



State of New Mexico
OFFICE OF THE STATE AUDITOR

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State Auditor Releases Office of the Superintendent of Insurance Annual Audit

SANTA FE, NM – The Office of the State Auditor (OSA) released the Office of the Superintendent of Insurance (OSI) annual audit for fiscal year 2016. The audit resulted in an unfavorable “disclaimer of opinion,” meaning that auditors were unable to obtain adequate information to support the agency’s financial statements. The report identified 31 findings, or problem areas, relating to all aspects of OSI’s financial operations. Auditors and the agency agreed at the onset of the audit for an additional level of scrutiny due in part to ongoing premium tax collection challenges.

“The annual audit highlights areas throughout the agency where safeguards of public funds are not adequate or existing rules aren’t being enforced,” stated State Auditor Tim Keller. “These are critical areas that concern the collection and administration of hundreds of millions of our tax dollars each year. They need to be addressed for the financial health of our state. We appreciate management’s request for additional audit work this year and hope the findings will help them right the ship.”

OSA advised OSI to establish, from the top down, an environment that promotes ethical values, integrity and sound financial policies and procedures throughout the agency, as well as addressing high turnover rates and low morale.

Key information from the audit includes:

- The audit raised substantial concerns related to the Patient Compensation Fund (PCF). The PCF was statutorily established to account for money accumulated for medical malpractice claims. The fund provides excess coverage for medical malpractice claims with the goal of reducing the costs of medical coverage. The fund has had a deficit for multiple fiscal years, ending fiscal year 2016 with a deficit of \$35 million. Claim settlements totaling \$1.9 million were not recorded in the financial statements until the auditor found them.
- The agency had virtually no cash controls and checks coming in the door were not logged or receipted. This affected over \$300 million in deposits for the year.
- IDEAL, the computer system used to track premium tax and other money going to the Law Enforcement Protection Fund and the General Fund, is outdated, inaccurate and dysfunctional.
- The agency did not have the controls in place to safeguard assets and prevent or detect fraud or errors. The lack of controls included payroll, expense reimbursement, vehicle usage, procurement, trust deposits records and work from home policies.

- OSI had not made substantial progress in resolving prior year findings, resulting in nine repeat findings. Findings repeated from fiscal years 2014 and 2015 include noncompliance with federal requirements for grant awards.

The special audit of OSI's tax revenue collection is separate and ongoing. The full annual audit and cover letter are available here: http://osanm.org/audit_reports/detail/10667.

The Office of the State Auditor helps government work better by providing transparency and accountability for government spending; informing policy choices; and tackling fraud, waste and abuse. OSA is an independently elected executive agency responsible for examining the use of public dollars in New Mexico.

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