



CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
2424 Louisiana Boulevard NE
Suite 300
Albuquerque, NM 87110

505.883.2727
505.884.6719 (fax)
CRIadv.com

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Joseph M. Maestas, PE, CFE
New Mexico State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, NM 87507

Re: 2026 Notice of Rulemaking

Dear State Auditor Maestas,

Carr, Riggs & Ingram, L.L.C. (CRI) appreciates the opportunity to submit the following comments related to the proposed amendments to the 2026 Audit Rule. Below are our proposed amendments regarding the draft Audit Rule:

2.2.2.8(G)(1)(i). We noted a typo and believe that the word ‘control’ should also be removed from this line leaving it to read “external peer review.”

In addition, CRI also requests updates to the drafted language related to budgetary comparison schedules and their presentation as RSI to align with the requirements prescribed by the GASB. GASB 103 paragraph 16, states “Budgetary comparison schedules should be presented as RSI for the general fund and each major special revenue fund that has a legally adopted annual budget.” The GASB has adopted this methodology to ensure consistency among governments. As noted in the Basis for Conclusions in Appendix B of GASB 103 B48: “Board concluded that it is conceptually appropriate for budgetary comparison information to be presented using a single method of communication. The Board believes that using a single method also will increase comparability between governments reporting budgetary comparison information. Requiring a single communication method eliminates the option of reporting budgetary comparison information as a basic financial statement.”

Based on the intention of the GASB outlined in Statement 103, as well as the NM State Audit Rule Section 2.2.2.10(C), which states “financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America (USA). Governmental accounting principles are identified in the government accounting standards board (GASB) codification, latest edition. IPAs shall follow interpretations, technical bulletins, and concept statements issued by GASB, other applicable pronouncements, and GASB illustrations and trends for financial statements”, CRI believes the following areas of the State Audit rule should be updated:

- **2.2.2.10(A)(1)(d)** “...and budgetary comparisons for the component unit’s general fund and major special revenue funds that have legally adopted annual budgets.” This language should be updated to reflect the move from the basic financial statement of a component unit to the RSI to conform with GASB 103.
- **2.2.2.10(A)(2)(b)(iii)** “The state auditor requires that every agency’s audit report include budgetary comparisons as SI. The budgetary comparisons shall be audited, and an auditor’s opinion shall be rendered. An AU-C 725 opinion does not meet this requirement. The associated explanation of

significant variations between original and final budget amounts, and final budget amounts and actual results, shall be presented as RSI. This should be updated to align with GASB Statement 103. In addition, this is not clear whether the State is looking to have all budgetary comparison schedules included in the financial statements or just the general fund and major special revenue funds with a legally adopted annual budget. CRI's assumption is that the Office's intent is the required statements above. If that is the case, we would recommend updating to present at RSI as the proposed presentation does not align with the intent of the GASB as well as will lead to confusion. If it is all funds, we would recommend removing that requirement as that would put an increased burden and cost into the annual audits.

- **2.2.2.10(A)(2)(C) "Budgetary comparison statements for the general fund and major special revenue funds may be presented as RSI, ... upon the agency obtaining prior written approval from the OSA. upon the agency.** We recommend removing this as GASB 103 paragraph 16 requires that budgetary comparison schedules are presented as RSI.
- **2.2.2.10(A)(2)(d)(vi) "RSI shall include an explanation of significant variations between original and final budget amounts and final budget amounts and actual results"** This should be updated to reflect the budgetary comparison schedules and notes in accordance with GASB 103. In addition, the separation of the budgetary comparison schedules and the notes would be confusing to the user and is not the intent of the GASB.
- **2.2.2.10(Q)(2) "...If the required budgetary comparison information is included as SI, the reconciliation shall be included on the statement itself"**. This section should be removed and only the related portion to the budgetary comparison schedules being presented as RSI should remain in accordance with GASB 103.
- **2.2.2.12(E)(6)** This section should be updated to include the budgetary comparison information in accordance with GASB 103.

CRI respectfully requests the Office of the State Auditor to reconsider the departure from GASB guidance and the requirement to present as RSI. This departure could lead to confusion for the user and confusion for reporting including a potential to be reported as a departure from accounting principles generally accepted in the United States of America.

2.2.2.12(C)(3)(f) "Sub-funds of the general fund...operational, transportation, instructional materials and teacherage (if applicable)." Consider updating to reflect other sub-funds, adding etc., or referencing PED requirements.

2.2.2.12(E)(2) "Budgetary comparisons: ... The state auditor requires that every educational institution's audit report include budgetary comparisons as SI. The budgetary comparisons shall be audited and an auditor's opinion shall be rendered. An AU-C 725 opinion does not meet this requirement." Please consider removing the requirement for these to be audited and include an AU-C 725 opinion. These schedules are much more aligned with the definitions of supplementary information. The requirement for auditing and rendering an audit opinion on these schedules can be confusing for the user as well as adds an additional burden to the agency and auditor.

Thank you very much for the opportunity to submit a comment regarding these matters for your consideration.



Alan D. "A.J." Bowers, Jr, CPA, CITP
Partner