 2.2.2.10(T)(4) NMAC and are required to submit separate financial and single audit reports.

- a) The Financial Audit report is due to the OSA no later than *(insert due date, either December 1, 2025 or December 15, 2025, applicable to type of agency)*.
- b) The Single Audit report due date will be determined by the OSA once the Final Uniform Guidance Compliance Supplement has been released.

- c) To ensure compliance with NMSA 1978 12-6-14(B) “Contract Audits” and 2.2.2.8(M) NMAC “Progress Payments” Financial Audits and Single Audits shall be treated separately because two reports will be submitted to the OSA. Progress payment for up to 70% of either the Financial Audit or Single Audit may be made without OSA approval.
 - 1. Up to 85% of the Financial Audit contract cost may be paid, without OSA approval, upon the submission of the Financial Audit Report. The remaining 15% of the Financial Audit contract cost may be paid according to 2.2.2.8(M)(3) NMAC.
 - 2. Up to 85% of the Single Audit contract cost may be paid, without OSA approval, upon the submission of the Single Audit Report. The remaining 15% of the Single Audit contract cost may be paid according to 2.2.2.8(M)(3) NMAC.

All provisions of the Contract not expressly amended in this Amendment remain unchanged.

End of copy/paste language for Step A

B. For other agencies that choose to submit Single Audit reports under separate cover:

Insert (copy/paste) the following language in the “Changes to Scope of Work” section when completing your agency’s audit contract amendment:

This contract is being amended pursuant to guidance issued by the Office of the State Auditor due to the Federal Government delay in issuing a Final Version of the 2025 Uniform Guidance. (Agency Name) has chosen to accept the exception to the “one cover” requirement prescribed at 2.2.2.10(T)(4) NMAC and will submit separate financial and single audit reports.

- a) The Financial Audit report is due to the OSA no later than January 20, 2026.
- b) The Single Audit report due date will be determined by the OSA once the Final Uniform Guidance has been released.
- c) To ensure compliance with NMSA 1978 12-6-14(B) “Contract Audits” and 2.2.2.8(M) NMAC “Progress Payments” Financial Audits and Single Audits shall be treated separately because two reports will be submitted to the OSA. Progress payment for up to 70% of either the Financial Audit or Single Audit may be made without OSA approval.
 - 1. Up to 85% of the Financial Audit contract cost may be paid, without OSA approval, upon the submission of the Financial Audit Report. The remaining 15% of the Financial Audit contract cost may be paid according to 2.2.2.8(M)(3) NMAC.
 - 2. Up to 85% of the Single Audit contract cost may be paid, without OSA approval, upon the submission of the Single Audit Report. The remaining 15% of the Single Audit contract cost may be paid according to 2.2.2.8(M)(3) NMAC.

All provisions of the Contract not expressly amended in this Amendment remain unchanged.

End of copy/paste language for Step B

Key Reminders:

- OSA has created a dedicated page on its website with resources to assist agencies in the contract amendment process and provide additional guidance and information, including step-by-step contract amendment instructions, deadlines, and FAQs. Access this page [here](#).
- OSA will reject any draft reports with a Federal Single Audit submitted prior to the release of the final compliance supplement.
- These exceptions only apply if the agency is required to have a Federal Single Audit.
- Agencies affected by the delay do not need to request an exception to the Audit Rule regarding the due date or the one cover requirement.
- Include the following disclosure in the Notes to the Financial Statements: “*(Agency Name)* will issue the Single Audit Report under separate cover. This report will be forthcoming once the final version of the Uniform Guidance Compliance Supplement has been officially released.”
- Draft reports submitted pursuant to this extension are not required to include a late report finding. A late audit finding is permitted, if in the IPA’s professional judgment, the audit is late due to factors unrelated to the Uniform Guidance delay.

OSA continues to closely monitor the situation and will provide further guidance on [our website](#).

Sincerely,

A handwritten signature in blue ink that reads "Donna M. Trujillo" followed by a horizontal line.

Donna Trujillo, CPA
Deputy State Auditor