

**NOTICE OF PROPOSED RULEMAKING AND PUBLIC HEARING**

The Office of the State Auditor is in the process of amending 2.2.2 NMAC, Requirements for Contracting and Conducting Audits of Agencies ("Audit Rule"). The Audit Rule establishes policies, procedures, rules, and requirements for contracting and conducting financial audits, special audits, attestation engagements, performance audits, and forensic engagements of governmental agencies and local public bodies of the state of New Mexico and is governed by Sections 12-6-1 to 12-6-14 NMSA 1978 ("Audit Act"). The amendments to the Audit Rule are proposed pursuant to the Audit Act, at Section 12-6-12 NMSA 1978 and Subsection A of Section 12-6-3 NMSA 1978. Section 12-6-12 NMSA 1978 states "[t]he state auditor shall promulgate reasonable regulations necessary to carry out the duties of his office, including regulations required for conducting audits in accordance with generally accepted auditing standards."

A copy of the full text of the proposed amendments to the Audit Rule is available on the Office of the State Auditor's website, at <https://www.saonm.org/auditing/financial-audits/state-auditor-rule>. The Office of the State Auditor will consider adopting the proposed new Audit Rule at a public hearing on March 3, 2023, at 1:30 p.m. The hearing will be a virtual meeting and members of the public may attend, listen, and participate via live streaming or telephone. Please see the prior link for additional information on attending the virtual public hearing.

Public comment is allowed prior to and at the public hearing on March 3, 2023. Please e-mail written comments on the proposed Audit Rule to Liza Kerr, Financial Audit Director, at [Liza.Kerr@osa.state.nm.us](mailto:Liza.Kerr@osa.state.nm.us) between January 31, 2023 and March 2, 2023. If you are unable to e-mail comments, you may deliver written comments to the Office of the State Auditor, 2540 Camino Edward Ortiz, Suite A, Santa Fe, New Mexico 87507, as soon as possible and no later than February 24, 2021. All written comments will be posted on the Office of the State Auditor's website within 3 days of receipt.

Proposed amendments to the Audit Rule include the following: (i) adding or clarifying certain definitions; (ii) removing references to his or him, to make the Audit Rule gender neutral; (iii) removing the phrase comprehensive annual financial report and replacing it with the acronym ACFR; (iv) updating requirements for component unit audits of housing departments of a local government or a regional housing authority to be conducted by the same auditor that does the local government audit, consistent with the language of the Audit Act; (v) adding a requirement for the auditor to review annual reports and performance measures submitted by the agency; (vi) adding a requirement for an SOC 2 audit to be done for the SHARE financial system. To the extent applicable, the full text for relevant technical information that served as a basis for proposed changes is available at [gasb.org](http://gasb.org), and [gao.gov](http://gao.gov).

If you are an individual with a disability who is in need of auxiliary aid or service to attend or participate in the public hearing, please contact the Office of the State Auditor at least one week prior to the public hearing. Please contact Christopher Hall at 505-476-3800 or [Christopher.Hall@osa.state.nm.us](mailto:Christopher.Hall@osa.state.nm.us) if any such assistance is needed. At the start of the meeting, the Office of the State Auditor shall announce the names of those members of the public body participating remotely. All members of the Office of the State Auditor participating remotely shall identify themselves whenever they speak and be clearly audible to the other members of the public body and to the public. The Office of the State Auditor shall suspend discussion if the audio or video is interrupted until restored.