



State of New Mexico Office of the State Auditor

VIA EMAIL

October 5, 2026

To: IPAs

Re: Amending Contracts to Submit the Single Audit Report Under Separate Cover

The Office of the State Auditor (OSA) hereby provides direction for separating the Single Audits from Financial Audits due to the delayed issuance of a Final Version of the 2026 Uniform Guidance by the Federal Government. Any audit contract that will require a separate single audit will also require a contract amendment to break the one-cover report into two separate reports. This communication is intended to assist with the contract amendment process in the OSA-Connect system. Important considerations for a compensation increase to the original contract amount include (but are not limited to):

- Separate Management Representation Letters for each report.
- Two exit conferences.
- Agency requests for second presentation at a public meeting.
- Updated report language.
- Professional standards requirements for dual-dated reports.

Fee and hour section changes:

There is no need to update the fee and hour breakdown section of the contract if there is no change to compensation. If there is a change to compensation update the fee and hours section of the contract as follows:

Delete the original Fee and Hour Breakdown Section in its entirety and:

Replace this section with the

Original financial statement audit fee and hours
Original financial statement preparation fee and hours
Updated single audit fee and hours;
Original Other allowed non-audit services (if any)
Original Component Units fee and hours (if any)
Original Other fee and hours (if any)
Updated gross receipts tax; and
Updated total.

The only amounts that will change from the original contract are those costs associated with the single audit. All other amounts should stay the same. Keep the updated cost of the single audit on the "single audit" row, do not include this in the "other" row.

Scope of work section amendment language for affected state agencies, ACFR components and other agencies choosing to submit the Federal Single Audit under separate cover:

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

This contract is being amended, to permit an exception to the one cover requirement pursuant to 2.2.2.10(T) NMAC and is based on guidance issued by the Office of the State Auditor due to the Federal Government delay in issuing a Final Version of the 2026 Uniform Guidance.

- *The Financial Audit report is due to the OSA no later than the original due date described at 2.2.2.9(A)(1) NMAC.*
- *The Single Audit report due date has been established by the OSA as January 19, 2027. This due date is subject to further extension by the OSA once the Final Uniform Guidance Compliance Supplement has been released.*
- *To ensure compliance with NMSA 1978 12-6-14(B) “Contract Audits” and 2.2.2.8(M) NMAC “Progress Payments”, Financial Audits and Single Audits shall be treated separately because two reports will be submitted to the OSA. Progress payment for up to 70% of either the Financial Audit or Single Audit may be made without OSA approval.*
 - *Up to 85% of the Financial Audit contract cost may be paid, without OSA approval, upon the submission of the Financial Audit Report. The remaining 15% of the Financial Audit contract cost may be paid according to 2.2.2.8(M)(3) NMAC.*
 - *Up to 85% of the Single Audit contract cost may be paid, without OSA approval, upon the submission of the Single Audit Report. The remaining 15% of the Single Audit contract cost may be paid according to 2.2.2.8(M)(3) NMAC.*
- *Include the following disclosure in the Notes to the Financial Statements:*
 - *(Agency Name) will issue the Single Audit Report under separate cover. This report will be forthcoming once the final version of the Uniform Guidance Compliance Supplement has been officially released.*

OSA will be providing a separate single audit report review guide. Please contact us if we can answer any questions.

Sincerely,

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

Donna Trujillo, CPA
Deputy State Auditor