

OFFICE OF THE STATE AUDITOR

TIERED SYSTEM OF FINANCIAL REPORTING FOR LOCAL PUBLIC BODIES <sup>1</sup>

FORM FOR DETERMINING TYPE OF REPORTING REQUIREMENTS  
AND INDEPENDENT PUBLIC ACCOUNTANT (IPA) SERVICES NEEDED

Pursuant to Sections 12-6-2(B) and Sections 12-6-3(B) NMSA 1978, local public bodies (mutual domestic water consumers associations, land grants, incorporated municipalities, and special districts) may be subject to different types of financial reporting requirements. This form should be used by all local public bodies to determine what type of professional services they are required to procure from an independent public accountant for fiscal years ending on or after June 30, 2010.

**STEP ONE: Determine your local public body's revenue and capital outlay award expenditures (if any) for the fiscal year:**

My local public body's **total revenues/total money brought in (on a cash basis, excluding capital outlay funds, federal or private grants)** were \$ \_\_\_\_\_ for the fiscal year to which this recommendation applies, which is for \_\_\_\_\_ (fiscal year end).

<sup>1</sup> Section 12-6-2(B) of the Audit Act (effective July 1, 2010) defines "local public body" as a mutual domestic water consumers association, a land grant, an incorporated municipality, or a special district.

If applicable: My local public body's **total** capital outlay award was \$ \_\_\_\_\_ and was received in \_\_\_\_\_ (fiscal year end). My local public body's total expenditure(s) of that award to date is \$ \_\_\_\_\_ for the fiscal year to which this recommendation applies. Note: Please do this calculation for each separate capital outlay award your local public body expended.

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**STEP TWO: Determine whether an incorporated municipality associated with a housing authority should include or exclude the housing authority when completing this form. Check the ONE box below that applies to your municipality. If your local public body is not a municipality, then proceed to STEP THREE below.**

- If the municipality has a housing authority that is a component unit, then the component unit housing authority must procure a separate audit pursuant to 2.2.2 NMAC because it is not a local public body under the tiered system. The municipality should check this box and proceed to Step Two of this form. The tiered system may apply to the municipality, excluding its component unit housing authority.
- If the municipality has a housing authority that is a department, then the municipality should check this box and proceed to Step Two of this form. The tiered system may apply to the municipality, including its housing authority department.

**STEP THREE: Determine expenditure of federal funds and application of the tiered system. Check the ONE box below that applies to your local public body, if your local public body did NOT receive Federal Funds, proceed to STEP FOUR:**

- If your local public body (including a component unit housing authority, if applicable) expended \$750,000 or more in federal funds and is required by the grantor to obtain a single audit of the financial statements and federal funds in accordance with the Uniform Guidance for Federal Awards, then check this box and you are done with this form. The tiered system does not apply to your local public body. If you must obtain an audit of your financial statements.
- If your local public body expended \$750,000 or more in federal funds and elects to obtain a program-specific audit in accordance with the Uniform Guidance for Federal Awards, then check this box and proceed to Steps Three and Four of this form. The tiered system may apply to your local public body.

- If your local public body (including a component unit housing authority, if applicable) did not expend \$750,000 or more in federal funds, then check this box and proceed to Steps Three and Four of this form. The tiered system may apply to your local public body.

**STEP FOUR: Based on your local public body's revenue calculation in Step One, check the ONE box below that applies to your local public body:**

- Tier 1** – Total Revenue is less than \$10,000 and your local public body did not directly expend at least 50% of, or the remainder of, a single capital outlay award: Your local public body falls under Tier 1. A local public body under Tier 1 is exempt from submitting a financial report to the State Auditor and is not required to procure the services of an IPA. However, the local public body shall certify, by the submission of a Tier 1 Certification to the Office of the State Auditor and notify the Local Government Division (LGD) of the Department of Finance and Administration (DFA) that it meets the revenue threshold of Tier 1.
- Tier 2** - Revenue is \$10,000 or more but less than \$50,000: Your local public body falls under Tier 2. A local public body under Tier 2 is exempt from submitting a financial report to the State Auditor and is not required to procure the services of an IPA. However, The local public body shall certify, by submission of a Tier 2 Certification to the Office of the State Auditor, and notify the LGD of DFA that it meets the revenue threshold of Tier 2. The local public body is required to comply with quarterly and final budget reporting requirements to LGD of DFA pursuant to Section 6-6-3 NMSA 1978.
- Tier 3** - Revenue is less than \$50,000 and your local public body expended at least 50% of, or the remainder of a capital outlay award: Your local public body falls under Tier 3. A local public body under Tier 3 is required to procure the services of an IPA for the performance of a Tier 3 agreed upon procedures engagement in accordance with the Tier 3 agreed upon procedures checklist on the State Auditor's website.
- Tier 4** - Revenue \$50,000 or more but less than \$250,000: Your local public body falls under Tier 4. A local public body under Tier 4 is required to procure the services of an IPA for the performance of a Tier 4 agreed upon procedures engagement in accordance with the Tier 4 agreed upon procedures checklist on the State Auditor's website.
- Tier 5** - Revenue is \$50,000 or more but less than \$250,000 and your local public body expended any capital outlay funds: Your local public body falls under Tier 5. A local public body under Tier 5 is required to procure the services of an IPA for the performance of a Tier 5 agreed upon procedures engagement in accordance with the Tier 5 agreed upon procedures checklist on the State Auditor's website.
- Tier 6** - Revenue is \$250,000 or more but less than \$500,000: Your local public body falls under Tier 6. A local public body under Tier 6 is required to procure the services of an IPA for the performance of a Tier 6 agreed upon procedures engagement in accordance with the Tier 6 agreed upon procedures checklist on the State Auditor's website.
- Full Financial Audit** - Revenue is \$500,000 or more: The tiered system does not apply to your local public body, and you must procure the services of an IPA for the performance of a financial and compliance audit in accordance with generally accepted auditing standards and rules issued by the State Auditor.

Please note that this is not the Tier Certification Form which is to be entered in OSA-Connect. Use of this form is solely for your information and convenience.