



BUREAU OF BUSINESS
& ECONOMIC RESEARCH

A close-up photograph of a metal sign with embossed text. The text reads "EACH OF US" on the first line, "DEFINES" on the second line, and "ALL OF US." on the third line. The word "DEFINES" is highlighted with a red and white striped pattern, and "ALL OF US." is highlighted with a red and white polka-dot pattern. The sign is part of a larger assembly with other components visible, including a blue gear and a bar chart icon.

EACH OF US
DEFINES
ALL OF US.

STUDY OF NEW MEXICO STATE AGENCY FINANCIAL AUDIT REFORMS

Prepared for the State of New Mexico Office of the State Auditor

Charis Ailes, M.A., Research Scientist

JANUARY 2025

Acknowledgments

Many thanks to Cheryl James, Ricky Bejarano, Elise Mignardot and Donna Trujillo with the New Mexico Office of the State Auditor for insight into New Mexico’s audit processes, data provision, and feedback along the way.

We are also deeply grateful to the following people, states and associated departments for taking the time to be interviewed and on occasion to provide data or follow-up information.

Interviews:

- Kusum Adhikari, Deputy ACFR Bureau Chief – New Mexico Department of Finance and Administration, Financial Control Division
- Brian Blackwell, Audit Manager – Alaska Division of Legislative Audit
- Matthew Bone, Managing Principal of Office – CliftonLarsonAllen LLP, Albuquerque
- Douglas Cotnoir, State Controller – Maine Office of the State Controller
- Tammy Goetze, Audit Manager – Nevada Legislative Counsel Bureau, Audit Division
- Cindy Janssen, Audit Manager – Nebraska Auditor of Public Accounts
- Stacy Jaramillo, Deputy Director - Kansas Department of Administration, Statewide Agency Audits and Municipal Services
- Cindy Jorgenson, Deputy Legislative Auditor – Montana Legislative Audit Division
- Kris Kucera, Audit Manager – Nebraska Auditor of Public Accounts
- Mark Lundahl, Deputy Legislative Auditor – Alaska Division of Legislative Audit
- Mark Melhoff, Acting State Controller / Acting ASD Director – New Mexico Department of Finance and Administration, Financial Control Division
- Bobet-Uriel Obedoza, Accountant/Internal Auditor – State of Hawaii, Department of Accounting and General Services, Accounting Division
- Angelica Ramirez, Assistant State Auditor – Texas State Auditor’s Office
- Kurt Schlicker, Partner – Eide Bailly LLP
- John Severns, Statewide Financial Reporting and Accountability Bureau Chief – New Mexico Department of Finance and Administration, Financial Control Division
- Brandy Wilson, Deputy Director – Kansas Department of Administration, Statewide Consolidated Reporting, Controls & Collections

TABLE OF CONTENTS

Acknowledgments	2
Executive Summary	6
Introduction	18
50-State Comparison	19
Financial Reporting Framework for States	23
Annual Comprehensive Financial Report	23
Who Audits the Entities Included in the ACFR?	23
Single Audit	27
The Statewide Single Audit	28
Snapshot of a Statewide Single Audit	30
Data Used for Comparison to Other States	30
GFOA Certificate of Achievement	33
The Current Financial Audit Process	34
New Mexico	34
States Interviewed	35
Alaska	35
Hawaii	36
Kansas	37
Maine	38
Montana	39
Nebraska	42
Nevada	43
Texas	44
Utah	46
Synopsis of the Interviewed States' Processes Compared with New Mexico's	49

A Change to Audit Approach - Possible Effects **56**

Bond Ratings	56
Issuer Credit Rating (US States and Territories)	56
Instrument Credit Rating	57
State Credit Ratings as they Relate to the ACFR	57
State Credit Ratings as they Relate to Audits	58
Conclusion on Bond Ratings	60
Risk of Fraud and Wasteful Spending	60
Audit Costs	63
New Mexico	63
Kansas	65
Utah	66
State Comparisons of FTEs in State Auditors' Offices	67
Additional Info on Audit Hours and/or Staff Needed	71
Alaska	71
Maine	71
Montana	71
Nebraska	71
Texas	71
Conclusion on Cost	72
Who Would Bear the Audit Cost Burden?	72

Discussion of Alternate Auditing Strategies **74**

Possible Alternative Audit Strategies	74
Separating Federal Single Audit Work from Individual Agency Audits	74
Audit Deadlines, Fiscal Year Ending Dates, Penalties, and Draft Financial Statements	74
Group Audits	75
A Singular Statewide Audit	75
Conclusion and Proposed Transition Plan	79

Appendix I. FY 2022 Primary Auditor for States **80**

Appendix II. Montana House Bill 132 of the 68 th Legislature (Authorized Print Version)	81
Appendix III. Additional Single Audits Completed or Submitted for Each State	83
APPENDIX IV. STATE AGENCIES INCLUDED IN THE ACFR (2022)	90
Appendix V. References	92
States' Reports	92
Other Major References	98

Executive Summary

Each year, every U.S. state produces an Annual Comprehensive Financial Report (ACFR), an aggregate presentation of the state's basic financial statements designed to provide an overview of the state's finances to its citizens, taxpayers, investors and creditors. Part of the ACFR production process includes auditing either individual state agencies, the financial statements of the state as a whole, or a combination of both. For the purposes of this report, auditing the state-wide agencies whose statements feed into the ACFR in a centralized manner, rather than individually, will be referred to as a singular audit. The term "single audit" is different; it specifically refers to a federally required audit of an entity, fund, or program that expends federal funds. This audit may also be done on individual agencies or statewide. When conducted for the state as a whole, we refer to this as a statewide single audit.

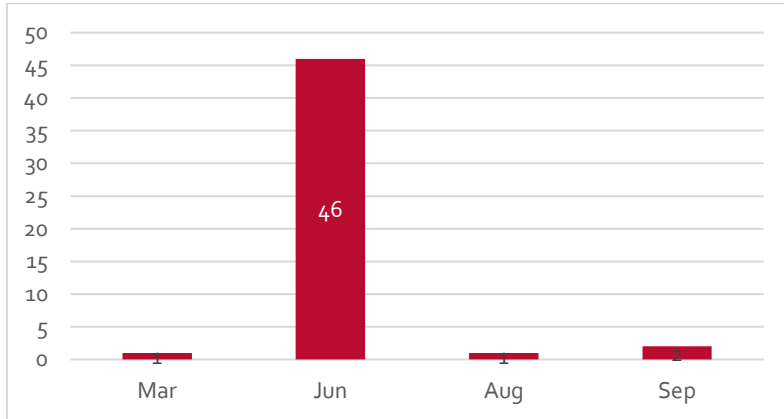
New Mexico currently statutorily requires every state department and component unit to complete an annual financial and compliance audit, including 130 state agencies, around 100 component units of the state, and 10 higher education institutions. When a single audit is required, these are also done individually and prior to the ACFR; each single audit is typically bundled together with the respective individual agency audit. This time-consuming audit process has contributed or led to the ACFR being consistently produced late, which can affect bond ratings and other matters of the state.

In 2024, the University of New Mexico's Bureau of Business and Economic Research (BBER) was contracted by the New Mexico Office of the State Auditor to conduct a study of other states' financial reporting (audit) strategies and practices with a goal of finding ways to streamline and accelerate the production of the state's ACFR. To this end, this study analyzes in depth both the ACFR practices and Single Audit practices of several other states in addition to assessing general norms across all 50 states. Through interviews and examination of state financial reports, we gathered a number of possible alternative audit practices that may be instated or incorporated into New Mexico's audit plan to help streamline the various elements surrounding the ACFR's compilation and increase efficiency.

50-STATE COMPARISON

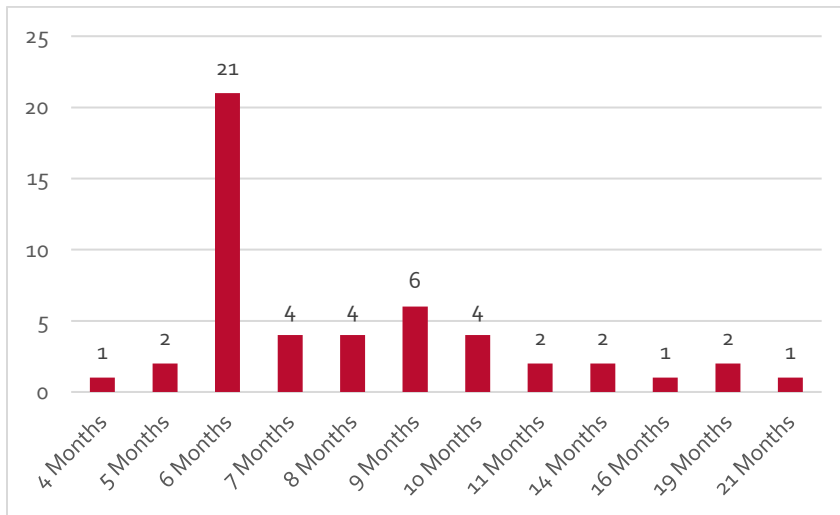
Our research showed that every state besides New Mexico produces a statewide single audit report in addition to its ACFR. Since states' ACFRs and single audit reports are produced after their fiscal year ends, these dates are used to measure the time to completion of each report. Most states (46), including New Mexico, use the fiscal year ending June 30th, though a handful of states follow end-March, August, or September fiscal calendars.

Figure I. Month Fiscal Year Ends (Number of States)



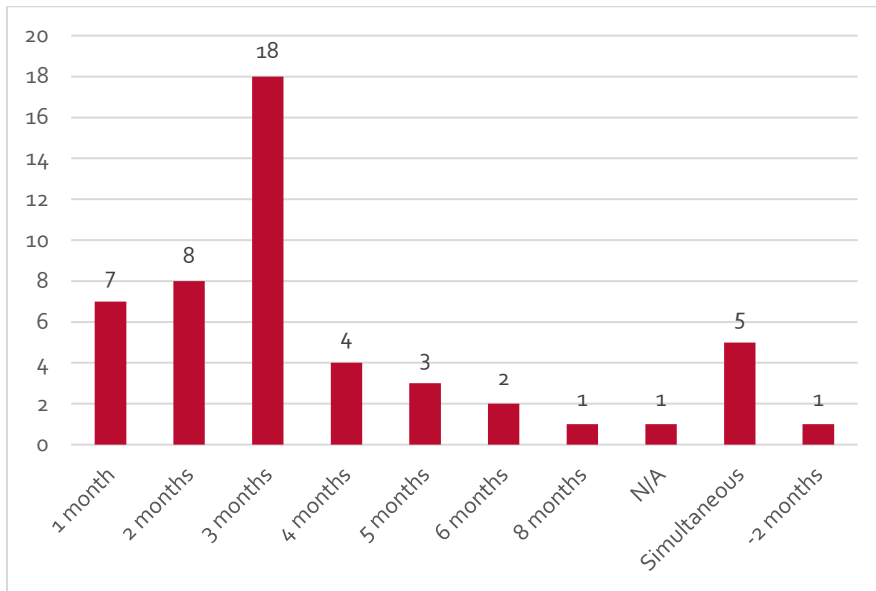
The largest number of states (21) completed their most recent ACFR exactly six months after their fiscal year ended. For reference, New Mexico produced its 2023 ACFR 10 months after the end of the fiscal year, in April of 2024.

Figure II. Months from FY End to Most Recent ACFR (Number of States)



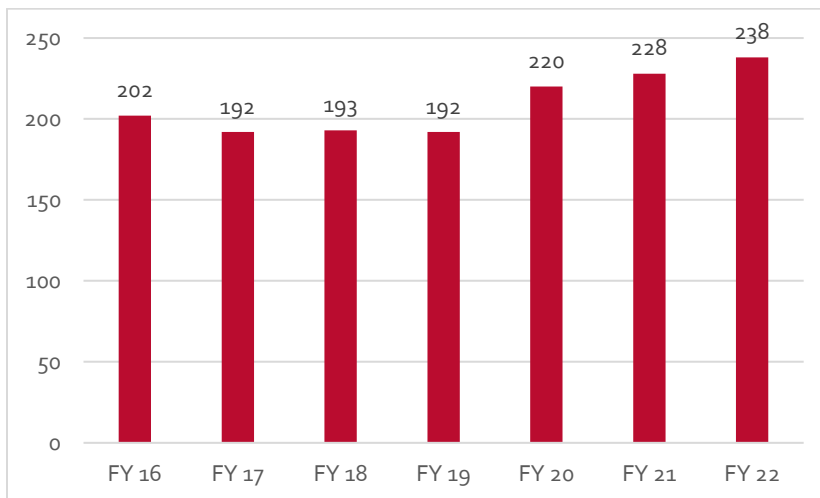
The majority of states (18) produced their statewide single audit report three months after their ACFR was published. New Mexico does not do a single audit report since all of its single audit engagements are completed simultaneously with the individual agency audits.

Figure III. Months from the Most Recent ACFR to the Corresponding Statewide Single Audit Report



States averaged 192-202 days to complete the ACFR from 2016 through 2019. The average time to complete increased in 2020 to an average of 220-238 days.

Figure IV. Average Days to ACFR Completion (All States)¹



¹ NASACT collects data from states, some of which is available to the public. See <https://www.nasact.org/>. Additional data is available to its members (state auditors, state comptrollers, and state treasurers).

The average days to ACFR completion seemed to vary based on whether the state’s primary auditor was state or private.

Figure V. Average Days to ACFR Completion by FY22 Auditor Type²

Auditor Type	Number of States	Average Days
State	36	250
Private	12	238
Combined	2	180
All States	50	244

DEEP DIVE INTO INTERVIEWED STATES’ PROCESSES

We interviewed nine states whose processes we also analyzed in depth. They included six states with populations relatively close to New Mexico’s (Hawaii, Kansas, Maine, Montana, Nebraska, and Nevada); two states that border New Mexico (Texas, and Utah); and an additional state that was suggested to us as possibly having some good processes to look at (Alaska).

Figure VI. Population of Interviewed States³

State	Population	Comparison to NM Population
Alaska	733,406	-1,380,965
Montana	1,132,812	-981,559
Maine	1,395,722	-718,649
Hawaii	1,435,138	-679,233
Nebraska	1,978,379	-135,992
New Mexico	2,114,371	0
Kansas	2,940,546	826,175
Nevada	3,194,176	1,079,805
Utah	3,417,734	1,303,363
Texas	30,503,301	28,388,930

² Data on the time from fiscal year’s end to the ACFR’s completion for all 50 states for the fiscal years 2016 through 2022 downloaded from https://www.nasact.org/cafr_completion.

³ 2023 Estimated Population (Census Bureau): Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia, and Puerto Rico: April 1, 2020 to July 1, 2023 (NST-EST2023-POP). Source: U.S. Census Bureau, Population Division. Release Date: December 2023.

Figure VII. Tax Revenue Received by Interviewed States⁴

State	Tax Revenue Received (in Billion \$US), 2022	Comparison to NM Tax Revenue	Tax Revenue Received (in Billion \$US), 2023	Comparison to NM Tax Revenue
Alaska	2.43	-6.17	3.27	-11.00
Montana	4.62	-3.98	4.71	-9.56
Maine	6.44	-2.16	6.44	-7.83
Nebraska	7.48	-1.12	7.33	-6.94
<i>New Mexico</i>	<i>8.60</i>	<i>0.00</i>	<i>14.27</i>	<i>0.00</i>
Hawaii	10.28	1.68	10.19	-4.08
Nevada	12.07	3.47	14.18	-0.09
Kansas	12.59	3.99	13.14	-1.13
Utah	13.79	5.19	13.49	-0.78
Texas	82.26	73.66	86.78	72.51

Several of the states we analyzed had received a GFOA Certificate of Achievement for Excellence in Financial Reporting for several consecutive years.

- Hawaii – 2022
- Idaho – 26 consecutive years
- Maine – 16 consecutive years
- Montana – 2022
- Texas – 33 consecutive years
- Utah – 38 consecutive years

RESULTS OF RESEARCH: FINANCIAL REPORTING FRAMEWORK FOR STATES - ACFR

Many states conduct a singular state audit, but the methods of doing so vary widely. It is important to realize that a singular state audit does not have to include all agencies and component units. Very few states' primary auditors audit the entirety of the state themselves. Most states have at least a few agencies, component units or similar, whose financial statements are audited by a different auditor. When this occurs, the primary auditor in its role as the group auditor communicates with the other auditors along the way to ascertain how things are going and for other needed purposes. The group auditor may set agreed-upon timelines to ensure that everything is completed on time. Audited

⁴ U.S. state government tax revenue FY 2022 (and 2023), by state: State government tax revenue in the United States in the fiscal year of 2022 (and 2023), by state (in billion U.S. dollars). Original data from the U.S. Census Bureau. April 2023 (2024). Census.gov (ID 248932). Published by [Statista.com](https://www.statista.com).

financial statements from agencies with individual audits would be included in the ACFR at some point during compilation and the primary auditor usually bases its opinion on the opinion of the other auditor(s) rather than re-auditing these portions. New Mexico’s ACFR audit is also a group audit, however, the OSA establishes audit report deadlines for state agencies and institutions of higher education to assist the group auditor in receiving timely submission of audited financial statements for their reporting purposes. Some agencies are unable to prepare their financial statements in time for ACFR preparation deadlines which then impacts the auditor’s ability to audit the ACFR.

Figure I. Who Conducts the Financial (ACFR) Audit?⁵

Financial Audit: State Auditor vs. CPA Firm	Number of States
State audit agency conducts audit (100%)	6
State audit agency is primary auditor	34
CPA firm(s) conducts audit (100%)	10

RESULTS OF RESEARCH: FINANCIAL REPORTING FRAMEWORK FOR STATES - SINGLE AUDIT

We also found that most states do a statewide single audit in addition to their ACFR audit(s). A statewide single audit is usually done in a program-specific, rather than agency-specific, manner. Audit work is completed at each agency as needed. Some agencies may have their own individual single audit done (these may be the same or different as those who have separate ACFR audits).

Figure VIII. Single Audit Conducted Statewide or by Department/Agency⁶

Single Audit: Statewide vs. Department/Agency ⁷	Number of States
Only Statewide	33
Both Statewide and Department/Agency Single Audits	11
Only Department/Agency	3

⁵ Data from NASACT’s “Auditing in the States” (2024 Edition). Note: The numbers in this data presentation seem slightly different from those in Figure V because the two states listed under combined in the 2022 data source (Pennsylvania and South Carolina), plus two of the ones listed as private (New Mexico and New Hampshire), are here listed under “state audit agency is primary auditor,” and the six that here are listed under “state audit agency conducts audit 100%” are listed in the 2022 data source under state as the auditor type.

⁶ The data for this table and the next one came from NASACT’s “Auditing in the States” (2024 Edition).

⁷ The original data did not contain an answer for this question for Maryland, Massachusetts, and New Jersey.

We also found that there is a wide variety among states as to whether the single audit or audits are done by the state auditor, by a CPA firm or firms, or by a combination of both.

Figure IIX. Who Conducts the Single Audit?

Single Audit: State Auditor vs. CPA Firm	Number of States
State audit agency conducts audit (100%)	17
State audit agency conducts part/ CPA firm conducts part	19
CPA Firm(s) conducts Audit (100%)	14

POSSIBLE ALTERNATIVE AUDIT STRATEGIES

Through our research and interviews with other states, several possible alternative auditing strategies were identified. These strategies are listed below. Depending on the situation, these strategies could be used in conjunction with other listed strategies or existing methods.

Separating federal single audit work from individual agency audits

- Moves this work to concurrent with the ACFR instead of prerequisite and would likely save time in the ACFR production process

Implementing penalties for audits submitted late

- May further incentivize timeliness
- The finding itself is a type of penalty
- Another possibility is a fine, fee, or higher audit cost for agencies running late (Utah does this)

Allowing draft financial statements to be submitted instead of audited statements

- May only be acceptable if the agencies doing so are small and immaterial to the ACFR opinion

Update NMSA 1978 6-5-4.1 to clarify the simultaneous ACFR and agency audits

- The current statute requires each agency to compile financial statements to be used for the ACFR, which has been blamed for causing delays. This may have historically been confused with audited financial statements.

Conducting group audits of related or similar entities

- May result in efficiencies

A singular statewide audit

- Does not have to include all agencies
- Many possible strategies could be utilized to choose what to audit each year. Possible strategies include a risk-based approach in which only agencies, transactions, or funds with the

highest risk are audited, random sampling of specific transaction types across all included agencies, and a rotating or staggered schedule of agency audits.

- It is beneficial to change the schedule of what is audited to some extent each year.
- A singular audit could be phased in in stages and could also progress to include more agencies in future stages.
 - Montana is currently in an interim phase as they move towards a singular statewide audit; Pennsylvania implemented one in 2021. We suggest finding out more about how the change affects these states as time goes on.

A risk-based audit selection could include

- Larger agencies, funds, or expenditures above a certain dollar amount
- Those that have had findings and/or questioned costs in recent audits, especially if they have not been corrected
- Those that were not audited recently or in the previous audit cycle (audits could be scheduled every other year or at least once in three years, for example)
- Entities with deficiencies and/or weaknesses in internal control, especially if such are determined to be material or significant
- Areas with weak or lacking monitoring or other significant problems identified in audits or other assessments
- Transactions, funds, or entities affected by recent changes in laws or regulations; those related to programs at the beginning (startup) or end (closeout) phase of their life cycle
- Entities or funds with qualified opinions in recent audits; entities with high turnover, legal issues, or a recent change in management
- Anything that has been flagged, reported as suspicious, or is subject to other identified risk

POTENTIAL EFFECTS OF A SINGULAR AUDIT ON STATE BOND RATINGS

We examined bond scoring because there was concern that a late ACFR would decrease bond ratings and speculation that a move to a singular audit would increase them. To get an idea of the potential effects that a change to the state audit approach might have on bond ratings, we examined Moody's issuer rating methodology.

*Moody's Rating Methodology*⁸

Baseline Scorecard Rating

- Economy (30%)
- Financial Performance (20%)
- Institutional Framework/Governance (20%)
- Leverage (30%)

⁸ From <https://ratings.moodys.com/rmc-documents/425428>.

The baseline rating is then notched up or down and a number of other factors are applied to the scorecard rating, including environmental, social and governance (ESG considerations); instrument considerations; and cross-sector methodologies.

Many sources are consulted during the rating process, including the state’s audited financial statements (usually contained in the ACFR). If the ACFR is produced late, it could potentially affect the rating or its timeliness. Overall, the rating factors seem to be based more on the contents and results of audits than the specific audit approach, provided that the audit(s) are high quality.

POTENTIAL EFFECTS OF A SINGULAR AUDIT ON THE RISK OF FRAUD AND WASTEFUL SPENDING

It is important to ascertain how a change in a singular audit might affect the risk of fraud and wasteful spending. However, audits in general are not necessarily designed to detect fraud but rather to determine whether the financial statements are fairly stated without any material discrepancies. They also usually assess whether internal controls in place are appropriate. External audit typically only detects a very small percentage of reported fraud although internal audit detects more.⁹ It is important therefore for states to have sufficient internal controls in place, to design a wider set of audits to be done that includes several types of audits such as performance audits and investigative audits based on tips and other reports, and to vary the audits done in some way to prevent complacency and/or established methods of avoiding detection.

POTENTIAL COST EFFECTS OF MOVING TO A SINGULAR AUDIT

It is possible that grouping related or similar agencies/entities together may result in efficiencies and thus cost savings. The potential cost of a singular statewide audit for New Mexico would take more information to determine but we were able to obtain numbers from a few of the states we interviewed.

- Data from Kansas¹⁰ gives an estimated cost of a statewide audit package that takes approximately 70,320 audit hours and costs around \$1.5 million, including a statewide financial audit, separate audits for several agencies and component units, and a statewide program-specific single audit that consists of 20 major programs.
- Utah’s ACFR audits for the fiscal years 2019-2023 averaged about 6,400 hours with an average cost of \$631,600. Its’ single audits during the same time period averaged 11,750 audits at an average cost including overhead of \$1.085 million, which included the cost of the comptroller’s office preparing the statewide single audit report.

State Comparisons of FTEs in State Auditors’ Offices

The following charts¹¹ show the number of full-time equivalent filled positions as well as the number dedicated to financial and single audits in state auditors’ offices for all states for whom the state audit

⁹ According to the Association of Certified Fraud Examiners’ (ACFE) Occupational Fraud 2024: Report to the Nations, downloaded from <https://legacy.acfe.com/report-to-the-nations/2024/>.

¹⁰ Source: Bid Proposal, Audit Services – Statewide Audit Package, Request for Proposals Issued November 2022 (data provided by Kansas Office of Accounts and Reports).

¹¹ Data comes from NASACT’s “Auditing in the States” (2024 Edition).

agency conducts 100% of either the financial or single audits. This data provides an idea of how many staff are needed to do financial and single audits when they are done by the state, as well as showing how many staff are doing other types of audit-related work. However, New Mexico usually uses a hybrid approach, and this is unlikely to change.

Figure III. State Audit Agency Conducts Financial Audit 100%

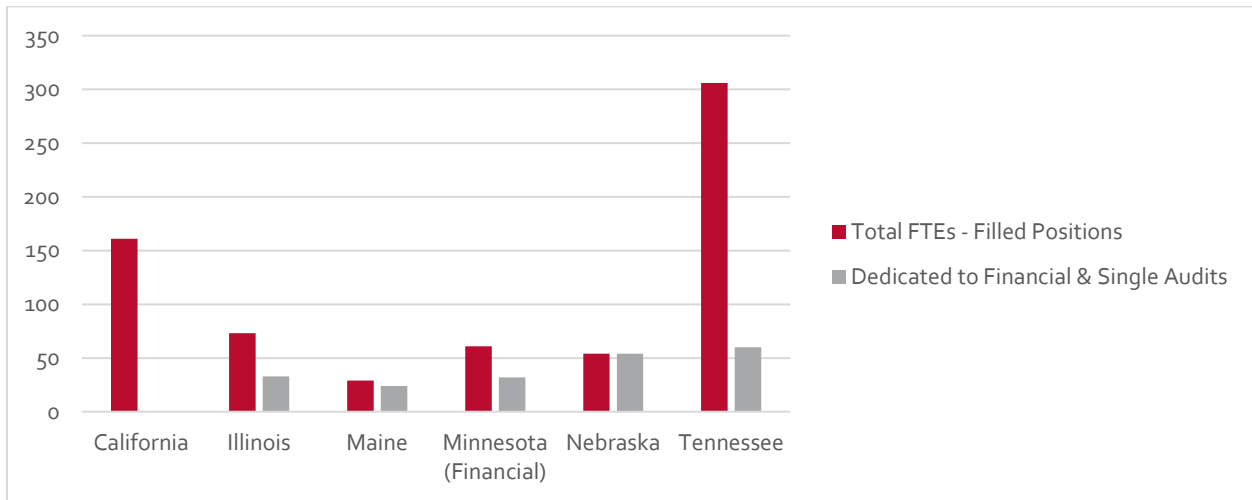
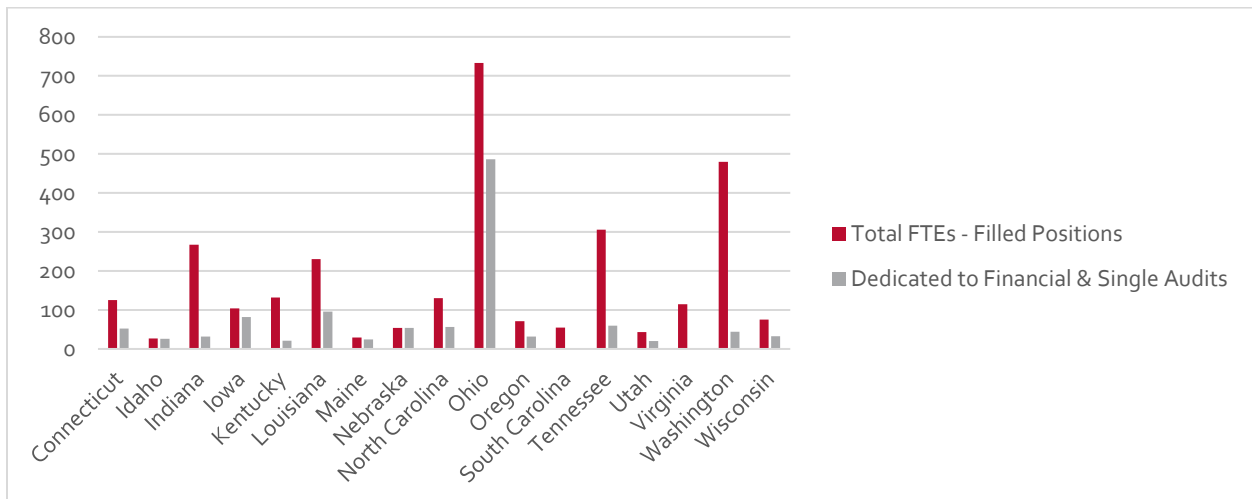


Figure XI. State Audit Agency Conducts Single Audit 100%



More Info from States on Audit Hours and/or Staff Needed

- Alaska - all the audit work for the ACFR takes approximately 10,000 hours to complete, divided up among a staff of 25-30 people.
- Nebraska - five out of 40 audit staff members work on the ACFR full-time; more join as the due date approaches.
- Texas - typically, a staff of about 10-20 people work on auditing the material items from the financials to be included in the ACFR, starting in mid-August and usually completed by mid-

November. All audits and opinions are due by late December so that the ACFR compilation can begin in January. The ACFR itself is audited during its compilation and published in February.

Cost Conclusion

Overall, we have come to understand that there is a wide range of audits done by different auditors, even among those who pass peer review. The components included in an ACFR can vary widely from state to state and this directly impacts the number of hours spent on each engagement and the associated cost. Additionally, since switching to a singular audit approach moves work from the component auditors to the group auditor, it is difficult to know how this will affect the cost and efficiency of the audits. Ultimately, the number of audit hours needed will of necessity vary by state since every state has different entities that are included or that have individual audits done. Thus, there are many possible ways in which the audit approach could affect the number of hours and staff needed.

AUDIT COST BURDEN

An important aspect to consider when deciding whether and how to modify the existing audit structure is how the cost of a singular audit would be funded. One option is for agencies to pay for their own share. This is allowed by New Mexico state statute 12.6.4 of NMSA 1978.¹² Massachusetts is an example of a state that does this. Additionally, the cost of single audits is allowed to be charged to the federal programs and paid out of the federal awards that are subject to audit.¹³ So the respective portions of a statewide single audit could be paid out of each respective program or fund. Maine is an example of a state that does this. It is not occurring in New Mexico because programs are often spread out among many different agencies and the Federal Government does not permit charges for multiple audits, or double dipping, for the same program. An alternative option would be to simply charge each agency for their portion of audits, leaving the details of whether they can charge the respective federal awards for the single audit portion to them.

PROPOSED TRANSITION PLAN

If a movement to a singular statewide audit is determined to be in the state's best interest, we propose a phased transition plan be implemented to get there. Such a transition plan would likely have a number of stages and interim phases. Based on the information gleaned from our research, we propose that the first stage (not including interim phases designed to reach the first stage) include the following:

- Including all or most state entities that use SHARE (the statewide accounting system) in a singular state audit that takes the place of individual financial and compliance audits for these agencies
 - This would include approximately 115-130 state agencies
 - Determine which agencies should continue to have separate audits that are later compiled with the ACFR

¹² See also 12.6.13 of NMSA 1978.

¹³ See <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRred1f39f9b3d4e72/section-200.425>.

- Consider adding other types of audits throughout the year, such as performance audits
- Updating the SHARE System to more efficiently and effectively consolidate financial information needed to accurately prepare the ACFR
- The ACFR audit should comply with GAAS, GAGAS, and rules issued by the state auditor. It would consist of a risk-based approach for choosing transactions, funds, and agencies to audit in which large and complex agencies would continue to have individual audits, as would component units that are legally separate from the state
 - Examples of agencies that may continue to have separate required audits are:
 - Constitutional institutes of higher education and associated component units
 - The New Mexico Finance Authority and Mortgage Finance Authority
 - Other instrumentalities of the state determined to be material to the ACFR
 - The remaining agencies could be audited via random sampling of various types of transactions, in their entirety on a rotating schedule throughout the year, or by internal audit or other means not specifically related to the ACFR audit
- Designing a separate statewide single audit that uses the ACFR as its financial portion
 - The statewide singular audit would likely be program-based rather than agency-based
 - Upgrades to the SHARE system could help to facilitate the creation of a statewide SEFA
 - There would be a statewide single audit report that covers all the included agencies
 - Allowing component units and agencies with particular needs to continue to do individual audits
 - The five state universities do not use the SHARE system; neither do the component units (around 100); these could continue to do separate audits
 - Alternatively, perhaps a real-time interface capability could be added to SHARE that would allow the component units to be added in their own ledger, thus making the ACFR preparation more efficient and less time-consuming
 - If these upgrades are not possible or too costly, system replacement could also be considered
 - Allowing small and immaterial entities to submit draft financial statements for the ACFR instead of audited financial statements
 - Implementing penalties and/or rewards for entities who submit audits late

An interim phase would need to be designed and implemented prior to reaching this first stage. Such an interim phase could perhaps include one or more group audits. Later stages could be designed if desired that may incorporate agencies and component units that were not included in the first stage as well as additional interim phases to reach each next stage.

Introduction

Each year, all 50 U.S. states produce an Annual Comprehensive Financial Report (ACFR)¹⁴ in order to provide a general overview of the state's finances to its citizens, taxpayers, investors, and creditors and to demonstrate accountability for its revenue to the same (Texas 2023 ACRR, p. 39). The ACFR presents aggregate statements, information, and analysis about funds and other financial activities of the state. The ACFR usually includes an audit of the state's basic financial statements. Some states conduct a singular audit of all or most of the departments and component units while others allow each entity to hire their own auditors to perform individual agency audits. However, most states use a combination of the two approaches. Even when states use a singular audit approach, there are typically at least some departments and/or component units that have separate audits conducted. In whichever case, the financial statements of each entity need to be compiled or consolidated for inclusion in the ACFR.

New Mexico currently requires every state agency to have an annual financial and compliance audit. Audited financial statements are received from each, consolidated, and used to produce the ACFR. The process of consolidating all of the audited financial statements is extremely lengthy and involved and tends to lead to the ACFR being produced late. Although waiting for audited financial statements is not specifically required per NMSA 1978 6-5-4.1., it may have been historically misinterpreted to mean this. Under consideration is the incorporation of a singular state ACFR audit – moving the individual agency financial and compliance audits to periodic rather than annual. The Office of the State Auditor (OSA) selects some agencies each year for which it will perform audits and then allows private firms to contract with the remaining agencies for audits.¹⁵ The firms who complete the audits submit them to the OSA. This study analyzes the reporting processes of several other states in order to find the pros and cons of moving to a singular statewide audit as well as to identify other alternate audit approaches.

While states make most of their own laws and regulations for their audit(s), the U.S. Office of Management and Budget (OMB) establishes standards for the performance of audits of non-federal entities expending federal awards. These standards are detailed in the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, also known as the "Uniform Guidance."¹⁶ Audits done per the Uniform Guidance are called single audits. These too may be conducted on individual agencies, as one statewide audit, or via some combination of the two extremes. Completed single audits must be submitted to the Federal Audit Clearinghouse¹⁷ within nine months of the fiscal year-end. While the single audit is not the primary focus of this report, we address it since it is currently incorporated in New Mexico's individual agency audits (when required). Since these audits are a prerequisite to the production of the ACFR, it is possible that relevant efficiencies may be found by looking at single audit processes.

¹⁴ Formerly called the Comprehensive Annual Financial Report, this was changed by GASB in 2021. See <https://gasb.org/page/pronouncement?pagelid=/standards-and-guidance/pronouncements/summary-statement-98.html>.

¹⁵ See <https://www.osa.nm.gov/auditing/financial-audits/step-by-step-audit-contracting-process/>.

¹⁶ Available at <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>.

¹⁷ <https://www.fac.gov/>. The single audit deadline is March of the following year for states whose fiscal year ends in June.

50-State Comparison

Our primary source of data and information for this study came from the financial reports (ACFRs and single audit reports) from all 50 U.S. states.

Forty-six (46) of the 50 states use a fiscal year ending June 30th of each year (Figure 1). This information is relevant in calculating the time it takes to complete the ACFR starting from the end of the fiscal year. However, the fiscal year used by each state is not necessarily the same for all of its agencies.

Chart 1. Month Fiscal Year Ends (Number of States)

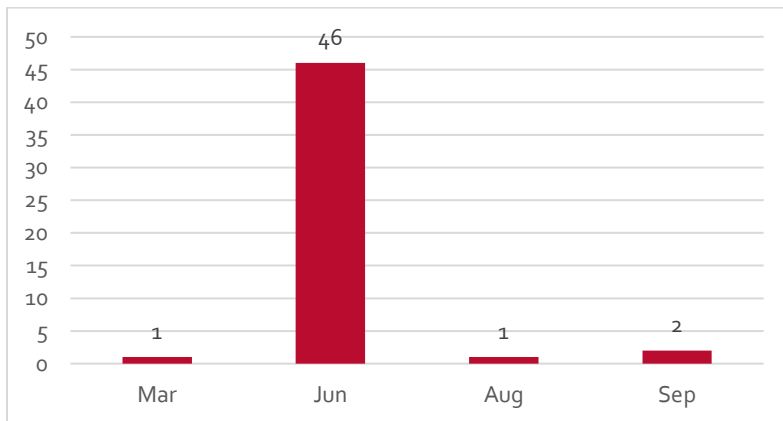
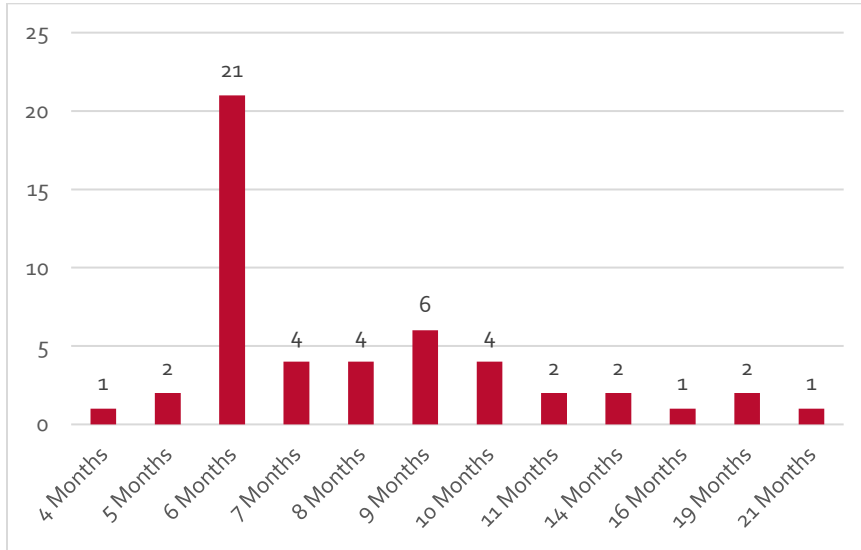


Figure 2 shows the number of months states took to complete their most recent¹⁸ ACFR from the end of their fiscal year. Since federal statute requires single audits to be turned in within nine months of the end of the fiscal year, it follows that states who use their ACFR as a piece of the statewide single audit process would aim to complete their ACFR within nine months, if not earlier. We found that the highest number of states (21) completed their ACFR exactly six months from fiscal year end while 38 states did so within nine months.

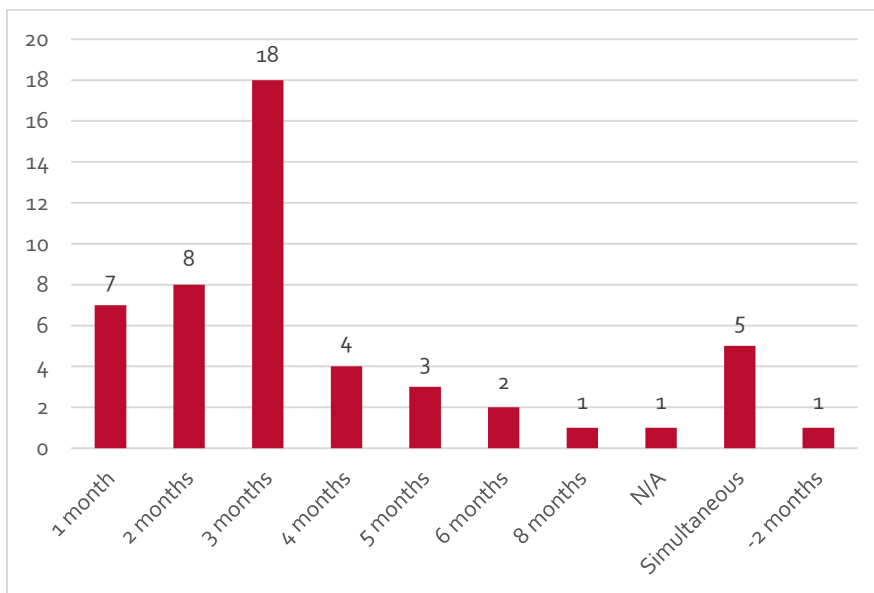
¹⁸ For the purposes of this report, the “most recent” ACFR or single audit report refers to the most recent we were able to find during our data collection phase. In most cases, the most recent reports we were able to find were from 2023, but for a handful of states, the most recent we could find were from 2022.

Chart 2. Months from FY End to Most Recent ACFR (Number of States)



Among states that produce a statewide Single Audit Report, one (New York) published theirs two months prior to the ACFR¹⁹, five published the most recent one simultaneously with their ACFR, 18 published it three months after the ACFR, and the remaining states all finished theirs at some point within eight months of their corresponding ACFR’s publication date (see Figure 3). By far the majority of states (38) published their most recent statewide single audit report within three months of the ACFR’s completion.

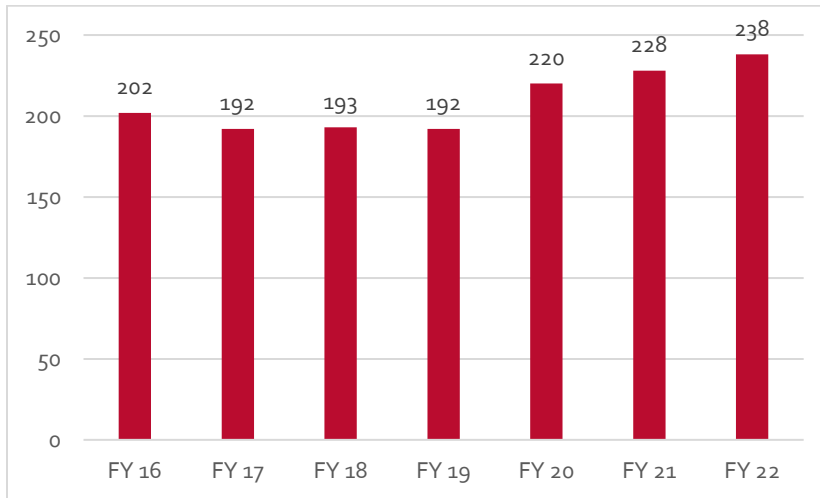
Chart 3. Months from Most Recent ACFR to Corresponding Statewide Single Audit Report



¹⁹ We are counting New York’s submission to the FAC as its single audit report, even though it is titled differently. If New York is included, then all states besides New Mexico have a statewide single audit report.

For comparison, as Figure 4 shows, data from the National Association of State Comptrollers (NASACT)²⁰ gives the 2022 average days to ACFR completion from the fiscal year’s end for all 50 states as 238 days (approximately 7.9 months). The average number of days to ACFR completion has been noticeably increasing since 2020, prior to which the all-state average completion time had been much lower, having been at 202 days (6.7 months) in FY 2016 before dropping to an average of approximately 192 days (6.4 months) for the next three years before spiking in 2020 to 220 days (7.3 months).²¹

Chart 4. Average Days to ACFR Completion (All States)



Interestingly, the average days to ACFR completion seem to vary by whether the state’s ACFR is audited by a state or private primary auditor. As shown in Table 1 and Table 2 (see also Table 17 in Appendix I), the average days to ACFR completion (from 2016 to 2022) for states whose primary auditor as of 2022 worked for the state was 250, while the average over the same time period for states who used a private firm as their primary auditor was 238. Washington D.C. also used a private auditor but was not included in the overall average. Its individual average is 117 days, lower than every state (New York came close at 118 days and also used a private auditor). The two states that used a combined approach averaged 180 days between them.

Table 1. Average Days to ACFR Completion by FY22 Auditor Type²²

Auditor Type	Number of States	Average Days
State	36	250
Private	12	238
Combined	2	180
All States	50	244

²⁰ NASACT collects data from states, some of which is available to the public. See <https://www.nasact.org/>. Additional data is available to its members (state auditors, state comptrollers, and state treasurers).

²¹ Data on the time from fiscal year’s end to the ACFR’s completion for all 50 states for the fiscal years 2016 through 2022 downloaded from https://www.nasact.org/cafr_completion.

²² Tables 1 and 2 contain the author’s calculations based on the referenced NASACT data.

Table 2. Average Days to ACFR Completion (FY16-22)

State	FY22 Primary Auditor	Average Days	Change from FY16 to FY22
Alabama	State Auditor	258	-334
Alaska	State Auditor	254	-70
Arizona	State Auditor	355	134
Arkansas	State Auditor	193	34
California	State Auditor	454	352
Colorado	State Auditor	211	-69
Connecticut	State Auditor	216	56
Delaware	CLA	183	36
Florida	State Auditor	242	45
Georgia	State Auditor	209	61
Hawaii	Accuity	179	0
Idaho	State Auditor	174	0
Illinois	State Auditor	342	168
Indiana	State Auditor	179	9
Iowa	State Auditor	277	247
Kansas	CLA	150	-7
Kentucky	State Auditor	172	42
Louisiana	State Auditor	183	1
Maine	State Auditor	164	-8
Maryland	CLA	193	55
Massachusetts	CLA	245	145
Michigan	State Auditor	158	57
Minnesota	State Auditor	168	0
Mississippi	State Auditor	261	0
Missouri	State Auditor	215	84
Montana	State Auditor	221	51
Nebraska	State Auditor	197	46
Nevada	EideBailly	297	385
New Hampshire	KPMG	182	-36
New Jersey	State Auditor	285	26
New York	KPMG	118	-1
North Carolina	State Auditor	157	3
North Dakota	State Auditor	169	29
Ohio	State Auditor	175	-1
Oklahoma	State Auditor	222	252
Oregon	State Auditor	196	66
Pennsylvania	SA & CLA	165	-6
Rhode Island	State Auditor	198	39
South Carolina	SA & CLA	143	-13
South Dakota	State Auditor	180	0
Tennessee	State Auditor	174	0
Texas	State Auditor	181	0
Utah	State Auditor	158	36
Vermont	CLA	176	-5
Virginia	State Auditor	168	0
Washington	State Auditor	151	49
West Virginia	EY	192	-135
Wisconsin	State Auditor	196	-99
Wyoming	McGee, Hearne & Paiz	215	46

Financial Reporting Framework for States

Annual Comprehensive Financial Report

For each year, every U.S. state produces an Annual Comprehensive Financial Report, or ACFR, which usually consists of the audited and consolidated financial statements of the “reporting entity of the state,” a letter of transmittal with an overview of the elements of the report and the financial operations and position of the state, an independent auditor’s report on the “basic financial statements,” a “Management’s Discussion & Analysis” section, the “Basic Financial Statements” themselves, “Notes to the Financial Statements”, other required supplementary information, and various statistical information about the state. The “reporting entity of the state,” is typically explained in Note 1 of the Notes to the Financial Statements; its explanation details what entities, component units, and funds are included in the reporting entity (i.e., in the report) as well as specifying the manner of presentation of each one, whether blended, discretely presented, aggregated as a fiduciary fund, reported as major or non-major component units, etc. (e.g., Arizona 2022 ACFR, pp. 69-74).

ACFRs are typically prepared in accordance with generally accepted accounting principles (GAAP) set out for governments by the Governmental Accounting Standards Board (GASB), auditing standards generally accepted in the United States of America (GAAS), and/or the Government Auditing Standards, issued by the Comptroller General of the United States. Many of the common elements of an ACFR, such as those listed above, are specifically laid out in one or more of these codes. The ACFR may or may not include the audit report on internal control and compliance. Some states place this piece in their statewide single audit report instead.

- The piece referred to is typically called The Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With Government Auditing Standards.

In some cases, the Independent Auditor’s Report on the Audit of the Financial Statements is included in both the ACFR and the Statewide Single Audit Report (e.g., Montana, 2023).

Who Audits the Entities Included in the ACFR?

Each state’s ACFR contains an independent auditor’s report on the audit of the financial statements which contains the auditor’s opinion based on their audit and the reports of other auditors, which audits together cover, at a minimum, the financial statements of ‘the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [respective] state’.²³ All of the states we examined in depth included reports of other auditors as the basis for their opinions. When this happens, the primary auditor does not typically re-audit the statements that were audited by other auditors. In one instance,

²³ This wording is laid out in Chapter 4, Example 4.1 of the AICPA Audit Guide: Government Auditing Standards and Single Audits, April 2023 edition, (p. 124).

Alaska’s FY 2023 ACFR, the principal auditor was unable to provide an audit opinion on the financial statements of some of the normally included elements (the Alaska International Airports Fund and Business-Type Activities of the State of Alaska) as well as the Alaska Aerospace Corporation (a discretely presented component unit of the State of Alaska). In the case of the former, the financial information was included in the state of Alaska’s basic financial statements and the Business-Type Activities but was omitted from the Aggregate Discretely Presented Component Unit financial statements of the State of Alaska; while in the case of the latter, the financial information was omitted from the Aggregate Discretely Presented Component Unit financial statements of the State of Alaska (pp. 3-5). These issues resulted in a disclaimer of opinions and an emphasis on matters in regard to these financial statements.

The financial statements required for inclusion in a state’s ACFR are specifically those included in the “financial reporting entity of the state,” which is defined according to the criteria given in Section 2100 and other related portions of the Codification of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standards Board (GASB), which “establishes accounting and financial reporting standards for U.S. state and local governments that follow generally accepted accounting principles (GAAP).”²⁴

GASB Statement 14, paragraph 12 defines a financial reporting entity as consisting of “(a) the primary government, (b) organizations for which the primary government is financially accountable²⁵..., and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.”²⁶ Paragraph 14 explains that a “primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government.” Primary governments often have “component units,” which are “legally separate organizations for which the elected officials of the primary government are financially accountable. ... In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete” (GASBS 14, paragraph 20).²⁷

Typically, following these requirements results in the financial statements of each state’s material component units being either blended in with the primary government activities, discretely presented (when the primary government is financially accountable for them), or else presented in the fiduciary fund statements (e.g., Colorado 2023 ACFR, p. 7). Sometimes specific funds are reported in separate columns in the financial statements (this may happen with various major governmental or enterprise funds) or else in separate statements (may happen with governmental funds, proprietary funds, and

²⁴ <https://gasb.org/>

²⁵ Financial accountability is defined in GASB Section 2100.120.

²⁶ <https://gars.gasb.org/Home>

²⁷ See also GASB Statements 34, 39, and 61.

fiduciary funds) (e.g., Nebraska 2023 ACFR, p. 51). Significant discretely presented component units usually have separately issued financial statements also available (e.g., Utah 2023 ACFR, p. 5).

NASACT'S "Auditing in the States" (2024 edition) lists 34 states for whom the state audit agency is the primary auditor, 10 states for whom a CPA firm or firms conduct 100% of the financial or ACFR audit and only six states whose state audit agency conducts 100% of its financial or ACFR audit. Tables 3 and 4 give percentages of assets and revenues audited by other auditors as specified in selected²⁸ states' most recent ACFRs. Notably, these percentages vary widely by state, indicating that there is no consensus among states in regard to which agencies, entities, or funds to audit to have audited together by the state auditor rather than separately by a private firm. Note: even the funds listed as not audited may not be an exhaustive list; there may be additional entities such as component units that were included in the ACFR, but also not audited and deemed too insignificant to mention (personal communication, Alaska).

²⁸ These are the states we originally selected to contact for interviews.

Table 3. Percent of Assets²⁹ Audited by Other Auditors (Most Recent ACFR)³⁰

State	Governmental Activities	Business-Type Activities	Aggregate Discretely Presented Component Units	Various Other Funds ³¹
Alaska	88%	37%	92%	81% to 100%
Arizona	0.54% to 45.40%	0.00% to 1.37%	0.21% to 68.14%	0.06% to 100%
Colorado	Not given	5%	100%	7%
Hawaii	Not given	74%	40%	94%
Idaho	51.20%	64.90%	100%	42.2% to 100%
Kansas	Not given	Not given	73%	< 1%
Maine	3%	Not given	100%	93%
Mississippi	11% to 25%	63%	100%	51% to 99%
Montana	Not given	Not given	51.80%	Not given
Nebraska	Not given	Not given	51%	19%
Nevada	Not given	Not given	99.5%	93%
New Mexico	84%	94%	66%	71% to 100%
Oklahoma	Not given	Not given	78%	0% to 100%
Texas	57.70%	80.80%	Not given	14.40%
Utah	Not given	Not given	38%	78%
West Virginia	61%	94%	100%	45% to 100%

²⁹ May include deferred outflows of resources.

³⁰ Some totals were added up and/or approximated from information given.

³¹ These numbers refer either to specific funds or to aggregate remaining fund information for the specified state.

Table 4. Percent of Revenues Audited by Other Auditors (Most Recent ACFR)

State	Governmental Activities	Business-Type Activities	Aggregate Discretely Presented Component Units	Various Other Funds
Alaska	36.0%	30.0%	95.0%	2% to 100%
Arizona	0.24% to 34.34%	0.00% to 14.38%	0.00% to 79.65%	0.43% to 100%
Colorado	Not given	9.0%	100.0%	17.0%
Hawaii	Not given	58.0%	36.0%	55.0%
Idaho	7.4%	70.4%	100.0%	0.1% to 100%
Kansas	Not given	Not given	38% ³²	5.0%
Maine	<1%	Not given	100.0%	58.0%
Mississippi	10.0%	97.0%	100%	91% to 100%
Montana	Not given	Not given	25.4%	Na
Nebraska	Not given	Not given	15.0%	14.0%
Nevada	Not given	Not given	99.96%	-13%
New Mexico	53.0%	99.0%	55.0%	51% to 100%
Oklahoma	Not given	Not given	78.0%	0% to 100%
Texas	Not reported	Not reported	Not given	Not reported
Utah	Not given	Not given	52.0%	22% to 99%
West Virginia	11.0%	48.0%	100.0%	45% to 100%

Single Audit

A separate type of audit conducted either at the state level or agency level is the single audit. Single audits were first legislated in 1984 for government grantees receiving more than \$100,000 in federal grants. This legislation is usually referred to as the Single Audit Act of 1984. After a few revisions, including the Single Audit Act Amendments of 1996, the requirements were extended to nonprofits and the threshold changed to apply to all non-Federal entities expending \$750,000 in federal grants as of the most recent revision in 2013: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (aka, the

³² Added up and approximated from information given.

Uniform Guidance), which lays out guidelines developed to assist with implementation of the Single Audit Act. The primary goals of the single audit have been to “(1) increase grantee accountability, and (2) decrease the administrative burden for grantees” (Tassin, et al., 2019, p.22).

The Single Audit Act Amendments “had four stated objectives: (1) reducing audit burden for both auditees and federal government oversight agencies, (2) improving audit effectiveness through the adoption of a risk-based approach, (3) improving the contents and timeliness of single audit reporting, and (4) increasing flexibility by providing the OMB with the authority to make future changes to single audit requirements (U.S. Congress 1996a) (as quoted in Tassin, et al., 2019, p. 27). Objectives one through three seem to be applicable to the goal of speeding up the production of the ACFR by increasing the efficiency and timeliness of its related audits. Therefore, it is possible that some of the concepts related to single audit design could be borrowed to incorporate into a statewide agency financial audit approach. The one that stands out the most is the risk-based approach. We will address this in more detail further in the report.

The Statewide Single Audit

A State-Level or Statewide Single Audit refers to a single audit conducted at the state level. According to Subpart F of the Uniform Guidance, “A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year” (§ 200.501 Audit requirements).³³ While this requirement applies to states in addition to other local government entities, Indian tribes, Institutions of Higher Education, and nonprofit organizations so long as they expend Federal awards (Uniform Guidance § 200.1 Definitions), the code further specifies that the annual audit may either cover the entire operations of the auditee or else “include a series of audits that cover departments, agencies, and other organizational units that expended or otherwise administered Federal awards during [the] audit period” (§ 200.514(a) Scope of Audit). Of the 50 U.S. states, we found a recent single audit report (2022 or 2023) for all states besides New Mexico, with the possible exception of New York.³⁴ However, although forty-eight or forty-nine states create a single audit report, states vary in the number of agencies that are included in the single audit as well as the number of agencies that have their own separate single audits done.

Table 5 shows the numbers of states for whom the state audit agency conducts 100% of the single audit, those for whom the state audit agency and a CPA firm or firms each conduct part of the single audit, as well as those for whom a CPA firm(s) conducts 100% of the single audit. Table 6 gives the

³³ See <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

³⁴ The single audit report submitted to the Federal Audit Clearinghouse for the State of New York was entitled, “Basic Financial Statements and Other Supplementary Information.” The Independent Auditor’s Report contained therein indicates that there is also a report dated July 27, 2023 on “the State of New York’s internal control over financial reporting and on [the auditors’] tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.” This report is often included in a single audit report, though New Mexico includes it in the ACFR.

number of states that do a statewide single audit, the number of states that do department/agency single audits, and the number of states that do a combination of both.³⁵

Table 5. Who Conducts the Single Audit?

Single Audit: State Auditor vs. CPA Firm	Number of States
Single - State audit agency conducts audit (100%)	17
Single - State audit agency conducts part/ CPA firm conducts part	19
Single - CPA Firm(s) conducts Audit (100%)	14

Table 6. Single Audit Conducted Statewide or by Department/Agency

Single Audit: Statewide vs. Department/Agency ³⁶	Number of States
Only Statewide	33
Both Statewide and Department/Agency Single Audits	11
Only Department/Agency	3

As described in the Nebraska 2023 ACFR, “the standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards (pp. 8-9). Every state’s single audit report includes several components required by the Uniform Guidance: a Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, an Independent Auditor(s) Report on Compliance for Each Major Federal Program, a Report on Internal Control over Compliance; a Schedule of Expenditures of Federal Awards (SEFA) and a Report on the Schedule of Expenditures of Federal Awards.

Some states (though not all) use the ACFR’s independent audit of the state’s financial statements as the financial portion of the statewide single audit report, dropping that report into the single audit report before publishing the latter. Others do it differently. The remaining portion of a statewide single audit report typically describes the scope of the testing done on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements along with the results of that testing (Nebraska 2023 ACFR, p. 14), specifically for federal programs or agencies that expend federal funds.

All of the states’ single audit reports were done annually except for Montana’s and North Dakota’s, which are done biennially, although Montana is in the process of changing this, as we discuss later. New Mexico currently requires individual single audits; some of the other states do program-specific single

³⁵ Data for both of these tables came from NASACT’s, “Auditing in the States” (2024 Edition).

³⁶ The original data did not contain an answer for this question for Maryland, Massachusetts, and New Jersey.

audits instead, which we describe in our interview section. Some states do a combination in which certain entities submit individual single audits. Whichever way it's done, § 200.512 of the Uniform Guidance requires that the audit(s) be completed and the data collection form and reporting package be submitted "within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period." Presumably, this nine-month deadline is the reason why so many states produce their ACFR within six months of the fiscal year-end and their single audit report three months later. The overall goal is to find ways to streamline processes and reduce the audit burden of the state while still ensuring that everything required is completed, and the public interest is protected. There are potential efficiencies to be found in the single audit process that would speed up ACFR production.

Snapshot of a Statewide Single Audit

1. A statewide single audit does not have to be completed by the state auditor in its entirety – it may include the state auditor's opinions on the opinions of other auditors who conduct audits of various entities, funds, or programs.
2. A statewide single audit does not have to include component units; these may be done separately.³⁷
3. It includes the Schedule of Expenditures of Federal Awards (SEFA) and related pieces.
4. In some cases, the Independent Auditor's Report on the Audit of the Financial Statements (in NM's ACFR) is included in both the ACFR and the Statewide Single Audit Report (e.g., Montana, 2023).
5. There are two compliance reports that may be done by states. The first is based on an audit of the ACFR, as mentioned earlier. The second relates specifically to a single audit. The results of the later are typically called The Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
6. Some also include pieces from the ACFR, such as the basic financial statements, the required supplementary information, the independent auditor's report (on the audit of the financial statements), and the management's discussion and analysis.

Data Used for Comparison to Other States

While we initially collected data on all 50 states, we later selected 15 states to contact for interviews and whose processes to analyze in depth. However, due to time constraints and/or lack of response, we were only able to conduct interviews with nine of them. The final set consisted of six states that were relatively close to New Mexico's population (Hawaii, Kansas, Maine, Montana, Nebraska, and Nevada); the two states that border New Mexico (Texas and Utah); and an additional state that had been suggested to us as possibly having some good processes to look at (Alaska). This resulted in a sample

³⁷ See Appendix III for data gathered on the number of additional single audits completed or submitted to the Federal Audit Clearinghouse for each state.

consisting of five states with a population lower than New Mexico’s and four states with a population higher than New Mexico’s (Table 7).

Table 7. Population of States Selected for Deeper Analysis³⁸

State	Population	Comparison to NM Population
Alaska	733,406	-1,380,965
Montana	1,132,812	-981,559
Maine	1,395,722	-718,649
Hawaii	1,435,138	-679,233
Nebraska	1,978,379	-135,992
<i>New Mexico</i>	<i>2,114,371</i>	<i>0</i>
Kansas	2,940,546	826,175
Nevada	3,194,176	1,079,805
Utah	3,417,734	1,303,363
Texas	30,503,301	28,388,930

We initially used 2022’s tax revenue received (as reported by the U.S. Census Bureau, see Table 8) to help with choosing states, looking for those relatively similar to New Mexico. However, New Mexico moved in the rankings between 2022 and 2023. The columns in Table 8 show 2022’s tax revenue for the interviewed states and their comparison to New Mexico’s. The rightmost two columns give the same figures for 2023. According to the original source data, the types of tax revenue included are property taxes, sales and gross receipts taxes, license taxes, income taxes and other taxes, and come from information available in public records.

³⁸ 2023 Estimated Population (Census Bureau): Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia, and Puerto Rico: April 1, 2020 to July 1, 2023 (NST-EST2023-POP). Source: U.S. Census Bureau, Population Division. Release Date: December 2023.

Table 8. Tax Revenue Received by States Selected for Deeper Analysis³⁹

State	Tax Revenue Received (in Billion \$US), 2022	Comparison to NM Tax Revenue	Tax Revenue Received (in Billion \$US), 2023	Comparison to NM Tax Revenue
Alaska	2.43	-6.17	3.27	-11.00
Montana	4.62	-3.98	4.71	-9.56
Maine	6.44	-2.16	6.44	-7.83
Nebraska	7.48	-1.12	7.33	-6.94
<i>New Mexico</i>	<i>8.60</i>	<i>0.00</i>	<i>14.27</i>	<i>0.00</i>
Hawaii	10.28	1.68	10.19	-4.08
Nevada	12.07	3.47	14.18	-0.09
Kansas	12.59	3.99	13.14	-1.13
Utah	13.79	5.19	13.49	-0.78
Texas	82.26	73.66	86.78	72.51

³⁹ U.S. state government tax revenue FY 2022 (and 2023), by state: State government tax revenue in the United States in the fiscal year of 2022 (and 2023), by state (in billion U.S. dollars). Original data from the U.S. Census Bureau. April 2023 (2024). Census.gov (Table ID 248932), published by Statista.com.

GFOA Certificate of Achievement

The Government Finance Officers Association (GFOA),⁴⁰ an organization that represents public finance officials throughout the U.S. and Canada, offers the opportunity for states to be awarded a Certificate of Achievement for Excellence in Financial Reporting. The Texas 2023 ACFR describes this Certificate as “a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports” and additionally explains the following:

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements (p. 11).

For the states we selected for deeper analysis, Table 9 gives each state’s mention of the Certificate of Achievement from its most recent ACFR.

Table 9. States Selected for Deeper Analysis - Most Recent Year for ACFR and/or Single Audit Report along with Associated GFOA Certificate Status or Mention

State	Most Recent Year Found (ACFR and/or Statewide Single Audit Report)	GFOA Certificate of Achievement for Excellence in Financial Reporting
Alaska	2023	Not mentioned
Hawaii	2023	2022; no mention of prior years
Kansas	2023	Not mentioned
Maine	2023	2022 was the sixteenth consecutive year
Montana	2023	2022; no mention of prior years
Nebraska	2023	Not mentioned
Nevada	2022	Not mentioned
Texas	2023	2022 was the 33 rd consecutive year
Utah	2023	2022 was the 38 th consecutive year

⁴⁰ <https://www.gfoa.org/about>

The Current Financial Audit Process

New Mexico

Currently, the Audit Act, NMSA 1978 12-6,⁴¹ requires all agencies as defined under this act to have an annual audit. Agencies include state agencies, school districts, institutes of higher education, instrumentalities of the state, and any other entity expending public funds. The Audit Act also requires the ACFR to be audited annually. The State of New Mexico Office of the State Auditor (OSA) oversees all these audits. The ACFR audit includes 130 state agencies (most are listed in Appendix IV), around 100 component units of the state, and 10 higher education institutes. Each year, the OSA chooses some agencies whose audit it will complete; the remaining agencies contract private firms to do them. If an agency fails to choose an audit firm by a given deadline, the OSA either chooses a firm for them or elects to audit the agency themselves (see the 2023 NM Audit Rule).

Agencies are required by 2.2.2.9 NMAC⁴² to submit their audit reports to the OSA no later than five months after the end of the fiscal year if it ends any time other than June 30th. However, the state fiscal year is set to end on June 30th by NM Stat § 6-10-1, also known as the Public Money Act. State agencies are assigned deadlines (November 1st, November 15th, December 1st, or December 15th) to submit their audit reports to the OSA based on various categories. The Department of Finance and Administration (DFA) requires, generally 15 days prior to audit report deadlines, that ACFR agencies submit their draft financial statements and notes to DFA's Financial Control Division (i.e., state controller's office). After all of the draft financial statements and notes to the financial statements are received, DFA compiles and consolidates the information to complete the statewide Annual Comprehensive Financial Report (ACFR). The OSA works with a CPA firm to conduct the ACFR audit, following the Group Audit Standards (NM 2023 ACFR, p. i).⁴³ The ACFR is audited both during its preparation and after the draft ACFR is received. The ACFR is due each year on December 31st and is a very lengthy document when completed. For reference, the New Mexico FY 2023 ACFR was 386 pages. This extensive procedure is very time-consuming and typically leads to the ACFR being produced late, which may potentially cause problems for policymakers and even affect bond ratings. Historically, the ACFR preparation has only commenced after the completion of the underlying agency audits, typically available in December following the fiscal year-end. However, since DFA now receives the draft financial statements of most ACFR components around mid-October, its preparation and audit have been starting earlier.

⁴¹ See <https://law.justia.com/codes/new-mexico/chapter-12/article-6/section-12-6-3/>. The entire 2023 Audit Act is located at <https://law.justia.com/codes/new-mexico/chapter-12/article-6/>.

⁴² See https://www.osa.nm.gov/wp-content/uploads/2019/07/Audit_Rule-Integrated-05282019.pdf.

⁴³ Current group audit standards are detailed in the AICPA Audit Guide, AU-C section 600, Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors). However, these will be superseded by SAS No. 149, Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors), issued in March 2023, for audits of group financial statements for periods ending on or after December 15, 2026. "Notably, SAS No. 149 provides a risk-based approach to planning and performing a group audit. Extant AU-C section 600 [now called 600A] required the group engagement team to identify significant components at which to perform audit work, whereas SAS No. 149 directs the group auditor to use professional judgment in determining the components at which to perform procedures, based on assessed risks" (Audit Guide, 2023, p. 17).

States Interviewed

We interviewed nine of our selected states: Alaska, Hawaii, Kansas, Maine, Montana, Nebraska, Nevada, Texas, and Utah. Most of the information in this section comes from these interviews as well as from the respective state ACFRs and single audit reports. The demographic info on states comes from the U.S. Census Bureau.⁴⁴

Alaska

Alaska's 2023 estimated population was 733,406, 36% the size of New Mexico's. In FY 2022, it received \$2.43 billion in tax revenue; in 2023, it received \$3.27 billion. A close look at its financial reporting process revealed a few aspects for possible consideration. For reference, its FY 2023 ACFR was put out in March of 2024, nine months after the fiscal year-end, and its FY 2023 statewide single audit report was published the following month (April 2024).

Alaska's ACFR is prepared by the State of Alaska Department of Administration, Division of Finance. The State of Alaska Division of Legislative Audit⁴⁵ is the primary auditor of the state's reporting entity (Alaska 2023 ACFR, p. ii) and serves as its independent auditor. The process of preparing the ACFR begins with the Division of Legislative Audit, which starts by determining what material accounts to include. Accounts chosen typically include larger accounts, any that are deemed risky for any other reason, as well as any that were requested to be audited due to a flagged transaction or other reason. Once the high-risk accounts are identified, they are analyzed to understand where the expenditures are occurring. Staff are then assigned to analyze the funds chosen in the related departments (there is a coordinator for each opinion unit). As an example, specific tax funds may be chosen to be audited; these are audited in whichever department(s) they stem from, rather than an entire department having to undergo an audit. Alaska uses a centralized accounting system for all departments which allows all transactions of a certain type to be tested across all departments. This is important since entire departments are not usually audited and do not do their own separate audits.

The Division of Legislative Audit does as much preparatory work as possible while waiting to receive the draft ACFR; they typically begin this work in April or May each year with a goal of finishing by the end of September. Planning commences based on the prior year's ACFR since the material accounts selected do not change much from year to year. Federal grants and revenues, taxes, and rents and royalties are audited early on, along with the beginning balances, but the bulk of the audit does not happen until the draft ACFR comes from the Division of Finance (part of the executive branch of government). The Division of Finance prepares the financial statements to be audited, which includes bringing in the audited financial statements from the component units (these have individual audits done by other auditors) and making everything presentable in GASB format. They start this work on July 1st of each year, the day after the fiscal year ends, and usually continue at least through August,

⁴⁴ 2023 population data from the U.S. Census Bureau, Population Division, table NST-EST2023-POP; the 2023 tax revenue data is also from the U.S. Census Bureau, but published by Statista.com (<https://www.statista.com/statistics/248932/us-state-government-tax-revenue-by-state/>).

⁴⁵ Interviewed on October 9, 2024.

primarily during the reappropriation period when the new and previous fiscal years are both open. While waiting, the auditors run their own trial balances and do other related preparatory work.

Upon receipt of the draft ACFR, the Division of Legislative Audit completes the audit work, making sure that nothing substantial has changed from the previous year or investigating any major year-to-year changes. Issuing their independent auditor's opinion is the final step in completing the ACFR. All the audit work for the ACFR takes approximately ten thousand audit hours to complete, divided up among a staff of 25-30 people.

The ACFR production is part of the larger statewide Single Audit. The Division of Legislative Audit produces this report. Using a similar process, they identify major federal programs that need to be audited, then go to each department to audit as needed. Component units typically hire someone to do their single audits together with their financial audits (if both are required). The Division of Finance puts together the Schedule of Expenditures of Federal Awards (SEFA) along with the summary of prior audit findings. These documents, the financial statements from the ACFR, and any other remaining components are put together as part of the statewide Single Audit Report.

Hawaii

Hawaii has a population of 1,435,138 individuals, almost 700,000 less than New Mexico's. In 2022, it took in \$10.28 billion in tax revenue, and in 2023, \$10.19 billion. Its FY 2023 ACFR and single audit report were both published in March of 2024.

The process of preparing for the ACFR starts with the Uniform Accounting and Reporting Branch of the State of Hawaii's Department of Accounting and General Services (DAGS), Accounting Division. Hawaii does not have all of its state agencies audited each year. The agencies that are included in the ACFR audit are those that are part of the primary government. The component units and enterprise funds have their own separate auditors. Hawaii's ACFR received a GFOA Certificate of Excellence for 2022; no mention was made regarding prior years.

Each year, DAGS begins by sending out memos announcing who the state auditing firm will be and requesting that agencies submit specific reports and information; they then check to see whether the information submitted matches what is in the centralized accounting system. State agencies record their revenues and expenditures in the central accounting system, but because the system is over 50 years old, it sometimes is missing information and is not always reliable.⁴⁶ Additionally, some agencies have their own standalone accounting systems. Because of these factors, this reconciliation is important. Most of the information requested is required to be submitted in an Excel spreadsheet. The information is then compiled, consolidated, and compared with the help of a contracted accounting firm. If differences are found, DAGS communicates with the agency to explain and then either accepts the relevant report or else asks for it to be amended.

⁴⁶ Hawaii is in the process of procuring a new system so that the information can be more easily reported according to the newer GASB reporting requirements.

DAGS prepares the financial statements, classifying everything to the various funds. They then determine which are the government-wide activities of the primary government and make any other necessary determinations. DAGS works with the state auditor (a firm contracted by the Office of the State Auditor) who audits the government-wide financial statements during compilation. Before issuing the final ACFR, they include information from component units and enterprise funds and their respective audits, ensuring that all individual audits have been submitted. If any of these individual audits run late, the ACFR is also delayed. If an audit is taken back and resubmitted, this could cause the ACFR to have to be taken back and resubmitted as well.

For the statewide single audit, the same accounting firm is used for the agencies that are included in the state report. However, agencies are allowed to choose whether to have their own separate single audit done or whether to be included in the group single audit. There are around 10 departments that are included in the group's single audit each year. The state single audit report also includes information about the agencies that were not included (who had their own audits), such as how much they expended in federal awards. Not all state agencies receive federal funding; these do not need single audits. The financial portion of the single audit is done completely separately from the ACFR because it is presented differently.

Kansas

Kansas has a population of 2,940,546, only 826,175 (39%) more people than in New Mexico. It received \$12.59 billion in tax revenue in 2022 and \$13.14 billion in 2023. Notably, its FY 2023 ACFR was published in November of 2023, five months after the fiscal year-end, and its statewide single audit report was produced three months later, in February of 2024.

Kansas has certain entities and component units (such as the state universities, the Department of Transportation, and the public employee retirement systems) that have their own separate financial statements and audits done. Afterward, this material is pulled into the ACFR. While a delay in these would certainly delay the ACFR, the agency would get a finding for an untimely completion.⁴⁷ All of the other state agencies are included in the central accounting system from which the information pertinent to the ACFR is pulled, compiled, and audited.

The legislative statute⁴⁸ requires the ACFR and its audit to be complete by December 1st of each year; to this end, the ACFR is audited during compilation. The ACFR audit is done by an external auditor (a private CPA firm) who pulls samples from that year's focus areas while the ACFR is being compiled. Each year the focus areas are different. For example, focus areas might be cash, capital assets, leases, SBITAs, etc.

Although the state does not do many ACFR-related individual agency audits, they do have legislative post audits done (these consist of special audit projects requested by the legislature). Additionally, a pre-audit is required for all payment vouchers above \$5,000. So few payments are less than this amount

⁴⁷ See the finding listed under Fort Hays State University in Kansas' 2023 ACFR for an example (p. 185).

⁴⁸ <https://law.justia.com/codes/kansas/chapter-46/article-11/section-46-1106/>

that this dollar limit that the pre-audits cover almost everything (for reference, 40,000 vouchers were looked at last year). This ensures that the information feeding up to the ACFR is correct. These audits are done by the state's internal auditor at the Kansas Department of Administration who uses an audit plan designed in accordance with Kansas State Statute 46-1106,⁴⁹ which requires audit work to be conducted at each state agency at least once every three years. The auditors look at ACFR findings and other documents and reports; they also look at state statutes and policies and review procedures. Any findings along the way help to guide the process. While these audits are not tied to the timing of the ACFR, their completion lends itself to a level of assurance that the balances pulled out of the accounting system are correct, which in turn should result in minimal wasteful spending. Essentially, these internal audits result in less audit work being needed for the ACFR itself.

A related process involves the pre-audit team making sure that every payment that crosses their desk meets every state law; all the payments are reviewed and recorded, and each agency is then given an error rating and a report containing the type of issues that were found. Agencies determined to have less risk are rewarded with increased delegated authority. Specifically, agencies with an error rating of less than 10% can apply for the increased delegated authority. Eventually, this system is planned to utilize a more comprehensive risk rating. These audits are done by a staff of approximately 6.5 FTEs dedicated to this program whose audits cover around a hundred state agencies.

Agencies do not have standalone single audits either. The statewide single audit includes all agencies and component units. It is conducted by a two-person team that works on federal reporting; the same external auditor does this audit as well. The major programs are selected fairly early in the process and then the SEFA reporting numbers are given to the external auditors around October 15th. The ACFR is used as the financial piece of the single audit report, thus the financial audit is completed by December 1st while the Uniform Guidance audit (single audit) is going on (due by March or April). With four staff working on the ACFR, an accounting firm puts it together for a cost of around \$300,000. This is currently done externally, but the state is planning to put out an RFP for a software system that would be able to create the ACFR and all of its footnotes, thereby bringing its production back in-house. For the greatest efficiency, such a system would ideally tie into the statewide accounting system.

Maine

Maine is one of the states chosen for its similar population size (1,395,722, only 718,649 fewer than New Mexico's). It received \$6.44 billion in tax revenue in both 2022 and 2023. Maine's financial reporting process, in place since the 1990s, seems to be very streamlined. Its FY 2023 ACFR was produced in December of 2023 (six months after the fiscal year-end) and its single audit report was published three months later, in March of 2024. We recommend further discussion with the relevant Maine state offices for deeper insight and ideas.

⁴⁹https://kslegislature.gov/li/b2023_24/statute/046_000_0000_chapter/046_011_0000_article/046_011_0006_section/046_011_0006_k/

The Office of the State Controller (OSC) is part of the executive branch of state government. They manage the state’s general ledger and produce the ACFR. The State Auditor, by contrast, is legislatively elected and therefore able to serve as an external auditor for the state.

One of the aspects of Maine’s financial reporting system that is highly conducive to its ability to streamline the compilation of the financial information needed for the ACFR is the fact that all three branches of government (over 340 individual state agencies) use the same general ledger accounting (ERP) system⁵⁰, enabling all of Maine’s state agencies to be audited centrally as part of one statewide audit. The Office of the State Auditor conducts the yearly audit of the financial statements after receiving them from the State Controller. Maine has been using this singular audit approach since 1995; prior to this, a singular financial report was produced annually on a budgetary basis rather than according to GASB standards. The new method has enabled Maine to achieve a GFOA Certificate of Excellence in Financial Reporting for the last 17 years (2024’s ACFR was also submitted to GFOA; if achieved it will mark the 18th year).

Maine’s component units are statutorily required to be independently audited each year; this is typically done by various CPA firms. These audits are statutorily required to be completed, and the audited financial statements submitted to the State Controller by October 15th of each year, in order that they may be reviewed and added to the ACFR in time (see the Maine Revised Statutes, Title 5, §1546).⁵¹ The Office of the State Controller (including five members of its financial reporting team) is responsible for producing the ACFR; one staff member is responsible for gathering and adding the information from the component units. The OSA does not re-audit these statements; but issues their opinion based on the opinions of those other auditors.

This streamlined process allows the OSA to issue their independent auditor’s opinion usually by the end of November; then they start on the statewide Single Audit (which is due by March of the following year). The statewide Single Audit includes the financial statements from the ACFR along with the additional federally required items.

Montana

Montana has a population of 1,132,812 people, just under one million less than New Mexico’s. It received \$4.62 billion in tax revenue in a year in 2022 and \$4.71 billion in 2023 (close to half of New Mexico’s 2022 tax revenue but only a third of its 2022 amount). Importantly, however, Montana is currently in the process of reforming its audit approach, meaning that if New Mexico does undertake reform, Montana will be a few years or so ahead and may be a good source of information about costs and difficulties along the way.⁵² Montana’s previous process had some similarities to New Mexico’s and may also have possible strategies to incorporate into New Mexico’s potential reform. Montana was awarded a GFOA Certificate of Excellence for its 2022 ACFR but no mention was made regarding prior

⁵⁰ The ERP system used is AdvantageME (Maine 2023 ACFR, p. 12).

⁵¹ <https://legislature.maine.gov/statutes/5/title5sec1547.html>

⁵² Pennsylvania is another state that recently changed their audit approach, moving to a statewide single audit in 2021. See Management Directive 325.07 Amended.

years. Its FY 2023 ACFR was published in May of 2024, 11 months after the fiscal year-end, and its single audit report was produced three months later, in August of 2024.

Montana had previously adhered to a biennial approach⁵³ that required every state agency to undergo financial and compliance audits every two years. This sometimes caused the ACFR to run late due to various challenges with specific agencies holding up the ACFR process. It also led to a very heavy workload. The recently passed Montana House Bill 132,⁵⁴ moved them away from these requirements. They are now pursuing a risk-based model in which compliance audits of the financial affairs and transactions) of all state agencies will be conducted at intervals to be determined by the legislative auditor based on each agency's "operations, risk, the complexity of its fiscal structure, and the nature and extent of previous audit findings" (Section 5-13-304, MCA, as amended by Montana House Bill 132. See Appendix II for the full text of the bill). During the interim period (2026-2027), Montana will start with a skeleton audit schedule. The plan is to do the ACFR audit each year plus two single audits in the same biennium which will together cover three years of activity. Montana's Legislative Audit Division does these audits and is planning a narrow engagement for the ACFR audit in which it will conduct audit work at state agencies with large transactions accounts. This work will consist of testing financial transactions. They will do selected official audits since they are not yet to the point of being able to audit these on a risk-based schedule. They will no longer audit agencies small that do not administer federal programs or have a financial activity that is material to the ACFR. They will still audit material component units for the state so a delay in any of these could still potentially delay the ACFR. A few agency audits (such as university foundations) are contracted out. The university foundations have to be contracted out because the Office of the Legislative Auditor is not legally authorized to audit non-profit organizations. This also relates to a current challenge with a simultaneous lack of CPA firms who are willing to do audits of state and local governments and a greater need for CPAs who can do them because more and smaller government agencies are handling federal funds and thus need single audits than in the past. These factors combined can cause these audits to be delayed.

The discretely presented component units use the statewide accounting system but have their own separate audits. Most are done by the Legislative Auditor; two are contracted out. The following have individual audits:

- Montana State Fund (contracted out)
- The two retirement agencies: the Public Employees' Administration and the Teachers' Retirement Board
- The Board of Housing
- Facility Finance Authority (contracted out)
- The two state universities

⁵³ § 200.504 Frequency of audits (Uniform Guidance) allows states required by constitution or statute, in effect since January 1, 1987, to undergo its audits less frequently than annually, to undergo its audits related to their single audit biennially. North Dakota still does this.

⁵⁴ <https://leg.mt.gov/bills/2023/billpdf/HB0132.pdf>. See also <https://leg.mt.gov/lad/financial-audit-model-reform/> and https://leg.mt.gov/bills/mca/title_0050/chapter_0130/part_0030/section_0080/0050-0130-0030-0080.html.

Typically, the Legislative Auditor either conducts each necessary audit or approves it to be contracted out. For example, the Legislative auditor handles audits of state agencies but contracts out audits of specific programs (such as athletics due to NCAA requirements) and special audits or any for whom efficiency lends itself to doing so. As an example, the regulatory audit of the Montana State Fund is conducted by a contractor who does both that one and their GAAP audit. This saves costs and ensures that it gets done sooner than it otherwise would (due to its small size, it could be likely to be put on the back burner). The new risk-based model will consist of only auditing large and/or risky financial activity but on an annual basis instead of biennial.

Elements they look for to categorize financial activity as risky financial activity include new programs, changes in statutory requirements that impact financial activity (e.g., changes to property tax requirements/rebates); activities related to legislatively approved high volumes of transfers from the general fund; anything abnormal, new or different; agencies with higher turnover, legal issues, or anything else that may trigger a higher risk consideration). Potential ideas for choosing audits in the future could include taking input from legislators on activities and programs that they feel may be risky; sending surveys to agency personnel asking for their perception of risk and a list of anything they may be concerned about or think should be audited; sending surveys asking about agencies' internal control procedures; taking suggestions for priorities and focus from the audit committee; and doing data analysis on accounting records to look for major changes in activity and to identify transactions that should be reviewed.⁵⁵

The ACFR audit work begins in the fall. Since the Legislative Audit Division has access to the statewide accounting system, they are not only able to determine what activity and accounts are material and need to be audited, but they can start transaction testing prior to receiving the draft ACFR. All state agencies except for the state universities use the statewide accounting system. This includes most component units but does not include any that are non-profits. Info for the non-profits is provided by the universities that put summary information (such as account totals) into the statewide accounting system but not transaction-level detail. The associated audit reports for these entities are usually available by the time the legislative auditor is ready to audit their statements, but since this information comes later in the process, the first draft of the ACFR does not include information about these and other component units who have separate audits (12 total). It is added in time for the second draft to be released. If any of these audits were to be delayed, the second ACFR draft would not be able to be completed until it is received. One idea that could prevent this situation is to transition these particular agencies to a calendar year basis (there is one entity that already is). This would move their audits to the spring instead of the fall but could potentially conflict with the preparation of the single audit.

Montana's ACFR is prepared by the Department of Administration, State Financial Services Division, Statewide Accounting Bureau. Each year they usually have the first draft of the ACFR ready in late November to early December; the second is usually finished sometime in January. The department uses

⁵⁵ Benford's Law, which gives the probability of the leading digit of any given number in a dataset to be each number (1 through 9), could be used against the records to identify where fraud may be occurring (suggestion given in personal communication, October 28, 2024).

a unique process to compile the draft ACFR consisting of 16 or 17 “assignments,” (e.g., preparing notes, etc.). This process enables the Legislative Auditor to audit each step in the process as it is done although they cannot finish all of their audit work until the draft is finished.

Montana uses the ACFR as the financial portion of the statewide single audit report. House Bill 132 also moved the state to an annual single audit instead of a biennial. The single audit includes all state agencies with major programs. Previously the federal compliance items were tested as part of the associated agencies’ individual audits, but now they are tested somewhat separately. In the future, this work may be separated even further. With efficiency in view, the vision is to have the federal single audit portion done separately and by its own team. This would also help to make staffing more predictable.

Nebraska

Nebraska is one of the states most similar to New Mexico in population size (1,978,379 people, only 136,000 less than New Mexico’s). In 2022, it received \$7.48 billion in tax revenue and \$7.33 billion in 2023 (close to New Mexico’s 2022 tax revenue but just over half of its 2023 amount). Notably, however, Nebraska’s State Constitution (Article XIII-1) essentially prohibits them from taking on debt;⁵⁶ thus they do not issue bonds. Nebraska’s FY 2023 ACFR was produced six months after its fiscal year ended (in December 2023) and its statewide single audit report was put out three months later (in March 2024).

Nebraska does not require all of its state agencies to be audited every year. Its Retirement Plans, Lottery Plans, College Savings, and Enable Savings Plans have to be audited each year, along with its two component units (the state colleges and the state university). The Savings Plans are audited by outside auditors, but the State Auditor⁵⁷ audits the rest of the state agencies. The component units of the universities and state agencies, however, are audited by outside auditors prior to completion of the associated audits and then the audited financial statements are submitted to the State Accounting Office to be compiled with the rest of the financial statements. Rather than having the remaining agencies be audited in their entirety, the State Auditor takes a sample from the entire state to do testing as part of the ACFR audit. Several methods are used to choose the sample, including random sampling, judgmental methods, and risk assessments. They are likely to do more testing on areas deemed risky and on areas that have been problematic in the past. Control testing is included in some areas. The individual agency audits that are done are scheduled based on how long they usually take. Some of them are done early in the year and others are conducted while the ACFR testing and preparation is going on. The ACFR is used as the financial portion of the statewide Single Audit so major programs that are to be tested as part of the single audit may not be tested as much during the ACFR audit.

The state has approximately 93 state agencies which are not necessarily all touched on every year, though everything material is looked at (such as large accounts). Many types of items are randomly sampled for testing throughout the state agencies. As an example, payroll may be selected for

⁵⁶ <https://nebraskalegislature.gov/laws/articles.php?article=XIII-1>

⁵⁷ The Nebraska Auditor of Public Accounts (<https://auditors.nebraska.gov/>)

sampling. Such sampling would result in even small agencies being looked at. No performance audits or other entire audits are conducted on state agencies (besides the Single Audit) although attestation audits are done on them throughout the year.

Nebraska uses a centralized accounting system which is utilized by every state agency, all of whom do their own accounting. The component units of the agencies have separate accounting systems. Interestingly, the majority of the ACFR audit is able to be completed before the financial statements are submitted because the audit testing is done in the statewide accounting system. This accounting system is locked down after June 30th each year, at which point testing begins. A draft of the compiled and consolidated financial statements is received from the State Accounting Office via Excel files and PDFs on November 15th. Testing is already almost done by this time. The financial statements are then checked to ensure that they match the testing done.

The Nebraska Auditor of Public Accounts has a total staff of 40 people. Five staff members work on the ACFR full time with more people joining in on the work as it gets closer to the due date. They do not feel that it would be possible to annually audit all the state agencies in their entirety with a staff of this size. The college and university audits are especially time-consuming. The ACFR is required to be done and submitted within 20 days of the beginning of the legislative session, or by December 19th. Thus, it is done in plenty of time for the Single Audit which is issued at the end of March. Nebraska's Single Audit includes all the state agencies, but the component units complete and submit their own separately.

Nevada

Nevada has a population of 3,194,176 people (51% more than in New Mexico), yet its tax revenue of \$12.07 in 2022 had increased to \$14.18 billion in 2023, making it the closest to New Mexico's in that year. Nevada's 2022 ACFR and single audit report came out quite late, 19 months after the end of its fiscal year, in January of 2024. Nevertheless, its process does contain some elements worthy of consideration.

The Audit Division of the Nevada Legislature (aka the Legislative Auditor) audits all state agencies and oversees Nevada's statewide single audit; however, the audits of both its ACFR and its statewide single audit are contracted out to an external CPA firm.⁵⁸ The Legislative Auditor performs state agency audits that are not related either to the ACFR or to a single audit; rather, they conduct performance audits. Agencies' revenues and expenditures are looked at but not audited; the ACFR is relied on for this information.

The Nevada State Controller's Office prepares the ACFR each year, primarily from the state's accounting system. However, some agencies are thought of as operationally different and do not operate within the state's general ledger. These use separate accounting systems and are responsible for their own financial statements. They enter summarized batched journal entries into the statewide accounting system. Some examples are Unemployment and the Treasurer's Office (along with the

⁵⁸ The relevant Nevada state statute for the legislative audit office is NRS 218G.

investment trusts it manages). All of these entities then have to be separately audited, whether the audit is done by the state’s contract auditor or by other auditors. The contract auditor functions as the group auditor, providing instruction to the component auditors and ensuring that communication with them is ongoing. All individual audits⁵⁹ are due by November 1st, although this deadline has not been met for the last couple of years. The group auditor is able to work simultaneously while the component auditors are working on their audits, although they cannot finish until the component audits are finished and submitted.⁶⁰ This helps prevent overall delays. Prior to receiving the audited financial statements from these agencies, placeholders are put in place by the Controller’s Office so that their information may be dropped in prior to the ACFR’s completion.

The audit process begins when the Controller’s Office provides the trial balance behind the ACFR, usually on December 1st. The group auditor starts auditing right away. Individual footnotes are given over time and the related section is audited as each comes in. The audit work is conducted onsite, not in the accounting system itself but by requesting documentation as needed from the Controller’s Office or from the pertinent agencies. For trivial component units that expend only small fund amounts, a large portion of the work can be done prior to receiving their audits. When they do come in, the numbers, along with their presentation and classification, need to be checked to ensure that they were brought in correctly by the Controller’s Office. Since the contract auditor does not take responsibility for audits done by separate auditors but references them instead, they do not have to do much testing of the related items. Since the ACFR essentially comes in piecewise as it is completed, the full ACFR draft does not come in until close to the end of the audit process. Typically, it arrives once there are no more journal entries to be added.

The statewide single audit is conducted simultaneously by a separate team from the financial audit team. To get started, they need only a draft SEFA and a list of the major programs. The auditors then go to every agency with major programs to conduct their audit work. The ACFR audit does not affect the timing of the single audit except in that it has to be completed before the single audit is completed since it is used as the financial portion. The only separate single audit done is for the Nevada System of Higher Education.

Texas

Texas was chosen for its proximity to New Mexico. It has a population of 30,503,301, 14 times the size of New Mexico’s, and received over nine times as much tax revenue in 2022 (\$82.26 billion) and around six times as much in 2023 (\$86.78 billion). The processes of a state this size have to be very streamlined to produce the ACFR on time. Texas’ fiscal year ends August 31st and its ACFR is due six months after that. The ACFR is used as the financial portion of the statewide Single Audit report, which is published simultaneously, though the federal portion is completed by another auditor and published separately.

⁵⁹ Some of the other entities that have separate audits done are three discretely presented component units and various additional investment trusts such as Nevada’s Public Employees’ Retirement System and the Public Employees’ Benefits Program.

⁶⁰ Group Audit Standards allow this. See AU-C Section 600: Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors).

Our data collection showed that both reports were put out on time for 2023, in February of 2024. Texas received the GFOA Award for Excellence in Financial Reporting for the 33rd consecutive time in 2022. These and other considerations suggest possibly incorporating some of Texas' processes.

In preparing for the ACFR, the Texas State Auditor's Office does a risk assessment of the financial statements to be included. From this, they determine what are the material line items and to which agencies they pertain, and then they audit only those line items within the relevant agencies. The majority of the material line items end up coming from around 10 different agencies along with the state's universities. In these cases, the State Auditor's Office (SAO) audits only the material line items and the related internal controls, not the entire agency. However, certain agencies have their own external auditors that conduct individual audits for those agencies. In these cases, the agencies are audited in their entirety and the audits must be completed before the financial statements for the ACFR can be compiled, though the SAO does not audit these statements again. There are approximately 200 state agencies, but since the focus is on materiality, many of them are too small to be considered material. Checks and balances for the non-material line items come from internal controls.

An important element of internal control for all Texas state agencies is its centralized accounting system. Agencies have their own accounting systems, most of which use an accounting system stemming from the State Comptroller's office⁶¹ as its base; these individual accounting systems all feed automatically into the central accounting system, also at the Comptroller's Office. The universities are handled differently and provide batch information; they also have their own audits and those of their component units audited externally, though the latter is by choice, not a requirement. In October, the Comptroller's Office closes out the year in the centralized accounting system, making sure that all agencies have entered everything into the system that is supposed to be there. At this point, there is an opportunity to discover potential issues with the non-material line items and related agencies. Additionally, the centralized accounting system makes it possible for the Comptroller's Office to continually look for risks. The SAO also conducts a risk assessment each year that determines which performance and other audits should be done.

From the Comptroller's Book (p. 250):

Texas: The decision was made to allow certain larger state agencies to remain off the central ERP system. The ERP system and SPRS both incorporate edits to ensure compliance with HR and payroll law for regular state agencies. The institutions of higher education report HR information and some payroll data to a third system (Human Resource Information System (HRIS)). Each agency and institution of higher education is an independent employer with its own federal identification number. There is also no single statewide HR office. The Comptroller's office is implementing an ERP system for state agencies only (no higher education institutions). As of FY 23, approximately 75% of the state's FTEs are on the ERP system.

⁶¹ Or the office of the Texas Comptroller of Public Accounts.

The State Auditor's Office is the group auditor for all of the agencies included in the ACFR; they stay informed of the progress of the other external auditors as the process is being conducted. The audits of the material items are to be completed by mid-November. Any individual audits, the audits of the material line items, and the related opinions are due by late December. If for some reason, an agency were to run late on its individual audit, the SAO would know in advance and be able to plan around this, perhaps by auditing the material items themselves rather than waiting for the individual audit to be completed. The compilation work begins in January and goes through February when the ACFR is due to be published. The ACFR itself is audited during compilation.

Alongside the ACFR, the statewide single audit is completed in two parts. The single audit is conducted in accordance with both federal (the Single Audit Act Amendments of 1996) and state (Texas Government Code, Section 403.013(c)) legislation (State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023, p.4). The Texas State Auditor's Office performs the financial portion but contracts a private firm to perform the federal portion. The financial statements of certain entities are also audited by other auditors; the Texas State Auditor's Office bases its opinion on the external audits in these cases (Texas 2023 ACFR, p. 20). The federal portion is extremely long and detailed (for the year ended August 31, 2023, it totaled 629 pages). The report on the financial portion is much shorter and contains only a few items (for the year ended August 31, 2023, its sum was just 45 pages).

Utah

Utah's population consists of 3,417,734 persons (1.3 million more than in New Mexico). It received \$13.79 billion in tax revenue in 2022 and \$13.49 billion in 2023, making it the second closest to New Mexico's tax revenue received in the latter year. Utah's FY 2023 ACFR was produced six months after the end of its fiscal year, in December 2023; its statewide single audit report came out three months later, in March 2024. In 2022 it received the GFOA Certificate of Achievement in Financial Reporting for its ACFR for the 38th consecutive year. Utah's audit processes seem to be fairly streamlined.

Utah by state statute requires an annual financial audit (this is the ACFR audit) of the state reporting entity. This is conducted by the Office of the State Auditor, who acts as the group auditor for this purpose. Individual audits are completed for the discrete component units which include the 16 state colleges and universities. The Office of the State Auditor does five of these individual audits but contracts the others out to CPA firms whose work they oversee. The audited financial statements of the five colleges and universities whose audits are done by the Utah OSA are rolled into the ACFR; the requirements for the information to be submitted by the remaining colleges and universities vary by size. Only six colleges and universities have audits completed in time for the ACFR. The rest are immaterial, representing less than 10-20% of the component units, and so have their audits done later since they are not significant enough to affect the opinion on the ACFR. Some of these submit draft statements for the ACFR; others estimate their numbers based on the prior year, with adjustments made as needed (e.g. if a building was built since the previous year or something similarly significant). The technical colleges, for example, are quite small and their numbers do not change much from year

to year. The Transit Authority and the Public Employees Program also have individual audits done by contracted CPAs before their financial statements are added in.

One thing that helped to speed up the audits of the colleges and universities was to wait to start their respective audits until they had submitted a complete draft of their financial statements with notes. This change was made about four or five years ago. Prior to the change, the OSA was testing while they were finishing up their numbers, but it was realized that this actually delayed the numbers' completion. Importantly, the University of Utah has several component units of its own that also have to have separate audits done before their statements can be included in the University's overall financial statements and all of this must be done before the latter will be ready.

Facilitating the ease of the audit process is the state's general ledger system⁶² in which all primary government entities are included. The OSA is able to query information in it as needed throughout the year, rather than having to do it all at the end. The colleges and universities use their own separate systems from which they download their information for the OSA to put into their audit software (IDF). Medicaid and the Alcoholic Beverages Service Division have their own separate accounting systems but they feed the pertinent information into the state's general ledger system.

State agencies are not charged for the ACFR audit but the component units are billed for their individual audits. If the component unit does not meet the agreed-upon deadline, they have to pay a higher fee (in function as a fine). However, this fee has never needed to be assessed due to working with each entity to come up with a mutually agreed-upon date for their audit submission. Similarly, dates are set for the other state agencies. This year, the Controller's Office was required to submit the draft of the primary government side of the ACFR by October 21st; the complete draft that includes the component units and entity-wide statements is due by November 11th).

An additional useful practice has been made of tracking the time between each of these versions of the ACFR, the time between receiving the full version and producing their audit opinion, and the time between the latter and the report's release. Doing this made it easier to communicate to agencies and to the controller's office how much time is needed to finish the audit after receiving their statements. From receipt of the full ACFR draft, it now only takes about 30 calendar days to produce the audit opinion. From then to the report's release is now only a couple of days. This communication led to the controller's office acquiring a software program that made converting the previous year's ACFR statements into the next much easier, leading to the current quick and smooth process. Additionally, the Adobe compare feature helps the OSA to compare each draft to the previous one, enabling them to quickly find and verify the changes. The OSA also tells the state agencies that everything must be submitted by a certain date in order for their bond documents to be produced on time. The deadline for bond documentation to be submitted is December 27-28th (the colleges and universities have their own separate deadlines). The Treasurer's Office needs to have all bond disclosures finished by January 15th (deadline set by the bond councils). Since the disclosures have to be submitted by this deadline, the audited statements must be completed and published before then in order for the Treasurer's Office to

⁶² Utah uses a software system called FiNet.

prepare these. A former law required all audits to be completed by December 1st, the deadline is now December 31st.

Utah also does an annual statewide single audit including all of the state agencies as well as the colleges and universities. This process usually starts in March or April (a few months prior to the fiscal year's end). The OSA starts by looking at last year's single audit to ascertain which programs are higher risk and thus need to be audited. After this is decided, they start doing single audits of programs in May and then start issuing letters with their findings by the end of August. They try to have most of their single audit work done by the end of August since most state agencies close out their books by the first week in August (June 30th the date generally set by the State Finance Division Comptroller's Office to finish entering transactions for the fiscal year). This makes it so that they have a general idea of the numbers for the ACFR by July or August. Shortly after this, they respond to the interim management letters (by the end of August or early September). All state agencies submit their sections of the SEFA to the State Division of Finance Comptroller's Office between August and September; thus the draft SEFA (presented by state agency and program) is usually submitted to the OSA by mid-November. Then the results of the testing are matched to the SEFA. Typically, the OSA is able to produce both the single audit and the ACFR at the same time, but on occasion, a minimal amount of test work is left to be done in January after the ACFR is done. The huge spike in federal payments since COVID-19 has also led to the single audit being produced later. Of note, some agencies would rather not be included in the statewide single audit because they don't have their own that they can submit to anyone who wants to see it. The information in the state report is listed by ALN grant number rather than by agency in the version sent to the Federal Clearinghouse (only the PDF version has individual agency details).

The comptroller's office has implemented a number of practices that assist with streamlining processes. These include meetings and special forms that help state agencies learn how to convert their cash accounting to accrual at the end of the fiscal year and the aforementioned accounting system that precludes the necessity of a lot of conversions. A big challenge has been the component units. Switching two of the larger component units to a December 30th fiscal year-end helped them to get things done earlier (this was done a few years ago). Changing the colleges and universities to a March 30th year-end would also be a tremendous help. Another major challenge to completing financial statements has been alternative-type investments that are hard to value. The colleges and universities have been doing these for a long time and don't have a problem with it but other agencies who are new to doing these have a harder time with them. The fiscal year-end also affects this. They are easy to value at the end of the calendar year, but much more difficult mid-year.

Synopsis of the Interviewed States' Processes Compared with New Mexico's

Based on our interviews and research of the selected states, it appears that although the NM OSA utilizes the Group Audit Standards to avoid duplication of effort, New Mexico may still be duplicating work by requiring each agency to have an individual audit done prior to the ACFR audit. If the goals mentioned earlier that originally guided the federal Single Audit Act Amendments are generally good goals in designing an audit schedule (to reduce audit burden, improve audit effectiveness through a risk-based approach, and improve the contents and timeliness of audits), then it seems that looking for additional ways to reduce duplication of effort would fall in line with goals one and two. By this logic, it may prove more efficient to select agencies whose particularities lend themselves to continuing to need individual financial and compliance audits and other agencies whose characteristics are similar enough to each other that they could be grouped together for either a statewide audit or smaller group audits. It also seems evident that adopting a separate statewide single audit would speed up the ACFR production and audit process by means of removing a single audit from a prerequisite to a concurrent process. The latter would also potentially remove some effort from the current single audit process that is not federally required and allow a single audit to be completed later than the ACFR while still meeting its federal deadline. If there are specific agencies that do need a separate single audit, these could continue to be done.

We further find that while many states do conduct a singular state audit, the methods of doing so vary widely. An important takeaway is that a singular state audit does not have to include all agencies and component units. Rather, the primary auditor, acting as a group auditor, may decide which entities should be included in the statewide audit and which should have separate audits. The group auditor would also set deadlines for the separate individual audits that fit best both the entities' needs and the required timeline for the ACFR and its associated audit. Audited financial statements from agencies with individual audits may be rolled into the ACFR sometime during its compilation process and do not necessarily need to be re-audited.

We also found that most states do a separate single audit from their ACFR audit(s). A statewide single audit is typically done according to major federal programs rather than by agency. Audit work is completed at each agency as needed.

Below we have outlined the major points of the production of the ACFR and its related audit or audits, along with the single audit process, for each of the states we interviewed.

Alaska

- Only material accounts, primarily those large and/or high-risk are audited
 - Sometimes transactions are flagged, and the associated accounts or funds are requested to be audited
 - The centralized accounting system allows transactions of a specific type to be tested across all departments

- Most audit work starts when the ACFR draft is received
- The ACFR audit work takes around ten thousand hours divided among a staff of 25-30
- Component units have individual audits done
 - These audited financial statements are included in the ACFR draft
 - These individual audits usually include single audits of these entities
- The ACFR is used as the financial portion of the statewide single audit though the latter is done separately by auditing major federal programs

Hawaii

- Agencies that are part of the primary government are not audited individually but are included in the ACFR audit
- Component units and enterprise funds have their own separate auditors
- The central accounting system has to be reconciled to information submitted by each agency
- The statewide single audit only includes around ten departments
 - The remaining agencies choose to have their own separate single audits done
 - The statewide report includes information about the agencies that were not included (such as how much they expended in federal awards)
 - Only agencies that receive federal funding need either type of single audit
 - The financial portion is done separately from the ACFR audit since it is presented differently

Kansas

- Certain entities and component units have their financial statements and audits done separately
 - Examples: state universities, the Department of Transportation, Public Employee Retirement Systems
 - Agencies who run late on these will get a finding for an untimely completion
- The remaining state agencies are included in the central accounting system, enabling their statements to be compiled into the ACFR and audited together during compilation
- The ACFR audit is done according to different focus areas chosen each year
 - Examples: cash, capital assets, leases, SBITAs
- The ACFR audit is completed by December 1st each year
- The ACFR is put together by a four-person team at an external accounting firm
- Besides the ACFR audit(s), there are legislative post audits done in addition to pre-audits of all payment vouchers above \$5,000
 - These audits give confidence that the information pulled into the ACFR is correct
 - By statute, every agency has audit work done at least every three years
 - Each agency is given an error rating according to the results of the pre-audits and agencies with lower risk are rewarded with a higher level of delegated authority

- The pre-audits are done by a staff of approximately 6.5 FTEs and cover around 100 state agencies
- The statewide single audit includes all agencies and component units
 - It is conducted by a two-person team
 - The ACFR is used as the financial portion
 - It is done according to major federal programs

Maine

- All three branches of government use the same general ledger accounting system
 - This enables all state agencies to be audited centrally by the state auditor
 - This singular audit approach has been in place since 1995
- The component units are independently audited each year by external CPA firms
 - These audited financial statements must be submitted by October 15th in order to be added to the ACFR in time
 - These are not re-audited; the Maine OSA's opinion is based on those of the other auditors
- The OSA is usually able to issue their opinion by the end of November
- After the ACFR audit is done, the auditor starts on the statewide single audit
 - The statewide single audit is due the following March
 - The financial statements from the ACFR are used as the financial portion of the single audit

Montana

- In the process of reforming its audit approach
 - The previous process required biennial financial and compliance audits of every state agency
 - As part of the new process, the legislative auditor will use a risk-based approach to determine intervals for each agency to have compliance audits done
 - The determination will be based on the agency's operations, risk, fiscal complexity, and any previous audit findings
 - Only large or risky financial activity will be audited
 - A categorization of risky may be applied to new programs, financial activity related to a change in statutory requirements, any activity due to a large transfer from the general fund, anything out of the ordinary, and agencies with high turnover or legal issues
 - Additional methods for selecting audits may be developed
 - The statewide single audit will also be done annually instead of biennially
 - Small, immaterial agencies that do not administer federal programs will not be audited
 - Material and discretely presented component units have separate audits as do the university foundations

- Some are done by the legislative auditor; others are contracted out
- The first draft of the ACFR is usually ready in November/December; the second is usually finished in January
- The ACFR is compiled in a 16-17-step process that allows the auditor to audit each step as it is completed
- The ACFR is used as the financial portion of the statewide single audit report
- The single audit includes all state agencies with major programs
 - The federal test work is done somewhat separately from the other audit work

Nebraska

- The state's retirement plans, lottery plan, College Savings, and Enable Savings Plans are all individually audited each year, as are the state's two-component units (its colleges and the state university)
 - Only the savings plans are audited by outside auditors; the rest are audited by the state auditor
 - These audits are scheduled throughout the year based on the time to complete them
 - They may be done concurrently with the ACFR audit or some other time during the year
 - Their audited financial statements are compiled with the rest of the state's financial statements
- The remaining state agencies are included in the ACFR audit
 - The ACFR audit is conducted on a sample taken from the entire state
 - There are around 93 state agencies, but each is not necessarily touched on every year
 - The sample is selected via several methods (e.g., random sampling, judgmental methods, and risk assessments)
 - All material items and accounts are looked at
 - The nature of the sampling means that small agencies are often looked at as well
 - Some areas include control testing
 - Five out of 40 audit staff members work on the ACFR full-time; more join as the due date approaches
 - The ACFR must be submitted within 20 days of the legislative session (i.e., by December 19th)
- Attestation audits are also done on state agencies throughout the year
 - These are capable of uncovering financial misstatements
- All state agencies use the centralized accounting system although the component units of the agencies have separate accounting systems

- This enables audit testing to be done in the system, which in turn enables the majority of the ACFR audit to be completed before the financial statements are submitted
 - Testing begins once the accounting system is locked down each year (June 30th)
 - A draft of compiled and consolidated financial statements is ready on November 15th
 - The financial statements are checked to ensure that they match the test results
- The statewide single audit includes all state agencies; component units complete and submit their own separate single audits

Nevada

- Both the ACFR audit and statewide single audit are done by an external CPA firm
- The Controller's Office prepares the ACFR primarily from the state's accounting system
- Some agencies are operationally different and thus do not use the general ledger
 - These use separate accounting systems and enter summarized batched journal entries into the statewide accounting system
 - Examples: Unemployment, the Treasurer's Office, and the latter's investment fund
 - These entities have separate audits done under the auspices of the primary group auditor who audits the rest of the ACFR
 - All individual audits are due by November 1st
- The ACFR audit starts when the trial balance is provided, typically on December 1st
- Each section is audited as its related footnote comes in
- Audit work is conducted onsite, not in the accounting system
 - Documentation is requested as needed from either the Controller's Office or the pertinent agency
- By the time the full ACFR draft comes in, the audit process is already almost completed
- The statewide single audit is done simultaneously by a separate team
 - Only the draft SEFA and list of major programs is needed to start
 - The auditors conduct their work at every agency with major programs
 - The ACFR audit must be completed first since it is used as the financial portion
 - Only the Nevada System of Higher Education has its own separate single audit
- The legislative auditor does separate performance audits of state agencies

Texas

- The state auditor is the group auditor for the ACFR and prepares by doing a risk assessment of the financial statements to be included
 - They then identify the material line items and their associated agencies
 - There are around 200 state agencies but the material line items come from around 10 agencies and the state universities; many of the agencies are too

- small to be considered material – internal controls provide checks and balances for these
 - Only the material line items and their related internal controls are audited
 - A staff of about 10-20 people works on the material items, starting in mid-August
 - Certain agencies have individual audits done separately
 - These agencies are audited in their entirety
 - These audits must be completed before the compilation of ACFR
 - The state auditor does not re-audit these statements but bases their opinion on those of the other auditors
 - The universities and their component units have separate audits done
 - Texas' centralized accounting system functions as an important element of internal control
 - Although agencies utilize separate accounting systems, most automatically feed pertinent information into the centralized system
 - Certain larger agencies are not included in it
 - The universities, for example, provide batch information
 - Each October, the Comptroller's Office closes out the year in the system
 - The closing process provides an opportunity to discover potential issues with the non-material line items and their associated agencies
 - Throughout the year, the Comptroller's Office continually looks for risks
 - The state auditor conducts a risk assessment each year to determine which performance and other audits should be done
 - The statewide single audit is done in two parts, federal and financial
 - These are produced simultaneously and at the same time as the ACFR
 - The state auditor does the financial portion but contracts a private firm to do the federal portion
 - The financial portion is extremely long while the federal portion is much shorter

Utah

- The ACFR audit is conducted by the state auditor who acts as the group auditor
 - State agencies are not charged for their portion of the ACFR audit
 - Deadlines are set for each portion to be done
 - This year the primary government side of the ACFR was due by October 21st
 - The complete draft including all component units was due by November 11th
 - The state auditor tracks the entire time to complete the ACFR audit including the time between the various steps in the process

- This tracking information is provided to agencies and to the controller's office to help them understand when their statements are needed and why
 - Doing so has led to efficiencies and to speeding up the process
- Individual audits are completed for the discrete component units
 - These include the 16 state colleges and universities
 - The Utah OSA does five of these and contracts out the others, overseeing the work
 - Only six are done in time for the ACFR; the rest are immaterial, represent less than 10-20% of the component units, and do not affect the auditor(s) opinion on the ACFR
 - Audits of colleges and universities do not begin until a complete draft of their statements is submitted, this speeds up their audits and makes them more efficient
 - The immaterial component units may submit draft statements or estimate their numbers based on the prior year with adjustments made as needed
 - Component units are billed for their individual audits and are assessed a higher fee if they do not meet their agreed-upon deadline
- The Transit Authority and the Public Employees Program also have individual audits done prior to submitting their financial statements
- The state's general ledger system includes all primary government entities
 - The OSA is able to query information from the system for audit purposes throughout the year, saving time at the end of the year
 - Medicaid and the Alcoholic Beverages Services Division use separate accounting systems, but these feed into the state's general ledger
 - The colleges and universities use their own separate systems
- Audit deadlines are legislated partly based on the deadline for the Treasurer's Office to complete bond disclosures (January 15th)
- Utah's statewide single audit is done annually and includes all state agencies
 - The colleges and universities are also included
 - The single audit process begins in March or April, prior to the end of the fiscal year
 - Single audits are done on higher-risk federal programs
 - The single audit is usually produced concurrently with the ACFR but a spike in federal payments post-Covid has delayed the former in recent years

A Change to Audit Approach - Possible Effects

Bond Ratings

Issuer Credit Rating (US States and Territories)

Moody's rating methodology for U.S. States & Territories,⁶³ applicable to various types of debt issuances and obligations but not including short-term debt, explains Moody's approach to assessing the credit risk of U.S. states and territories. Moody's approach includes the use of a scorecard even though the scorecard-indicated outcome does not necessarily match the actual rating given (p. 2). The scorecard includes a 30% weighting on the economy (15% resident income and 15% economic growth), a 20% weighting on financial performance, a 20% weighting on the state's institutional framework/governance, and a 30% weighting on the state's leverage (20% on the long-term liabilities ratio and 10% on the fixed-costs ratio). A notching factor is then applied to the preliminary outcome, resulting in the scorecard-indicated outcome. Finally, a number of other considerations are applied, including environmental, social and governance (ESG considerations); instrument considerations; and cross-sector methodologies, before a rating is assigned to the issuer. The scores reflect not only current conditions in the state but also historical comparisons over a period of several years or more (p. 15) and many sources are used to obtain relevant information, including the state's audited financial statements which are usually contained in the ACFR. It is important to understand that although the scorecard is used as the base for Moody's rating system, it is only a springboard as the other factors and considerations may cause the actual rating given to differ from the scorecard-indicated outcome, especially for issuers at the upper and lower ends of the rating scale (pp. 17-20). Furthermore, the factors given are not to be considered an exhaustive list (p. 18).

More details about the scorecard factors (see pp.3-4):

- Economy (30%)
 - Resident Income (RPP-Adjusted Per Capita Income / US Per Capita Income)
 - Economic Growth (Difference Between Five-Year Compound Annual Growth in Real GDP And Five-Year Compound Annual Growth Rate in Real US GDP)
- Financial Performance (20%)
 - Amount by which fund balance exceeds own-source revenue
 - Liquidity strength
 - Structural balance of revenue and expenditures
- Institutional Framework/Governance (20%)
 - Strength of fiscal planning and operational management
 - Conservativeness of financial projections

⁶³ From <https://ratings.moodys.com/rmc-documents/425428>. Additional relevant information may be found at <https://ratings.moodys.com/rating-definitions> and [Ratings.Moodys.com/rmc-documents/53954](https://ratings.moodys.com/rmc-documents/53954).

- Consistency of long-term planning and in-year monitoring
- The conservativeness of debt and liability management
- Strength of revenue-generating flexibility
- Strength of expenditure flexibility
- Leverage (30%)
 - Long-Term Liabilities Ratio (Debt + Adjusted Net Pension Liability + Adjusted Net OPEB + Other Long-Term Liabilities) / Own-Source Revenue))
 - Fixed-Costs Ratio (Adjusted fixed costs / Own-source revenue)
 - This ratio is “a proxy for the percentage of own-source revenue that remains for core services after fixed costs are paid” (p. 9)

Instrument Credit Rating

The methodology given in the preceding description results in an issuer rating being assigned to the state. Once this is done, specific debt instruments may be rated. Because the particular characteristics of each instrument vary and affect its credit risk, their individual ratings may be different (notched up or down) from the issuer rating. Some of the considerations used to assess individual instruments include their security features, whether the pledge is active or passive, the characteristics of the revenue base and its availability to pay, the associated debt service coverage, various structural analytic elements, and as well as other factors.

State Credit Ratings as they Relate to the ACFR

Many of the items needed for the scorecard come from the ACFR. For example, each state’s own-source revenue, fund balances, liquid reserves, and the inflows and outflows that comprise the state’s structural balance are all reported in or calculated from its audited financial statements. Other needed items are also calculated from the state’s financial statements, such as the proportion of revenue from economically sensitive sources, its sources and uses of cash, the state’s ability to meet its near-term obligations, the size of any imbalance in its budget, and the speed with which it’s likely to attain balance (p. 7). The long-term liabilities ratio and fixed-costs ratio are also calculated at least in part from the state’s audited financial statements (p. 9).

Since so many of the elements needed for scoring a state’s creditworthiness come from its ACFR, a state’s bonds, and other debt issuances likely cannot be rated until the ACFR is released. “Financial controls and the quality of financial reporting (p. 11),” another set of factors looked at, is also likely to be assessed in part by the ACFR, and “timely disclosure of information” (p. 12) can affect its governance score. However, it seems reasonable that issued ratings be based on the previous fiscal year’s ACFR and we have found evidence that this may be the case in that some of Washington State’s General Obligation bonds were recently assigned ratings (published October 17, 2024) when its most recent

ACFR available is the one for FY 2023, which was published in December 2023.⁶⁴ So it seems that there may be some flexibility in the necessary ACFR completion date as it relates to bond ratings.

State Credit Ratings as they Relate to Audits

One of the many items assessed for each state's scorecard is "the extent to which it monitors inflows and outflows within the fiscal year" (p. 8). This is likely related to the number and type of audits it conducts as well as to its level of internal control. Additionally, "auditors' reports on the effectiveness of internal controls, auditors' comments in financial reports and unusual restatements of financial statements or delays in regulatory filings may indicate weaknesses in internal controls. A lack of timeliness or transparency of information disclosure may indicate a material credit weakness" (p. 14).

The majority of Moody's given state credit rating factors seem to be based more on the content of the audited financial statements as well as the results of any audits on internal controls rather than specifically which state entities are audited in full each year. It seems that an argument could be made that appropriate levels of internal controls as well as a reasonable plan for auditing large, material, and risky funds, accounts, and/or entities would be sufficient to replace annual audits of each entity insofar as they relate to state bond ratings. However, it is quite likely that statewide single audit reports are also taken into account by various credit raters. As possible evidence of this, S&P Global last published their state credit ratings on July 25, 2024, as of the date of this writing (October 25, 2024),⁶⁵ when all US states had a listed rating for their general obligation debt. Notably, the only state that did not have a rating posted was Montana, whose statewide single audit report is published biennially. Montana's FY 2023 single audit report was published in August of 2024, leading us to wonder if the S&P credit rating was delayed while waiting for that report.

An examination of S&P Global Ratings' Methodology for Rating U.S. Governments⁶⁶ revealed very similar results. S&P Global Ratings starts by assessing the government's institutional framework, which consists of three mostly qualitative subfactors: predictability (25%), revenue/expenditure balance and system support (50%), and transparency and accountability (25%). Under the transparency and accountability subfactor, a top rating is described as having "timely, annual generally accepted accounting principles compliant audited financial statements" (p. 7). This appears to be the factor most relevant to the state's audit approach but does not make a distinction between a singular or multi-audit approach.

After assessing the institutional framework, S&P Global Ratings next averages five factors to establish the individual credit profile. The five factors are economy, financial performance, reserves and liquidity,

⁶⁴ Moody's Ratings. Moody's Ratings assigns Aaa to State of Washington's GOs, Series R-2025B and Series R-2025C; Outlook stable. October 17, 2024. Accessed at https://www.moody.com/research/Moodys-Ratings-assigns-Aaa-to-State-of-Washingtons-GOs-Series-Rating-Action--PR_908828221#Related-Entities.

⁶⁵ Accessed at <https://www.spglobal.com/ratings/en/research/articles/190319-u-s-state-ratings-and-outlooks-current-list-1738758> on October 25, 2024.

⁶⁶ Accessed at <https://www.spglobal.com/assets/documents/ratings/research/101604201.pdf>, dated September 9, 2024.

management, and debt and liabilities. Of the five, management is the one most related to financial statement audits and presentation, as seen below.

- **Economy:** primarily looks at real gross state product and state nominal per capita income; may be adjusted according to the local economic profile, economic volatility and industry composition/concentration, and economic growth prospects (population, employment, and tax base trends)
- **Financial Performance:** looks at the government’s annual operating results over time; primarily focuses on budget-based financial information to assess day-to-day management, compares with GAAP audited financial statements; evaluates budget balance and deficit longevity; adjusted for over- or understatement of financial performance, predictability of financial performance based on revenue structure and tax policy, and prospective changes to financial performance
- **Reserves and Liquidity:** assesses the level and stability of reserves and liquid assets; adjusted for under- or overstated reserves, prospective changes to reserves, liquidity pressures, and contingent liability risks
- **Management:** based on budgeting practices (35%); long-term planning (35%); and policies around debt management, investment management, reserves, and liquidity (30%). Qualitatively adjusted for transparency and reporting (the timeliness and effectiveness of the disclosure of key financial or operational information); governance structure; and risk management, credit culture, and oversight (can include sufficiency of internal controls and persistence of audit findings)
- **Debt and Liabilities:** considers the current cost of debt service and other liabilities (pension and other post-employment benefits) which compares these with revenue (50%); net direct debt per capita (25%); and net pension liability per capita (25%); adjusted due to under- or overstatement and potential outcomes of prospective changes to current costs or long-term debt and liabilities.

S&P then combines the individual credit profile with the institutional framework to establish the anchor; they then adjust the anchor for credit-specific modifiers, caps, and a holistic view of the government to establish the stand-alone credit profile. The modifiers and caps include factors that generally worsen or improve the anchor, such as the government’s effective buying income, population size vs. economic strength, an assessment of management, its debt/liability burden compared to its economic base, and any rapidly rising or unexpected risks. When relevant, S&P also applies a methodology for rating U.S. governments above the sovereign. Finally, they produce the issuer credit rating and then the issue credit rating. Here too, we find that factors about the state, items, and elements that may be found in the audited financial statements, as well as evidence that the statements are properly audited and produced in a timely fashion, seem to be the elements that are primarily looked at, rather than a particular audit approach, although this list of factors contained the same disclaimer that it is not an exhaustive list.

Conclusion on Bond Ratings

Moody's published rating methodology seems to suggest that the quality and timeliness of state audits (both the ACFR and the Single Audit) affect the state's bond rating, but the specific audit approach (whether singular or individual) may not have much of an effect, if any. However, audit-related factors that do affect the state bond ratings include oversight, budget and planning, and internal control standards; any weakness in these can affect the state's rating on fiscal governance.⁶⁷ The most relevant factors looked at in S&P's rating methodology were similar: transparency and accountability and management (which includes transparency, reporting, oversight, sufficiency of internal controls and persistence of audit findings).

In short, we find that bond ratings are affected by:

1. The timeliness and transparency of financial statements
2. The timeliness of audits in that bonds cannot be rated until the audits are done
3. Audit strategy in that audits need to be quality and find what they need to find
4. The results of the audits, i.e., the number of findings, their content and persistence, as well as the sufficiency of internal controls

However, anecdotally (from our interviews), states reported that audit work, even adverse and qualified ACFR opinions (as long as they have regular audits issued), has not seemed to affect their bond ratings as much as their ability to pay their debt in a timely fashion. Specifically, states that are risk-averse or who have a lot of money to pull from reported that qualified opinions on unrelated matters did not seem to result in worse bond ratings. Our interviews did verify that the audited financial statements of each entity and/or the ACFR (if applicable) must be submitted in time for bond disclosures to be completed and submitted, though the deadlines for doing so will vary by state.

Risk of Fraud and Wasteful Spending

AU-C §700.12 dictates that in order to form an opinion on the financial statements, "the auditor should conclude whether the auditor has obtained reasonable assurance⁶⁸ about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error."⁶⁸ In accordance with the definition of reasonable assurance in AU-C §200.14,⁶⁹ Utah's 2023 ACFR (pp. 15-16) explains (as do any with unmodified audit opinions) that:

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

⁶⁷ Per discussion with the Maine State Controller on October 10, 2024.

⁶⁸ Accessed at <https://us.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/au-c-00700.pdf>.

⁶⁹ See <https://us.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/au-c-00200.pdf>.

internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Additionally, a typical Independent Auditor’s Report explains that in performing the audit, the auditor(s) design their audit procedures according to the identified “risks of material misstatement of the financial statements, whether due to fraud or error” (e.g., Utah 2023 ACFR, p. 16).

While there are many examples of single⁷⁰ and other audits uncovering fraud, one notable insight gleaned from our interviews was that even agency-by-agency audits do not weed out all fraud or risk. According to data contained in the Association of Certified Fraud Examiners (ACFE) 2024 report on occupational fraud, only 3% of detected fraud was caught via external audits. 14% of detected fraud was caught via internal audits and 14% by management review, while the largest percentage, 44%, was reported via tips (see Table 10 for ACFE’s remaining detection methods and associated percentages).

Table 10. Fraud Detection Method - Percentage Breakdown (ACFE 2024 Data)⁷¹

Category	Percentage of Cases
Tip	44%
Internal audit	14%
Management review	14%
Document examination	6%
Account reconciliation	5%
By accident	5%
External audit	3%
Automated transaction/data monitoring	3%
Surveillance/monitoring	2%
Notification by law enforcement	2%
Confession	2%
TOTAL	100%

An article by ISACA explains that auditors rarely find fraud because “audits are not designed to detect and/or prevent a fraud from occurring” but rather to “determine whether an organization’s financial

⁷⁰ See, for example, Ohio:

[⁷¹ Report downloaded from <https://legacy.acfe.com/report-to-the-nations/2024/>.](https://ohioauditor.gov/news/pressreleases/Details/5903#:~:text=The%20Single%20Audit%20outlines%20steps%20taken%20by%20state%20officials%20and;Mississippi:1)https://www.osa.ms.gov/news/audit-federal-money-mississippi-released-state-auditor-:-:text=The%20audit%20sampled%20180%20Medicaid%20beneficiaries%20and%20found%20that,2)https://www2.osa.ms.gov/news/annual-audit-of-federal-funds-shows-misspent-stimulus-money/-:~:text=JACKSON,%20Miss.%20%E2%80%93%20State%20Auditor%20Shad%20White%E2%80%99s%20team%20discoverd;Kentucky:1)https://www.auditor.ky.gov/PressRoom/Pages/SSWAK-Volume-I-Press-Release.aspx,2)https://www.auditor.ky.gov/PressRoom/Pages/Auditor-Ball-Releases-Second-Volume-of-Statewide-Single-Audit-for-Fiscal-Year-2023.aspx;andWashington:https://sao.wa.gov/taxonomy/term/46.</p>
</div>
<div data-bbox=)

statements are fairly stated without any material discrepancies and whether appropriate internal controls are in place.”⁷² The article goes on to describe six additional reasons why auditors rarely find fraud: 1) The audit universe has its limitations (i.e., a focus on materiality); 2) audit tests are predictable and lack volatility; 3) sampling creates a high probability for an instance of fraud to go undetected; 4) fraudsters may be clever enough to outsmart inexperienced and busy auditors; 5) time and budget constraints may affect the thoroughness of audits; and 6) audits depend heavily on internal controls, deficiencies in which may be repeated year after year. Ultimately, whenever some process (even an audit) is done each year, complacency creeps in. These reasons, along with internal collusion, may result in a considerable amount of fraud being undetected by an audit. Therefore, it is important to try to implement as many preventive controls as possible. However, this project is focused on audit effectiveness and efficiency, so determining appropriate types and levels of internal control is beyond the scope. Nevertheless, we mention it in order to provide information that may inform the number and extent of audits needed.

Our interviews revealed the fact that states design their audit and oversight procedures around the prevention and detection of fraud and wasteful spending very differently.

- Hawaii reviews the reports submitted by each department, asking them to explain any large variances (increases or decreases) in spending from year to year. A number of statutes and internal controls are in place that prevent overspending, such as the Appropriation Act.⁷³ Spending is monitored by the Department of Budget and Finance who set ceilings on it. There is an internal control in the system that will not allow disbursements greater than the allowed amount; an attempt to disburse more will result in an error.
- Maine has an internal audit function within the office of the state controller through which internal audits of high-risk programs are done. These include self-assessments of agencies and programs to determine which need to be looked at more in-depth; some are flagged to be reported to the controller’s office, to the OSA, and to the attorney general. The controller’s office uses a risk-based approach to reviews and established internal control standards are required to follow the state controller’s office’s prescribed best practices. Additionally, the Office of Program and Government Accountability (OPEGA) watches out on behalf of the legislature to determine which agencies and programs need to be looked at. There are also special request audits done that are more of a review rather than a typical opinion audit. Small high-risk agencies may have individual audits requested of their programs, etc.
- Montana is using an additional audit-related strategy that seems to be working, namely, speeding up the response to calls to the state’s Fraud Hotline (personal communication, October 28, 2024). The Legislative Audit Division has begun setting goals for themselves such as time limits to follow up on calls to the hotline. This is important because as callers see action, the number of calls received increases. The Legislative Audit Division has begun to publish a

⁷² <https://www.isaca.org/resources/news-and-trends/newsletters/atisaca/2019/volume-24/why-auditors-rarely-find-fraud>

⁷³ Presumably, this mention during our interview refers to the document located at <https://budget.hawaii.gov/wp-content/uploads/2023/08/EM-23-05-Attachment-A-1.pdf>.

report each year on the results of their hotline activity. In this report, they discuss sustained allegations. This helps agency personnel to see their concerns being taken seriously.

- Nebraska does attestation audits on state agencies throughout the year which are capable of uncovering financial misstatements. However, fraud is usually caught via calls to the whistleblower hotline, calls which trigger investigations to be conducted.

We conclude that fraud is more frequently uncovered through other types of engagements, direct reporting through fraud hotlines, or by some other means rather than external audits. Therefore, any risk of such that may or may not be associated with a move to a singular audit may be mitigated through a multitude of other methods including ensuring that internal controls are audited and sufficient, paying close attention to fraud reports and/or having a fraud hotline, doing various types of audits throughout the year, varying the agencies and/or types of transactions that are audited each year, and by monitoring and/or testing in a centralized accounting system.

Audit Costs

New Mexico

Projected individual audit costs of New Mexico state agencies for Fiscal Year 2025 range from \$9,000 to \$400,821, and for Fiscal Year 2026 they range from \$9,450 to \$420,862, depending on the size and complexity of the state agency. Respectively, the projected ACFR audit cost for each of these years is \$560,020 and \$588,021. An idea mentioned earlier was to consider streamlining the audit work by grouping some state agencies together into a combined audit. Possible agency groupings could be based on agency type, such as courts, attorneys, commissions, departments, authorities, offices, and/or boards. Table 11 shows the estimated individual agency audit costs for each of these groupings. It is possible that efficiencies due to these or other groupings may result in a lower overall cost for each group. An alternate grouping method could consist of grouping related agencies together (e.g., legislative agencies or the groupings shown in Appendix IV). However, making a recommendation for the best grouping(s) to be audited together is outside the scope of this project.

Table 11. New Mexico's Projected Audit Costs by Agency Type (FY 2025)

Totals Divided by Agency Type	Projected FY 2025 Rates	Average	Range
Audit Costs for Courts	324,320.54	23,165.75	18,610.03
Audit Costs for Attorneys	257,133.53	18,366.68	22,101.05
Audit Costs for Commissions	299,469.63	21,390.69	40,842.00
Audit Costs for State Departments	4,797,633.98	177,690.15	1,386,911.25
Audit Costs for State Authorities	614,359.41	68,262.16	216,727.41
Audit Costs for State Offices	590,023.15	39,334.88	128,404.43
Audit Costs for Boards	355,615.23	29,634.60	133,780.72
Audit Costs for Other Agencies	1,283,049.01	551,020.28	4,797,633.98
Grand Total	\$8,521,604.49	\$71,013.37	\$1,397,307.54

Table 12. New Mexico's Projected Audit Costs by Agency Type (FY 2026)

Totals Divided by Agency Type	Projected FY 2026 Rates	Average	Range
Audit Costs for Courts	340,536.56	24,324.04	19,540.53
Audit Costs for Attorneys	269,990.21	19,285.02	23,206.11
Audit Costs for Commissions	314,443.11	22,460.22	42,884.10
Audit Costs for State Departments	5,037,515.68	186,574.65	1,456,256.80
Audit Costs for State Authorities	645,077.39	71,675.27	227,563.79
Audit Costs for State Offices	619,524.34	41,301.62	134,824.65
Audit Costs for Boards	373,395.98	31,116.33	140,469.75
Audit Costs for Other Agencies	1,347,201.46	578,571.30	5,037,515.68
Grand Total	\$8,947,684.73	\$74,564.04	\$1,467,172.91

It is important to understand that New Mexico's audit costs listed in Tables 11 and 12 reflect all audits done for these agencies, not just financial and single audits but also performance audits, investigations, and any other types of audits done. For comparison, the 2024 cost of New Mexico's ACFR audit alone, including gross receipts tax is \$576,368.91. The 2023 cost for the ACFR, including gross receipts tax, was

\$590,484.56 (including \$27,900 of “non-audit” services associated with the ACFR) and the 2022 cost, including gross receipts tax and \$26,718 of non-audit ACFR-related services, was \$481,404.65.⁷⁴

Kansas

Kansas conducts a statewide single audit plan that includes both financial and single audits. This plan consists of a statewide financial audit of most of the state agencies; separate financial audits for the state universities, Department of Transportation, and two revolving funds; a program-specific Uniform Guidance audit (i.e., single audit) of approximately 20 major programs; and two Agreed Upon Procedures Audits. Table 13 gives data on the estimated hours and fees to carry out this audit plan for Fiscal Years 2025 and 2026. The numbers for Kansas and New Mexico are not fully comparable due to a lack of data on all of Kansas’ departments and component units. Additionally, Kansas performs pre-audits and post-audits whose costs are not reflected here. Nevertheless, these numbers may be useful in helping to inform the development of projected hours and costs for a statewide audit plan.

Table 13. Kansas Statewide Audit Package - Estimated Hours and Fees (FY 2025 and FY 2026)⁷⁵

Fiscal Year	FY 2025		FY 2026	
	Estimated Hours	Estimated Fees	Estimated Hours	Estimated Fees
Statewide Single Audit				
Statewide Financial Audit (excluding Universities)	6,350	\$730,700	6,350	\$752,600
Universities Financial Audit (not included in Statewide price) (a)	2,550	\$291,000	2,550	\$299,700
CLA Total statewide UG audit (assumes 20 major programs) (b)	60,000	\$338,500	60,000	\$348,700
Kansas Department of Transportation Financial Audit	820	\$94,800	820	\$97,600
Kansas Water Pollution Control Revolving Fund Financial Audit	300	\$35,100	300	\$36,200
Public Water Supply Revolving Fund Financial Audit	300	\$35,100	300	\$36,200
State Treasurer’s Office Agreed Upon Procedures			125	\$13,500
Pooled Money Investment Board Agreed Upon Procedures			110	\$12,000
Statewide Audit Total	70,320	\$1,525,200	70,555	\$1,596,500

⁷⁴ Totals provided by the NM Office of the State Auditor.

⁷⁵ Source: Bid Proposal, Audit Services – Statewide Audit Package, Request for Proposals Issued November 2022 (data provided by Kansas Office of Accounts and Reports).

Table 14 gives a breakdown of Kansas’ Uniform Guidance Audit (aka single audit) by program. The baseline amount estimated for the Uniform Guidance Audit includes an audit of 20 major programs at a cost of approximately \$17,000 and 3,000 audit hours per program. Additional programs above the 20 are estimated to be charged at \$13,000 and 110 audit hours per program.

Table 14. Kansas' Uniform Guidance Audit - Estimated Costs per Program

Fiscal Year	FY 2025		FY 2026	
	Estimated Hours	Estimated Fees	Estimated Hours	Estimated Fees
Breakdown by Program				
CLA Total statewide UG audit (assumes 20 major programs) (b)	60,000	\$338,500	60,000	\$348,700
Statewide Uniform Guidance Audit (per program) (b)	3,000	\$16,925	3,000	\$17,435
Additional major programs (above the base) (b)	110	\$13,250	110	\$13,700

Utah

According to personal communication with the Utah Office of the State Auditor (December 4, 2024), Utah’s ACFR audits for the fiscal years 2019-2023 averaged about 6,400 hours; the average cost (including overhead) came to \$631,600. They do not bill for the ACFR audit. Rather, it is funded through an appropriation from the state's General Fund.

Utah’s Single Audits for the fiscal years 2019-2023 averaged about 11,750 hours; the average cost (including overhead) was \$1,085,000 and includes the cost of the comptroller's office preparing the statewide single audit report.

These costs are billed to the various entities included in the Single Audit report based on the entity's proportionate share of the federal expenditures in accordance with Utah Code 67-3-1(3)(c). The entities included in the single audit report will then include these audit costs in the expenditures of the federal programs and billed to the respective federal agency. The single audit hours and cost can fluctuate based on the number of major programs [they] are required to audit in accordance with Uniform Guidance requirements. The COVID-19 pandemic relief programs had a significant increase in hours and costs during fiscal years 2020 and 2021.

State Comparisons of FTEs in State Auditors' Offices

Using data obtained from NASACT's, "Auditing in the States" (2024 Edition), the charts and tables in this section give data on the number of full-time equivalent employees in state auditors' offices based on various criteria. This data provides an idea of how many staff are needed to do financial and single audits under each of several different scenarios, specifically related to who conducts the financial and single audit(s). Note that we show only the filled positions but not the total number of appropriated positions as the former may give a better idea of how many staff are currently conducting these tasks while the definition of appropriated may vary by state. Figures 5 and 6 give the total number of full-time equivalent filled positions as well as the number dedicated to financial and single audits for all states for whom the state audit agency conducts 100% of either the financial or single audits.

Chart 5. State Audit Agency Conducts Financial Audit 100%

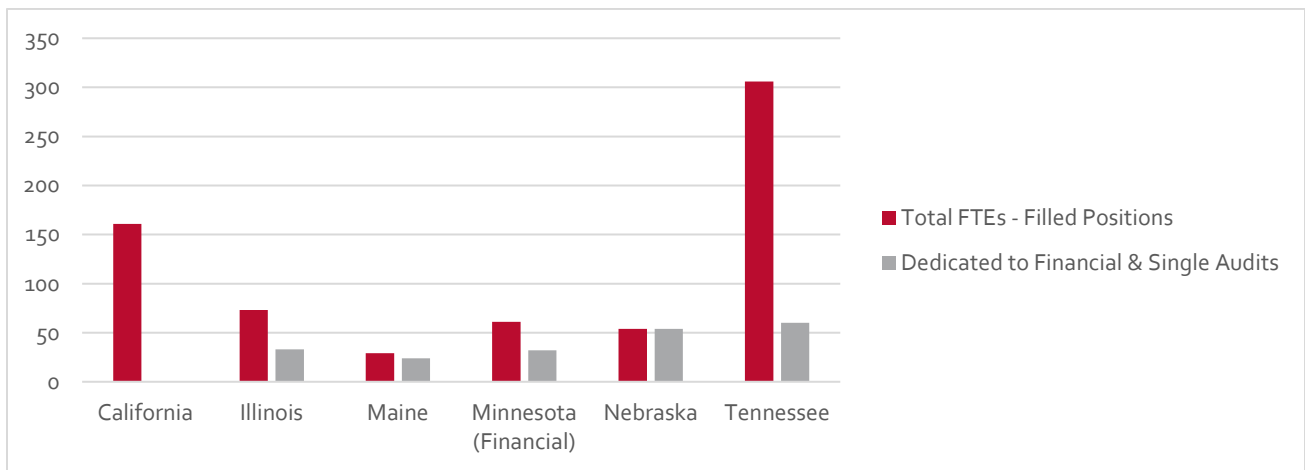
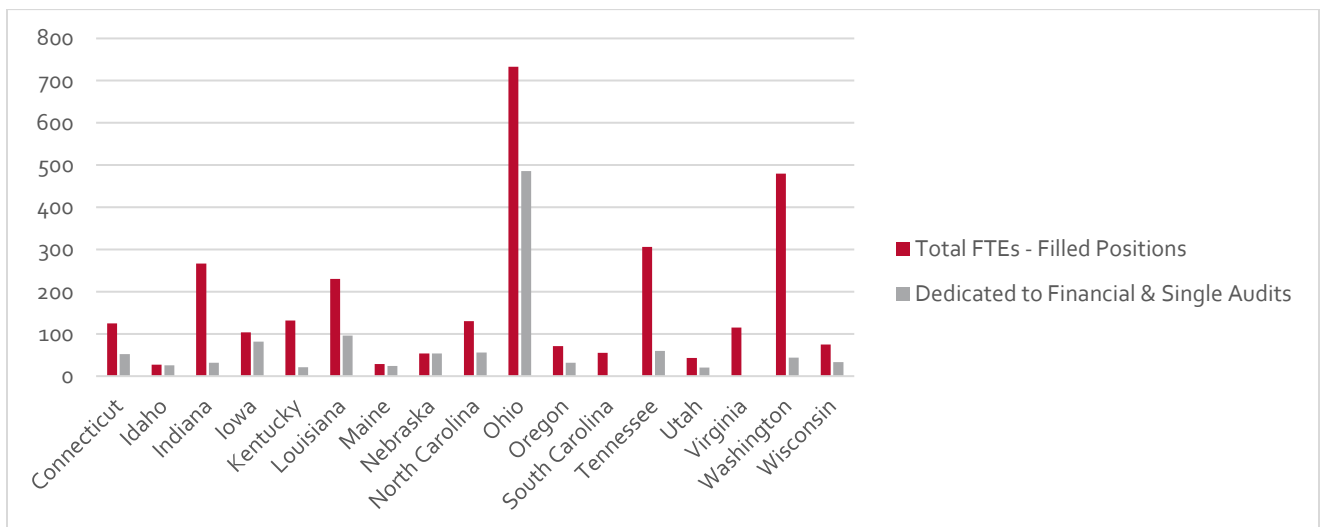


Chart 6. State Audit Agency Conducts Single Audit 100%



Figures 7 and 8 give the total number of full-time equivalent filled positions and the number of full-time equivalents filled positions dedicated to financial and single audits for all states for a CPA firm or firms that conduct 100% of either the financial or single audits. Unsurprisingly, we see that these states have few or no staff doing this work when CPA firms are hired to do it, but the number of total staff doing other types of audits tends to vary, undoubtedly partly due to the size of the state but likely also due to the number and types of audits done.

Chart 7. CPA Firm Conducts Financial Audit 100%

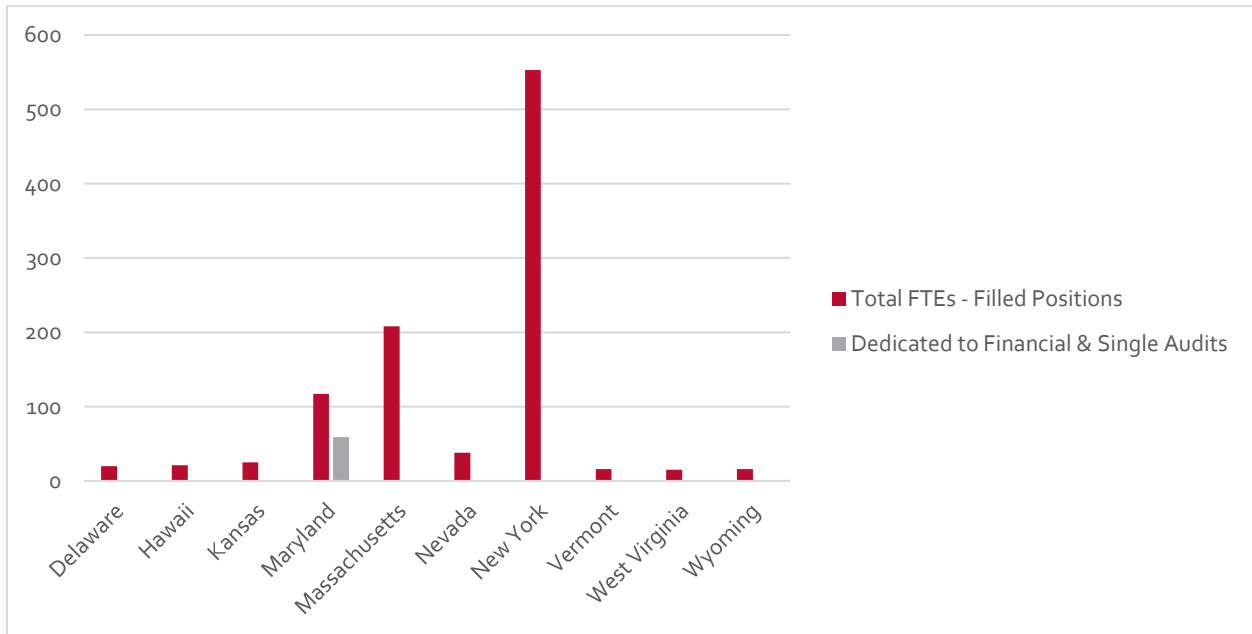
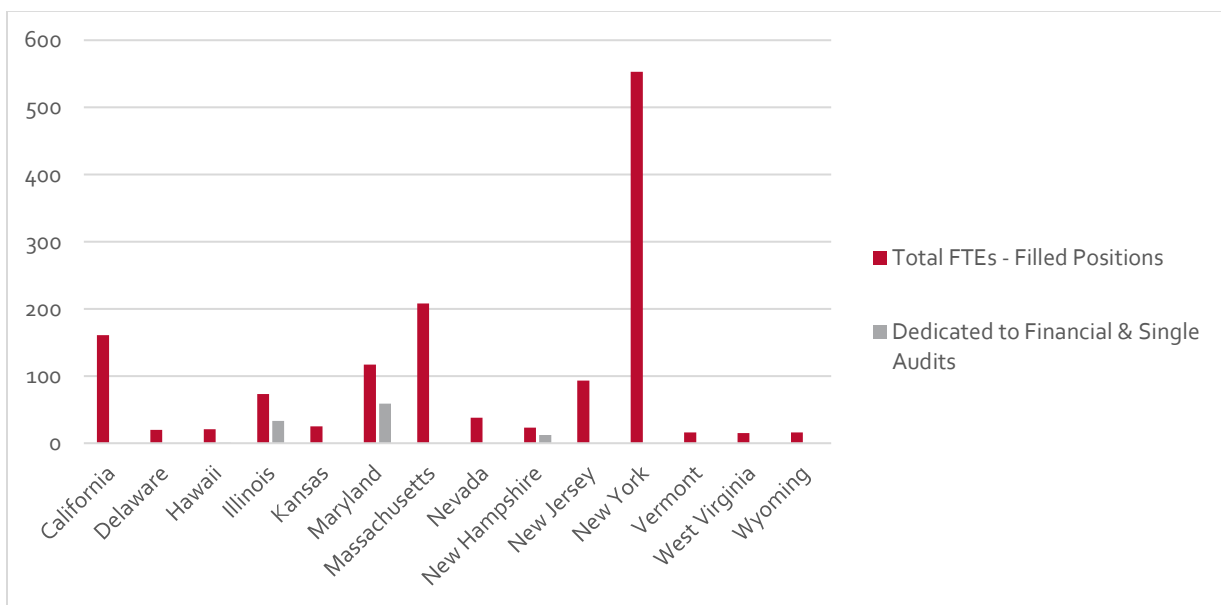


Chart 8. CPA Firm(s) Conducts Single Audit 100%



The above charts focused only on states for whom the state auditor’s office conducts 100% of the financial or single audit and states for whom a CPA firm or firms conduct 100% of either audit. These scenarios cover all states at the extreme ends of each spectrum while the numbers in the two scenarios we don’t include (those in which some combination of state and private audits is done), may simply reflect the fact that these states vary widely as to the respective amounts done by CPAs.

Table 15 gives the specific number of full-time equivalent positions in the state auditor’s office for each of the states we interviewed. Also shown is the number of positions in each office that is dedicated to financial and/or single audit(s); whether the financial audit (i.e., ACFR audit) is done by the state, a CPA firm or firms, or both; whether the single audit(s) is done by the state, a CPA firm or firms, or both (and the percentage done by CPA firms); as well as whether the single audit is done statewide, by departments/agency, or via some combination of both.

Table 15. State Auditors’ Offices - Total Staff, Staff Dedicated to Financial/Single Audits, and Who Conducts the Financial and Single Audits for Interviewed States

State	Agency	Total Staff (FTEs) - Filled Positions	Dedicated to Financial/Single Audits - Filled Positions
Alaska	Division of Legislative Audit <i>Financial Audit - State is Primary Auditor</i> <i>Single Audit(s) - State/CPA (8%), Statewide Only</i>	31	N/A
Hawaii	Office of the Auditor <i>Financial Audit - CPA Firm(s) (100%)</i> <i>Single Audit(s) - CPA Firm(s) (100%), Both Statewide and Department/Agency</i>	21	1
Kansas	Legislative Division of Post Audit <i>Financial Audit - CPA Firm(s) (100%)</i> <i>Single Audit(s) - CPA Firm(s) (100%), Both Statewide and Department/Agency</i>	25	N/A

State	Agency	Total Staff (FTEs) - Filled Positions	Dedicated to Financial/Single Audits - Filled Positions
Montana	Legislative Audit Division <i>Financial Audit - State is Primary Auditor</i> <i>Single Audit(s) - State/CPA, Statewide Only</i>	47.75	24
Nebraska	Office of the Auditor of Public Accounts <i>Financial Audit - State (100%)</i> <i>Single Audit(s) - State (100%), Statewide Only</i>	54	54
Nevada	Legislative Counsel Bureau, Audit Division <i>Financial Audit - CPA Firm(s) (100%)</i> <i>Single Audit(s) - CPA Firm(s) (100%), Statewide Only</i>	38	N/A
New Mexico	Office of the State Auditor <i>Financial Audit - State is Primary Auditor</i> <i>Single Audit(s) - State/CPA, Department/Agency Only</i>	33	9
Texas	Office of the State Auditor <i>Financial Audit - State is Primary Auditor</i> <i>Single Audit(s) - State/CPA (93%), Statewide Only</i>	173	N/A
Utah	Office of the State Auditor <i>Financial Audit - State is Primary Auditor</i> <i>Single Audit(s) - State (100%), Statewide Only</i>	43	20

Additional Info on Audit Hours and/or Staff Needed

Of our interviewed states, six have the state auditor functioning as their primary auditor (Alaska, Maine, Montana, Nebraska, Texas, and Utah) while the remaining four have a private auditor for their primary auditor (Hawaii, Kansas, and Nevada). We also were able to obtain this information from West Virginia, which also has a private auditor as the primary auditor. Below is the information we were able to obtain regarding audit hours and/or staff needed to complete the ACFR audit from the states we interviewed whose primary auditor is the state.

Alaska

All the audit work for the ACFR takes approximately ten thousand hours to complete, divided up among a staff of 25-30 people.

Maine

The decision to replace agency-by-agency audits with a statewide single audit was made in the 1980's. The OSA had to significantly increase their staff to be able to implement the new process, but once completed, the total number of staff needed and the total number of audit hours needed declined quite a bit. Overall, it is significantly less expensive to do a singular statewide single audit than individual agency-by-agency Single Audits (personal communication with the Maine OSC on October 10, 2024).

Montana

As of now, in the transition period between Montana's former process and the full implementation of its new one, it appears that the cost of the new process may be larger (personal communication, October 28, 2024). However, this is primarily related to a single audit and the fact that current conditions reflect an abnormal increase in federal programs over the last few years (e.g., pandemic funds and economic stimulus packages that the state is not done spending). The higher number of federal programs of course requires a considerable increase in audit-related testing. Thus, it is hard to separate the continued effects of the pandemic and its related federal decisions from what the true cost of a single audit will be going forward. These conditions are also causing the single audit to take longer than expected. It may take a few cycles before things go back to normal and the change in cost from the old process to the new can be better evaluated. The hope is that the change will lead to savings and a greater capacity to take on risk-based work. After this is determined, it will become clear whether the new process will require more staff.

Nebraska

Five out of 40 audit staff members work on the ACFR full-time; more join as the due date approaches.

Texas

Typically, a staff of about 10-20 people work on auditing the material items from the financials to be included in the ACFR, starting in mid-August. This work is to be completed by mid-November. All

audits and opinions are due by late December so that the ACFR compilation can begin in January. The ACFR itself is audited during its compilation and is published in February.

Conclusion on Cost

Overall, we have come to understand that there is a wide range of audit engagements performed by different auditors in different states. The components of different group audit engagements affect the number of hours spent on each engagement and thus its cost. Additionally, since switching to a singular audit approach moves work from the component unit auditors to the group auditor, it is difficult to know how this will affect the cost and efficiency of the audits. Ultimately, the number of audit hours needed will of necessity vary by state since every state has different entities that are included or that have individual audits done. Thus, there are many possible ways in which the audit approach could affect the number of hours and staff needed.

Who Would Bear the Audit Cost Burden?

New Mexico state statute 12.6.4 NMSA 1978,⁷⁶ specifies that, with only two listed exceptions, “the reasonable cost of all audits shall be borne by the agency audited.” Furthermore, §12.6.13 dictates:

- A. There is created in the state treasury the "audit fund" into which the state auditor shall deposit all fees and costs received from agencies audited by him.
- B. Payments for salaries and expenses of the state auditor shall be made from the audit fund, and the fund shall not revert at the end of any fiscal year.

This indicates that agencies are required to pay for their own audits whether conducted by the state auditor or an independent auditor. Currently, the Department of Finance and Administration pays for the cost of the ACFR audit. Hence, a move to a singular audit would not of necessity move the burden of the singular audit cost onto the Department of Finance and Administration but a portion could potentially still be charged to each agency. Agencies would remain responsible for the costs of other audits conducted, such as performance audits or special audits designated by the State Auditor. Massachusetts is an example of a state that charges each individual state department for a portion of its comprehensive statewide single audit as stated on the website of the Massachusetts Office of the Comptroller: “The Office of the Comptroller is authorized to collect from departments a portion of the cost of the comprehensive statewide Single State Audit which are payable through the Single Audit Chargeback.”⁷⁷ For their portion of the FY 2023 Single Audit, which cost \$1,817,632 in total, 147 departments were charged amounts ranging from \$500 to \$318,578.⁷⁸ Additionally, according to §200.425 (Audit Services) of the Code of Federal Regulations, “A reasonably proportionate

⁷⁶ See <https://law.justia.com/codes/new-mexico/chapter-12/article-6/section-12-6-4/>.

⁷⁷ See <https://www.macomptroller.org/statewide-single-audit/#:~:text=The%20Single%20Audit%20Report%20is%20an%20entity-wide%20audit,and%20compliance%20over%20of%20financial%20reporting%20and%20of%20federal%20programs.>

⁷⁸ See https://www.macomptroller.org/wp-content/uploads/fy-memo_2024-15.pdf.

share of the costs of audits required by and performed in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), and the requirements of this part are allowable” costs under federal awards, meaning that they may be charged to the federal awards subject to single audits.⁷⁹ The audit cost for each program ultimately varies by its size (a percentage of the total funding for that program). New Mexico has agencies that are 100% federally funded, but the majority of agencies receive both state and federal funding. It is recommended that New Mexico carefully leverage indirect costs at the statewide level, by program, to determine the best approach for covering audit costs. One option would be to simply charge each agency for their portion of audits, leaving the details of whether they can charge the respective federal awards for the single audit portion to them.

⁷⁹ See <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRd1f39f9b3d4e72/section-200.425>.

Discussion of Alternate Auditing Strategies

Possible Alternative Audit Strategies

Since the publication of the ACFR has been running late for some time, it seems clear that a change needs to be made. Possible changes to the related audit approach that have been described in this research include separating single audit work from individual agency audits, changing audit deadlines and/or fiscal year ending dates, adopting a singular audit approach, and incorporating a risk-based approach to selecting who or what to audit. Some of these changes, specifically any that remove the requirement to have individual annual audits from specific agencies, would require a change to state statutes before they could be implemented. We describe these and other possible changes to the state audit approach in more detail in the following paragraphs.

Separating Federal Single Audit Work from Individual Agency Audits

One idea that may speed up the process in that it reduces the time needed for individual agency audits is to separate out the federal compliance audit work needed for the single audit(s) from the financial audit work needed before the ACFR can be compiled. This would move single audit work from being a prerequisite to the ACFR to being able to be worked on concurrently. This may result in doing a statewide single audit which may include all or most agencies though any who have a specific need for their own single audit may continue to do theirs separately. Most likely, any agencies that continue to do a separate single audit will likely want to keep it included with their current individual audit for the sake of efficiency. Nevertheless, it is quite likely that the entire process will be sped up by moving the bulk of the single audit work to a group or statewide single audit. The biggest challenge with doing this would be changing practices and/or modifying the centralized accounting system (SHARE) to be able to produce a statewide schedule of Expenditures of Federal Awards (SEFA). However, determining what it would take to do so is beyond the scope of this study. It is also likely that state statutes would need to be changed to either require a statewide single audit or in order to accommodate the change.

Audit Deadlines, Fiscal Year Ending Dates, Penalties, and Draft Financial Statements

Some of the states we interviewed have or are looking at changing audit deadlines and fiscal year-end dates to see if there are any that could be changed so that their audits are finished earlier. However, the fiscal year-end for New Mexico state agencies is statutorily set at June 30th,⁸⁰ so the latter does not seem to be an option. Additionally, the OSA has changed audit deadlines in an attempt to streamline processes in the past and reports that this did not help the ACFR to be submitted in a timely manner. The current audit due dates are listed in NMAC § 2.2.2.9 (of the Audit Rule) and typically range from November 1st through December 1st. The audit reports of agencies with a fiscal year-end other than June 30th are due five months after their fiscal year ends. The ACFR itself is due on December 31st.⁸¹

⁸⁰ NM Stat § 6-10-1 (2015), also known as the Public Money Act.

⁸¹ <https://www.law.cornell.edu/regulations/new-mexico/N-M-Admin-Code-SS-2.2.2.9>

The recent change requiring draft financial statements to be submitted in October, before the audited financials has helped, but the overall problem still remains. Another possible change would be to allow smaller agencies that are immaterial to the ACFR to submit draft financial statements and/or estimated numbers based on the prior year instead of audited financial statements. Doing either would remove their audits from the items that are prerequisites to the ACFR's compilation and allow them to be completed some other time during the year. However, determining which agencies this could or should be done for and/or ascertaining if there is any risk in doing so is currently beyond the scope of this project.

A related change would be to implement a penalty for completing audits late. New Mexico's Audit Rule in Section 2.2.2.9 (2) stipulates that when "an audit report is not delivered on time to the state auditor, the auditor shall include this instance of non-compliance ... as an audit finding in the audit report. ... If appropriate, the finding may also be reported as a significant deficiency or material weakness in the operation of the agency's internal controls over financial reporting pursuant to AU-C 265." However, two questions remain. The first is whether a finding is a sufficient penalty to prevent a recurrence of such a delay. If a finding is not a sufficient penalty, some other penalty could be instated. For example, a fine, fee, or higher audit cost for agencies running late (as we saw in the example of Utah). The second question, however, is whether there is some problem or difficulty causing the delays that cannot be resolved simply by a stricter penalty. An in-depth investigation into the specific agencies that tend to need more time and/or run late as to the causes of the problem may be needed to ascertain this. Future research could explore this.

Group Audits

An approach that would include replacing individual agency audits with multiple groups or otherwise combined audits is an idea suggested in our earlier section titled Audit Costs, which demonstrated examples of several groupings (state courts, attorneys, commissions, departments, authorities, offices, and boards). However, these are not the only possible groupings. Alternatively, agencies could be grouped together for a combined audit or audits by some other association or function such as those shown in Appendix IV (legislative branch, health services, public safety, courts and district attorneys, administrative agencies, education, boards and commissions, and state resources).

A Singular Statewide Audit

We now turn to the possibility of implementing a singular statewide audit. This typically entails compiling the financial statements of the state's reporting entity into the ACFR and auditing them either concurrently or after they are compiled. It is important to note that a statewide audit does not have to include all state agencies or component units as part of one audit. Rather, the primary auditor would act in capacity as the group auditor, and, according to the Group Audit Standards, decide which entities will be included in the singular audit and which will have their own separate audits. The group auditor would oversee any individual audits, set deadlines for such, and remain in communication with the other auditors throughout the process. If a particular audit were to run late, the group auditor could decide whether to wait for it or whether to conduct their own separate test work to ensure they get the

information needed for the ACFR on time. Audited financial statements from agencies and/or component units that have individual audits could be incorporated into the ACFR at some point during its compilation. The group auditor does not have to re-audit these but may refer to and base their opinion on those of the other auditors (as is done currently).

For the agencies to be included in the singular audit, there are many possible audit strategies that could be used to decide what to audit. These strategies include a risk-based approach in which only agencies, transactions, or funds with the highest risk are audited, random sampling of specific transaction types across all included agencies, and a rotating or staggered schedule of agency audits.

One important consideration is that doing the same thing from year to year may be itself a risk in that it can lead to complacency or even to enshrined methods of evading audit detection. Changing the type of audits done during each cycle could potentially help to catch fraud, waste, or abuse that may otherwise go undetected.

A singular audit could be phased in in stages, possibly starting with a few different group audits, or else including as many entities as possible while others continue to have individual audits done as needed; these entities could potentially be included in a future stage. Agencies that may need to continue having individual audits done include component units and/or any that are not included in the state's accounting system (i.e., SHARE). Others may include agencies who have particular characteristics that do not lend themselves to easily being aggregated together for a combined audit.

More on the Risk-Based Approach

A risk-based audit approach could be designed similarly to how federal programs subject to a single audit are chosen.⁸² For example, the audit selection could include larger agencies, funds, or expenditures above a certain dollar amount; those that have had findings and/or questioned costs in recent audits, especially if they have not been corrected; those that were not audited recently or in the previous audit cycle (audits could be scheduled every other year or at least once in three years, for example); entities with deficiencies and/or weaknesses in internal control, especially if such are determined to be material or significant; areas with weak or lacking monitoring or other significant problems identified in audits or other assessments; transactions, funds or entities affected by recent changes in laws or regulations; those related to programs in at the beginning (startup) or end (closeout) phase of their life cycle; entities or funds with qualified opinions in recent audits; entities with high turnover, legal issues, or a recent change in management; anything that has been flagged or reported as suspicious; and anything that is subject to other identified types of risk.

A related concept that may prove beneficial is Kansas' practice of rewarding agencies determined to have less risk based on their payment pre-audits with increased delegated authority. Other rewards could be implemented instead or as well.

⁸² See §__.520 Major program determination, §__.525 Criteria for Federal program risk, and §__.530 Criteria for a low-risk auditee of the OMB Circular A-133 accessed at <https://georgewbush-whitehouse.archives.gov/omb/circulars/a133/a133.html>.

Replacing Individual Agency Audits with Other Types of Audits

A related concept that surfaced during our interviews was that some of the states that do some form of singular audit instead of individual agency audits conduct other types of audits throughout the year that give them assurance that the financial statements have a high level of accuracy by the time they are collected for compilation into the ACFR. Some of the other types of audits mentioned were performance audits, attestation engagements, pre-audits and post-audits. For the states we interviewed, Table 16 gives the types of audits performed. Therefore, an additional suggestion is to consider whether there are other types of audits that could be conducted throughout the year and incorporated into the audit schedule that would be part of a well-rounded auditing approach, that together with a singular audit would take the place of individual financial agency audits but be conducted at other times in the year rather than at the end of the fiscal year. This would theoretically help to speed up the compilation and completion of the ACFR.

Table 16. Types of Engagements Conducted at State Agencies⁸³

State	Financial Statement Audit	Single Audit	Attestation Engagement	Performance Audits						Investigations	Accounting & Review Services	Other
				Compliance Only	Economy & Efficiency	Program	Sunset	Performance Measures	IT			
Alaska	X	X		X	X	X	X		X			
Hawaii *	X	X			X	X	X	X		X		X*
Kansas				X	X	X			X			
Maine	X	X								X		
Montana	X	X	X	X	X	X	X	X	X	X		
Nebraska	X	X	X							X	X	
Nevada					X	X		X	X			
New Mexico	X	X	X									
Texas	X	X	X	X	X	X		X	X	X		
Utah	X	X	X		X	X		X	X	X		

*Hawaii’s data came from the prior year (2022) and had listed under other, “Sunrise/sunset reviews of professional regulations; assessments of proposed mandatory health insurance coverage; review of tax exemptions, exclusions, and credits; special, revolving, and trust fund reviews.”

⁸³ From NASACT’s “Auditing in the States” (2024 Edition), Table 30.

Conclusion and Proposed Transition Plan

If it is concluded that a singular statewide audit is in the state's best interest, we propose a transition plan be implemented to get there. Such a transition plan would likely have a number of stages and interim phases between each one. Based on the information gleaned from our research, we propose that the first stage (not including interim phases designed to reach the first stage) include the following elements:

- Including all or most state entities that use SHARE (the statewide accounting system) in a singular state audit that takes the place of individual financial and compliance audits for these agencies
 - This would include approximately 115-130 state agencies
 - Determine which agencies should continue to have separate audits to be later compiled with the ACFR
- Updating the SHARE System to more efficiently and effectively consolidate financial information needed to accurately prepare the ACFR
- The ACFR audit should comply with GAAS, GAGAS, and rules issued by the state auditor. It would consist of a risk-based approach for choosing transactions, funds, and agencies to audit in which large and complex agencies would continue to have individual audits, as would component units that are legally separate from the state
 - Examples of agencies that may continue to have separate required audits are:
 - Constitutional institutes of higher education and their associated component units; and
 - The New Mexico Finance Authority and Mortgage Finance Authority; and
 - Other instrumentalities of the state determined to be material to the ACFR
 - The remaining agencies could be audited via random sampling of various types of transactions, in their entirety on a rotating schedule throughout the year, or by internal audit or other means not specifically related to the ACFR audit
- Designing a separate statewide single audit that uses the ACFR as its financial portion
 - The statewide singular audit would likely be program-based rather than agency-based
 - Upgrades to the SHARE system could help to facilitate the creation of a statewide SEFA
 - There would be a statewide single audit report that covers all the included agencies
 - Component units and agencies with particular needs could continue to do individual audits
 - The eight constitutional institutes of higher education do not use the SHARE system; neither do the component units (around 100); these could continue to do separate audits
 - Alternatively, perhaps a real-time interface capability could be added to SHARE that would allow the component units to be added in their own ledger, thus making the ACFR preparation more efficient and less time-consuming
 - If these upgrades are not possible or too costly, system replacement could also be considered
 - Allowing small and immaterial entities to submit draft financial statements for the ACFR
 - Implementing penalties and/or rewards for entities who submit audits late

An interim phase would need to be designed and implemented prior to reaching this first stage. Such an interim phase could perhaps include system enhancements to permit a statewide single audit and/or one or more group audits. Later stages could be designed if desired that may incorporate agencies and component units that were not included in the first stage as well as additional interim phases to reach each next stage.

Appendix I. FY 2022 Primary Auditor for States

The following table is from NASACT data. We used this data to categorize states as having a state or private primary auditor.⁸⁴

Table 17. FY 2022 Primary Auditor for States

Auditor	Number of States
Accuity	1
CLA	6
EideBailly	1
EY	1
KPMG	2
McGee, Hearne & Paiz	1
SA & CLA	2
State Auditor	36
Grand Total	50

⁸⁴ Data from https://www.nasact.org/cafr_completion.

Appendix II. Montana House Bill 132 of the 68th Legislature (Authorized Print Version)⁸⁵

AN ACT MODIFYING TIMING OF AUDITS BY THE LEGISLATIVE AUDITOR; PROVIDING FOR AN ANNUAL AUDIT OF THE STATE ANNUAL FINANCIAL REPORT; PROVIDING FOR A TRANSITION FROM BIENNIAL TO ANNUAL AUDITS OF FEDERAL ASSISTANCE; PROVIDING GUIDANCE TO THE LEGISLATIVE AUDITOR ON SELECTION OF AGENCIES FOR AUDITING BASED ON CERTAIN CONSIDERATIONS; AMENDING SECTION 5-13-304, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 5-13-304, MCA, is amended to read:

"5-13-304. Powers and duties. The legislative auditor shall:

(1) conduct a financial and compliance audit of every state agency every 2 years covering the 2 year period since the last audit, unless otherwise required by state law; (a) perform an annual audit of the statewide annual financial report prepared by the department of administration in accordance with generally accepted accounting principles;

(b) continue to conduct a biennial single audit until June 30, 2025. For the fiscal year beginning July 1, 2025, and for each fiscal year thereafter, the legislative auditor shall perform an annual audit of federal financial assistance provided to the state that meets the requirements established by the federal government.

(c) conduct, or have conducted, compliance audits or audits of the financial affairs and transactions of all state agencies at an interval determined by the legislative auditor taking into consideration the agency's operations, risk, the complexity of its fiscal structure, and the nature and extent of previous audit findings;

(2) conduct an audit to meet the standards and accomplish the objectives required in 5-13-308 whenever the legislative auditor determines it necessary and shall advise the members of the legislative audit committee;

(3) make a complete written report of each audit. A copy of each report must be furnished to the Department of Administration, the state agency that was audited, each member of the committee, and the legislative services division.

(4) report immediately in writing to the attorney general and the governor any apparent violation of penal statutes disclosed by the audit of a state agency and furnish the attorney general with all information available relative to the violation;

(5) report immediately in writing to the governor any instances of misfeasance, malfeasance, or nonfeasance by a state officer or employee disclosed by the audit of a state agency;

⁸⁵ Entire text of bill copied from <https://archive.legmt.gov/bills/2023/billpdf/HBo132.pdf>.

(6) report immediately to the commissioner of political practices any instances of apparent violations of the state code of ethics provided for in Title 2, chapter 2, part 1;

(7) report immediately to the surety upon the bond of an official or employee when an audit discloses a shortage in the accounts of the official or employee. Failure to notify the surety does not release the surety from any obligation under the bond.

(8) have the authority to audit records of organizations and individuals receiving grants from or on behalf of the state to determine that the grants are administered in accordance with the grant terms and conditions. Whenever a state agency enters into an agreement to grant resources under its control to others, the agency shall obtain the written consent of the grantee to the audit provided for in this subsection."

Section 2. Effective date. [This act] is effective on passage and approval.

Appendix III. Additional Single Audits Completed or Submitted for Each State

In search of finding out how many single audits are completed/submitted per state, we gathered a considerable amount of data from numerous sources. However, each data source had problems with it, making this a difficult question to answer. The first data source consulted was the Federal Audit Clearinghouse (FAC) website,⁸⁶ from which we downloaded data on all the state-level single audits submitted for 2022 and 2023. This included all entities for which the entity type field was marked "state." However, upon data examination, it was discovered that this data is subject to considerable submission error in that it records exactly the selections submitted with no corrections. This resulted in numerous submissions from non-state-level entities being included. After filtering the downloaded data to exclude villages, cities, towns, counties, boroughs, municipalities, and schools (to remove school districts), the remaining data still included submissions from numerous non-state-level entities. We then proceeded to manually remove submissions that appeared to be from non-state-level entities. Through further research, we identified and removed entries from our dataset that were from school districts, local or regional governments, nonprofits, corporations, and any other seemingly non-state-level entities. However, since we are not experts on state bureaucratic organization, the results in the final dataset are not guaranteed to be accurate. Therefore, we report the number of entries that we manually removed from each state (in the columns labeled MR).

Due to these issues with the FAC data, we went one step further and gathered the lists of entities that were not included in each state's SEFA audit from its statewide single audit report in order to compare these numbers with our results from the FAC data. However, this data was not without problems either. Some states did not list the agencies that did separate single audits. Others listed the agencies that were not included in the statewide single audit but not whether they were required to have single audits conducted. Still, others listed the type of agencies not included but not their names. Since this data was also problematic and did not match the FAC data, we report it alongside our results from the FAC. The Report Year column gives the year of the single audit report we used for each state (this was the one we had been able to find during our initial data collection phase).

Table 18 presents our results, which are by no means guaranteed to be accurate since we are not experts on state bureaucratic organization.

⁸⁶ Data downloaded from <https://www.fac.gov/>.

Table 18. The Number of Single Audits Completed and/or Submitted by Each State

State and Number of Single Audits Submitted	2022	MR	2023	MR	Comparison (Most Recent Statewide Single Audit Report)	Report Year
AK						
Other Single Audits	1		1		8	2023
State of Alaska	1		1			
AL						
Other Single Audits	12		8	2	4+ colleges and universities	2022
State of Alabama	1		1			
AR						
Other Single Audits	7		2	2	4	2023
State of Arkansas	1		1			
AZ						
Other Single Audits			1		2	2022
State of Arizona	Missing		Missing			
CA						
Other Single Audits	6	10	3	10	5	2022
State of California	1		Missing			
CO						
Other Single Audits	2	1	1	2	Discretely presented component units	2023
State of Colorado	1		1			
CT						
Other Single Audits	6		3		6	2023
State of Connecticut	1		1			
DE						
Other Single Audits	2		1		6	2023
State of Delaware	1		1			
FL						
Other Single Audits	2	1	1	2	?	2023
State of Florida	1		1			

State and Number of Single Audits Submitted	2022	MR	2023	MR	Comparison (Most Recent Statewide Single Audit Report)	Report Year
GA						
Other Single Audits	1	1	3		32	2023
State of Georgia/ State Accounting Office	1		1			
HI						
Other Single Audits	10		10	1	18*	2023
State of Hawaii, Department of Accounting and General Services	1		1			
IA						
State of Iowa	3	2	2	2	4	2023
Other Single Audits	1		3			
ID						
Other Single Audits	2		2	1	5	2023
State of Idaho	1		1			
IL						
Other Single Audits	6	2	2	7	17	2022
State of Illinois	1		Missing			
IN						
Other Single Audits	1	2	1	1	10	2022
State of Indiana	1		1			
KS						
Other Single Audits	0		0		5+	2023
State of Kansas	1		1			
KY						
Other Single Audits	18	6	20	7	Component units, including state universities and retirement systems, are not included.	2023
Commonwealth of Kentucky	1		1			

State and Number of Single Audits Submitted	2022	MR	2023	MR	Comparison (Most Recent Statewide Single Audit Report)	Report Year
LA						
Other Single Audits	5	4	4	1	6	2023
State of Louisiana	1		1			
MA						
Other Single Audits	5		12	2	7+	2023
Commonwealth of Massachusetts	1		1			
MD						
Other Single Audits	1		1	4	2	2023
State of Maryland	1	1	1			
ME						
Other Single Audits	3		3		14 if needed*unknown which had federal awards	2023
State of Maine	1		1			
MI						
Other Single Audits	2			3	10	2023
State of Michigan	1		1			
MN						
Other Single Audits	5	2	3	3	6*(not sure if subrecipients are included)	2023
State of Minnesota	1		1			
MO						
Other Single Audits	3		3	1	certain public universities and other component units	2023
State of Missouri	1		1			
MS						
Other Single Audits	2		4		public universities and related entities	2022
State of Mississippi and/or Region Ten State of Mississippi	1		1			

State and Number of Single Audits Submitted	2022	MR	2023	MR	Comparison (Most Recent Statewide Single Audit Report)	Report Year
MT						
Other Single Audits					None mentioned	2023
State of Montana			1			
NC						
Other Single Audits	3	5	3	7	8	2023
State of North Carolina	1		1			
ND						
Other Single Audits	4		3	1	4	2022
State of North Dakota	1		None (biennial)			
NE						
Other Single Audits	2	3	4	1	2	2023
State of Nebraska	1		1			
NH						
Other Single Audits			1		4 (if required)	2023
State of New Hampshire	1		2			
NJ						
Other Single Audits	6	3	6	10	Component units	2023
State of New Jersey	1		2			
NM						
Other Single Audits	33	1	33		All necessary	2023
NV						
Other Single Audits	1		1		1	2022
State of Nevada	1		Missing			
NY						
Other Single Audits	3	9	4	21	N/A	2023
State of New York	1		1			

State and Number of Single Audits Submitted	2022	MR	2023	MR	Comparison (Most Recent Statewide Single Audit Report)	Report Year
OH						
Other Single Audits	4		0	1	23	2023
State of Ohio	1		2			
OK						
Other Single Audits	9	2	4		4	2022
State of Oklahoma	1		Missing			
OR						
Other Single Audits	5		4	1		2023
State of Oregon	1		1			
PA						
Other Single Audits	2	3	3	4	8 (if required)	2023
Commonwealth of Pennsylvania	1		1			
RI						
Other Single Audits	0	1	2		8 programs (entities not given)	2023
State of Rhode Island	1		1			
SC						
Other Single Audits	9	6	8		40 possible (when applicable)	2023
State of South Carolina	1		1			
SD						
Other Single Audits	1		1		2	2023
State of South Dakota	1		1			
TN						
Other Single Audits			0	1	None mentioned	2023
State of Tennessee	1		1			
TX						
Other Single Audits			2	5	7	2023
State of Texas c/o Comptroller of Public Accounts	1	3	1			

State and Number of Single Audits Submitted	2022	MR	2023	MR	Comparison (Most Recent Statewide Single Audit Report)	Report Year
UT						
Other Single Audits			12	3	1	2023
State of Utah	1		1			
VA						
Other Single Audits	3	3	5	2	15	2023
Commonwealth of Virginia	1		1			
VT						
Other Single Audits			1		9	2023
State of Vermont	1	1	1			
WA						
Other Single Audits	2	1	1		1	2023
State of Washington c/o Office of Financial Management	1		1			
WI						
Other Single Audits			1	2	3	2023
State of Wisconsin	1		1			
WV						
Other Single Audits	3	1	4		6	2023
State of West Virginia	1		1			
WY						
Other Single Audits	5		3		5	2023
State of Wyoming	1		1			
Grand Total	247	74	91	110	208+	

APPENDIX IV. STATE AGENCIES INCLUDED IN THE ACFR (2022)

Below is a list of the 116 state agencies whose audited financial statements are incorporated into the ACFR, as of 2022. All of these agencies receive individual audits. This list does not include the remaining component units, all of whom also receive separate audits before their financials are included in the ACFR.

Legislative Branch

- Legislative Finance Committee
- Legislative Education Study Committee

Health Services

- NM Commission on the Status of Women
- Office of African American Affairs
- Commission for the Deaf and Hard of Hearing
- Martin Luther King Jr. State Commission
- Commission for the Blind
- NM Indian Affairs Department
- Early Childhood & Care Department
- Aging and Long-Term Services Department
- New Mexico Human Services Department
- NM Department of Workforce Solutions
- Workers' Compensation Administration
- Governor's Commission on Disability
- New Mexico Developmental Disabilities Council
- Miner's Colfax Medical Center
- Department of Health
- Environment Department
- Office of the Natural Resources Trustee

Public Safety

- Department of Military Affairs
- Adult Parole Board
- Juvenile Parole Board
- Corrections
- Crime Victims Reparation Commission
- Department of Public Safety
- Department of Homeland Security & Emergency Management

Courts and DAs

- NM Compilation Commission
- Judicial Standards Commission
- NM Court of Appeals
- Supreme Court
- NM Administrative Office of the Courts
- First Judicial District
- Second Judicial District Court
- Third Judicial District Court
- Fourth Judicial District Court
- Fifth Judicial District Court
- Sixth Judicial District Court
- Seventh Judicial District Court
- Eighth Judicial District Court
- Ninth Judicial District Court
- Tenth Judicial District Court
- Seventh Judicial District Court
- Twelfth Judicial District Court
- Thirteenth Judicial District Court
- Bernalillo County Metropolitan Court
- First Judicial District Attorney
- Second Judicial District Attorney
- Third Judicial District Attorney
- Fourth Judicial District Attorney
- Fifth Judicial District Attorney
- Sixth Judicial District Attorney
- Seventh Judicial District Attorney
- Eighth Judicial District Attorney
- Ninth Judicial District Attorney
- Tenth Judicial District Attorney
- Eleventh Judicial District Attorney
- Twelfth Judicial District Attorney
- Thirteenth Judicial District Attorney
- Administrative Office of the District Attorney
- Eleventh DA District II
- Seventh Judicial DA District
- Public Defenders Office

Administrative Agencies

- Office of the Attorney General
- State General Fund
- Office of the State Auditor
- NM Taxation and Revenue Department
- NM Investment Council
- Hearing Officer
- Department of Finance and Administration
- Public School Insurance Authority
- Retiree Health Care
- General Services Department
- NM Educational Retirement Board
- Sentencing Commission
- Office of the Governor
- Office of the Lieutenant Governor
- Dept of Information
- Secretary of State
- State Personnel Office
- PERA
- State General Fund Investment Pool
- State Treasurers Office

Education

- Public Education Department
- Public School Facilities Authority
- Education Trust Board
- Higher Education Dept
- UNM (not in SHARE system)
- Highlands (not in SHARE system)
- Eastern (not in SHARE system)
- Western (not in SHARE system)
- NMSU (not in SHARE system)
- Northern (not in SHARE system)

Boards and Commissions

- Board of Examiners for Architects
- Ethics Commission
- Boarder Authority
- NM Tourism Department
- NM Economic Development Department
- Regulation and Licensing
- PRC
- Office of the Superintendent of Instruction
- New Mexico Medical Board
- Board of Nursing
- New Mexico State Fair - EXPO
- NM Board of Licensure for Professional
- Gaming Control Board
- Slate Racing Commission
- Board of Veterinary Medicine
- Office of Military Base Planning
- New Mexico Spaceport Authority\

State Resources

- NM Department of Cultural Affairs
- New Mexico Livestock Board
- Department of Game and Fish
- Energy and Minerals
- Intertribal Ceremonial Office
- New Mexico Commissioner of Public Lands
- Office of the State Engineer

Appendix V. References

States' Reports

Alaska Division of Legislative Audit. *State of Alaska Single Audit for the Fiscal Year Ended June 30, 2023*.

Arizona Department of Administration, General Accounting Office. *State of Arizona Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2022*.

Arizona Auditor General. *State of Arizona Single Audit Report: Year Ended June 30, 2022*.

Arkansas Department of Finance and Administration, Office of Accounting. *Arkansas Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2023*.

Arkansas Legislative Audit. *State of Arkansas Single Audit Report: For the Year Ended June 30, 2023*.

California Department of Finance, Office of the Director. *Single Audit Report: 2021-22*.

CliftonLarsonAllen LLP. *Commonwealth of Massachusetts Uniform Guidance Single Audit Report Year Ended June 30, 2023*.

CliftonLarsonAllen LLP. *State of Kansas Single Audit Report: Year Ended June 30, 2023*.

CliftonLarsonAllen LLP. *State of Maryland Single Audit Report Year Ended June 30, 2023*.

CliftonLarsonAllen LLP. *State of New Jersey Single Audit Report, Year Ended June 30, 2023*.

CliftonLarsonAllen LLP. *State of Vermont Uniform Guidance Single Audit Report Year Ended June 30, 2023*.

Colorado Office of the State Controller. *Colorado Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.

Colorado Office of the State Auditor. *State of Colorado Statewide Single Audit: Fiscal Year Ended June 30, 2023*.

Commonwealth of Kentucky Finance and Administration Cabinet, Office of the Controller. *Kentucky Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.

Commonwealth of Virginia Auditor of Public Accounts. *Commonwealth of Virginia Single Audit Report for the Year Ended June 30, 2023*.

Comptroller of Maryland. *2023 Maryland Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2023*.

Connecticut Office of the State Comptroller. *Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*. March 2024.

Delaware Department of Finance, Division of Accounting. *State of Delaware Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.

Department of Administration, Office of Accounts and Control. *State of Rhode Island Detail Budget and Actual Schedule – General Fund: Fiscal Year Ended June 30, 2023, Supplement to the 2023 ACFR.*

EideBailly. *State of Nevada Single Audit Report: June 30, 2022.*

Ernst & Young LLP. *West Virginia Single Audit: For the Year Ended June 30, 2023.*

Florida Department of Financial Services. *Florida Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2023.*

Georgia Department of Audits and Accounts. *State of Georgia Single Audit Report: Fiscal Year 2023.*

Hawaii Department of Accounting and General Services, Accounting Division. *State of Hawaii Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

Hawaii Office of the State Auditor. *State of Hawaii Single Audit of Federal Financial Assistance Programs: For the Fiscal Year Ended June 30, 2023.*

Idaho Office of the State Controller. *State of Idaho Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

Illinois State Comptroller. *Annual Comprehensive Financial Report: For Fiscal Year Ended June 30, 2022.*

Indiana State Board of Accounts. *Federal Compliance Audit Report of the State of Indiana: July 1, 2022 to June 30, 2023.* March 28, 2024.

Iowa Department of Administrative Services – State Accounting Enterprise. *Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

Kentucky Auditor of Public Accounts. *Report of the Statewide Single Audit of the Commonwealth of Kentucky, Volume I: For the Year Ended June 30, 2023.*

Kentucky Auditor of Public Accounts. *Report of the Statewide Single Audit of the Commonwealth of Kentucky, Volume II: For the Year Ended June 30, 2023.*

KPMG LLP. *State of Illinois Single Audit Report for the Year Ended June 30, 2022.*

Louisiana Division of Administration. *State of Louisiana Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.*

Louisiana Legislative Auditor. *State of Louisiana Single Audit Report for the Year Ended June 30, 2023.* April 1, 2024.

Maine Office of the State Auditor. *State of Maine Single Audit Report: Uniform Guidance, Fiscal Year Ending June 30, 2023.*

Massachusetts Office of the Comptroller. *Commonwealth of Massachusetts Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

- McGee, Hearne & Paiz, LLP. *State of Wyoming Compliance Report: Fiscal Year Ended June 30, 2023*.
- Michigan Office of the Auditor General. *Report on Internal Control, Compliance, and Other Matters: State of Michigan Annual Comprehensive Financial Report, Fiscal Year Ended September 30, 2023*. April 2024.
- Michigan Office of the Auditor General. *State of Michigan Single Audit Report: Fiscal Year Ended September 30, 2023*. June 2024.
- Minnesota Management and Budget. *Annual Comprehensive Financial Report: For the Year Ended June 30, 2023*.
- Minnesota Management and Budget. *Financial and Compliance Report on Federally Assisted Programs: For the Year Ended June 30, 2023*.
- Mississippi Department of Finance and Administration. *State of Mississippi Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2022*.
- Mississippi Office of the State Auditor. *State of Mississippi Single Audit for the Year Ending June 30, 2022*.
- Missouri Office of Administration. *State of Missouri Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023*.
- Missouri State Auditor. *State of Missouri Single Audit: Year Ended June 30, 2023*. September 2024.
- Montana Department of Administration. *State of Montana Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.
- Montana Legislative Audit Division. *Montana Single Audit Report: For the Two Fiscal Years Ended June 30, 2023*. August 2024.
- Nebraska Administrative Services. *State of Nebraska Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2023*.
- Nebraska Auditor of Public Accounts. *State of Nebraska Statewide Single Audit: Year Ended June 30, 2023*. March 2024.
- New Hampshire Department of Administrative Services. *State of New Hampshire Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.
- New Hampshire Department of Administrative Services. *State of New Hampshire Single Audit of Federal Financial Assistance Programs for the Year Ended June 30, 2023*.
- New Mexico Department of Finance and Administration. *State of New Mexico Annual Comprehensive Financial Report: For the Fiscal Year End 2023*.
- New Mexico Office of the State Auditor. 2023 Audit Rule. 2.2.2 NMAC as contained in *New Mexico Register / Volume XXXIV, Issue 6 / March 28, 2023*.
- North Carolina Office of the State Controller. *State of North Carolina Annual Comprehensive Financial Report: Fiscal Year Ending June 30, 2023*.

North Carolina Office of the State Auditor. *State of North Carolina Single Audit Report: For the Year Ended June 30, 2023.*

North Dakota Office of the State Auditor. *State of North Dakota Single Audit Report: For the Two-Year Period Ended June 30, 2022.*

North Dakota Office of the State Auditor. *State of North Dakota Single Audit Report, Governance Communication: For the Two-Year Period Ended June 30, 2022.*

Office of Indiana State Comptroller. *Indiana Annual Comprehensive Financial Report: For Fiscal Year Ended June 30, 2023.*

Ohio Auditor of State. *Annual Comprehensive Financial Report, An Enterprise Fund of the State of Ohio: For the Fiscal Year Ended June 30, 2023.*

Ohio Auditor of State. *State of Ohio Single Audit Report for the Fiscal Year Ended June 30, 2023.*

Oklahoma Office of Management and Enterprise Services. *The State of Oklahoma Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2022.*

Oklahoma Office of the State Auditor and Inspector. *State of Oklahoma Single Audit Report: For the Fiscal Year Ended June 30, 2022.*

Oregon Secretary of State, Audits Division. *Statewide Single Audit Report: Fiscal Year 2023.* April 2024.

Pennsylvania Governor's Office of the Budget. *Commonwealth of Pennsylvania Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

Pennsylvania Governor's Office of the Budget. *Commonwealth of Pennsylvania Single Audit Report: For the Fiscal Year Ended June 30, 2023.*

Pennsylvania Governor's Office of the Budget. *Management Directive 325.07 Amended – Implementation of the Commonwealth's State-Level Single Audit.* November 18, 2021.

Rhode Island Department of Administration, Office of Accounts and Control. *State of Rhode Island Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2023.*

South Carolina Office of the State Auditor. *State of South Carolina Statewide Single Audit: For the Year Ended June 30, 2023.*

South Dakota Bureau of Finance and Management. *South Dakota Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

South Dakota Bureau of Finance and Management & Department of Legislative Audit. *State of South Dakota Single Audit Report: For the Year Ended June 30, 2023.*

State of Alabama Department of Finance, Office of the State Comptroller. *State of Alabama Annual Comprehensive Financial Report: For the Fiscal Year Ended September 30, 2022.*

State of Alabama Department of Examiners of Public Accounts. *Report on the Single Audit of Federal Award Programs State of Alabama, Montgomery, Alabama: October 1, 2021 through September 30, 2022*. September 1, 2023.

State of Alaska Department of Administration, Division of Finance. *Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2023*.

State of California Office of the Controller. *State of California Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2022*.

State of Connecticut Auditors of Public Accounts. *State of Connecticut Single Audit Report: For the Fiscal Year Ended June 30, 2023*.

State of Delaware Auditor of Accounts. *Uniform Guidance Single Audit Report: Independent Auditor's Report, Fiscal Year Ended June 30, 2023*.

State of Florida Auditor General. *Financial and Federal Single Audit: State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards for the Fiscal Year Ended June 30, 2023*.

State of Georgia State Accounting Office. *State of Georgia Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.

State of Idaho Legislative Services Office. *State of Idaho Single Audit Report: Fiscal Year 2023*.

State of Iowa Office of Auditor of State. *State of Iowa Statewide Single Audit: For the Fiscal Year Ended June 30, 2023*.

State of Kansas Department of Administration, Office of Accounts and Reports. *Annual Comprehensive Financial Report: July 1, 2022 to June 30, 2023*.

State of Maine Office of the State Controller. *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023*.

State of Michigan State Budget Office. *State of Michigan Annual Comprehensive Financial Report: Fiscal Year Ended September 30, 2023*.

State of New Jersey Department of the Treasury, Office of Management and Budget. *The State of New Jersey Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.

State of New York Office of the State Comptroller. *State of New York Annual Comprehensive Financial Report: For Fiscal Year Ended March 31, 2023*.

State of New York Office of the State Comptroller. *State of New York Basic Financial Statements and Other Supplementary Information: For the Fiscal Year Ended March 31, 2023*.

State of New York Office of the State Comptroller. *2022-2023 Annual Report on Audits of State Agencies and Public Authorities*. January 2024.

State of North Dakota Office of Management and Budget. *State of North Dakota Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2022.*

State of Oregon Statewide Accounting and Reporting Services. *Oregon Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2022.*

State of Rhode Island General Assembly, Office of the Auditor General. *State of Rhode Island Single Audit Report: Fiscal Year End June 30, 2023.*

State of South Carolina Comptroller General's Office. *State of South Carolina Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

State of Utah Office of the State Auditor. *State of Utah Single Audit Report: For the Year Ended June 30, 2023.*

State of Washington Office of Financial Management. *Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.* December 2023.

State of Washington Office of Financial Management. *Single Audit Report: For the Fiscal Year Ended June 30, 2023.* May 2024.

State of West Virginia Financial Accounting and Reporting Section. *West Virginia Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2023.*

State of Wisconsin Legislative Audit Bureau. *State of Wisconsin FY 2022-23 Single Audit.*

State of Wyoming State Auditor's Office. *State of Wyoming Annual Comprehensive Financial Report: Fiscal Year Ended June 30, 2023.*

Tennessee Department of Finance and Administration. *Tennessee Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

Tennessee Comptroller of the Treasury, Division of State Audit. *Financial and Compliance Audit Report: State of Tennessee Single Audit for the Year Ended June 30, 2023.*

Texas Comptroller of Public Accounts. *Annual Comprehensive Financial Report: Fiscal Year Ended August 31, 2023.*

The State Controller of Nevada. *State of Nevada Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2022.*

The State of Texas State Auditor. *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023.* February 2024.

The State of Texas State Auditor. *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023.* February 2024.

Utah Department of Government Operations, Division of Finance Accounting Standards and Financial Reporting Section. *State of Utah Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023.*

Vermont Department of Finance and Management. *State of Vermont Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.

Virginia Office of the Comptroller. *An Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023*.

Wisconsin State Controller's Office. *Wisconsin Annual Comprehensive Financial Report: For the Fiscal Year Ended June 30, 2023*.

Other Major References

AICPA (The American Institute of Certified Public Accountants). SAS No. 149, Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors) (AU-C sec. 600). *Audit Guide: Government Auditing Standards and Single Audits*. March 2023.

National Association of State Auditors, Comptrollers and Treasurers (NASACT). *Auditing in the States: A Summary*. 2024 Edition.

Tassin, K.L., Waymire, T.R., & Hines, C.S. (2019). A historical evaluation of the single audit: thirty years from initial legislation to uniform guidance. *Journal of Governmental & Nonprofit Accounting*, 8(1), pp. 21-35. <https://doi.org/10.2308/ogna-52470>.