

LFC Requester:	Caroline Malone
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**AGENCY BILL ANALYSIS
2015 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original	<input checked="" type="checkbox"/>	Amendment	<input type="checkbox"/>	Date	<u>2/20/2015</u>
Correction	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Bill No:	<u>SB641</u>

Sponsor:	<u>Senator Howie Morales</u>	Agency Code:	<u>Attorney General's Office</u>
Short	<u>No State Agency Funds</u>	Person Writing	<u>Carla C. Martinez</u>
Title:	<u>Without Audits</u>	Phone:	<u>827-6776</u>
		Email	<u>cmartinez@nmag.gov</u>

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
n/a	n/a		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
n/a	n/a	n/a		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	n/a	n/a	n/a	n/a		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

This analysis is neither a formal Attorney General’s Opinion nor an Attorney General’s Advisory Letter. This is a staff analysis in response to an agency’s, committee’s, or legislator’s request.

BILL SUMMARY

Synopsis:

Senate Bill 641 would require state agencies to have a current annual audit without material weaknesses or significant deficiencies in order for the state budget division to approve the state agency’s budget or in order for the state agency to receive capital outlay funds. The state auditor would be required to submit a “release for budget” form that states that a state agency is current on its annual audit and does not have material weaknesses or significant deficiencies that have not been successfully resolved.

FISCAL IMPLICATIONS

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

Unknown fiscal implications to the Department of Finance and the Office of State Auditor to implement the contents of this bill. The fiscal implications of the state agencies impacted by this bill are huge.

SIGNIFICANT ISSUES

The bill does not clearly define what is meant by an annual audit nor does it clearly define what is meant by material weaknesses or significant deficiencies. The bill also does not clearly define what is meant by “current” on its audit. There could be circumstances outside the control of a state agency as to why they are not current on their audit, but this bill does not contemplate such circumstances. Furthermore, assuming the material weaknesses and significant deficiencies language refers to findings, it should be noted that it is up to the judgment of the auditor (state auditor, his designees or independent auditor) as to whether a finding should be classified as a material weakness or significant deficiency. This bill language could cause an auditor to lessen or heighten the category it assigns an audit finding. Additionally, some findings may take longer than one audit cycle to rectify so potentially this bill will cause an agency to have multiple fiscal years without funding. Lastly, the bill does not indicate when the state auditor should submit a “release a budget” form to the department of finance and administration.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS

Status quo