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Message from Your State Auditor

August 2017

Dear citizens of New Mexico:

As your elected State Auditor, I’m dedicated to helping government work better and on behalf of all New Mexicans. This means providing transparency, oversight, and accountability with respect to government spending; helping agencies effectively and efficiently deliver services to communities throughout the state; and combating financial fraud, waste and abuse at every level of government.

Over the last three years, with the sustained commitment of the agency’s professional staff, and in spite of budget reductions, the Office of the State Auditor (“Office”) has made transformational progress on long-standing challenges and pushed the Office to the forefront of the state’s most critical issues. We’ve:

- Awarded hundreds of thousands of dollars in grants to over 60 small entities throughout the state, such as land grants and acequias, to help them comply with audit requirements, while also stepping up the accessibility of the Office through trainings and outreach efforts;
- Ramped up the number of special investigations and audits, processing about 800 cases since 2015 and identifying millions of dollars in losses to state and local governments;
- Significantly reduced the number of chronically unaudited entities on the “At-risk” list and enhanced overall agency compliance rates;
- Decreased audit contracting approval times by 75 percent and Firm Profile processing by 27 percent through the establishment of online contracting and firm portals;
- Cut red tape by reducing the length of the Audit Rule by over 30 percent and created the Office’s first formal public comment process;
- Advanced government accountability and transparency by making statewide financial information more accessible and meaningful to the public and policy-makers;
- Enhanced the Office’s staffing and professional credentials, including doubling the number of CPAs and significantly increasing the number of specialized certifications, such as CFEs.
- Established the state’s first deadlines for the timely completion of the Comprehensive Annual Financial Report (CAFR);
✓ Strengthened rules aimed at ensuring the independence of auditors by mandating that agencies rotate auditors every six rather than 12 years;
✓ Created the New Mexico Government Accountability Office (GAO), which reported on a wide range of issues from the sexual assault evidence kit backlog to out-of-state contract spending and state agency fund balances;
✓ Led the nation in providing guidance on the implementation of new tax abatement disclosure requirements for state and local governments (GASB 77);
✓ Issued an Executive Order placing in-state businesses on a level playing field with out-of-state vendors when making Office purchasing decisions; and
✓ Consistently met or exceeded performance measures despite budget reductions. For example, in FY17 the Office exceeded its targets for revenue generation by 17 percent (over $77,000), timely reviews of audit reports by three percent, and the number of trainings by 94 percent.

Together, we can continue to help government work better by ensuring that taxpayers’ hard-earned money is used in a responsible and accountable manner.

Sincerely,

Timothy M. Keller, MBA, CFE
State Auditor
Overview

The Office of the State Auditor is charged with the constitutional and statutory duty to examine the financial affairs of governmental agencies within New Mexico that receive public money. When the state’s leaders prepared the New Mexico Constitution in 1911 for impending statehood in the following year, they created a strong, independent auditor’s office to oversee how government officials spend taxpayers’ hard-earned dollars.

In *Thompson v. Legislative Audit Commission*, 79 N.M. 693 (1968), the Supreme Court of New Mexico emphasized that “the office of state auditor was created and exists for the basic purpose of having a completely independent representative of the people, accountable to no one else, with the power, duty and authority to examine and pass upon the activities of state officers and agencies who, by law, receive and expend public moneys.”

The Office of the State Auditor ("Office" or "OSA") is responsible for overseeing the annual financial reporting of about 1,500 government entities, from large state agencies to small political subdivisions, such as land grants and mutual domestic water consumer associations. While the Office performs both financial and special audits, the vast majority of these audits are conducted by private accounting firms selected by the agencies and approved by the Office. The Office exercises regulatory oversight over these firms to ensure professional standards and Audit Rule requirements are adhered to.

In addition to reporting to the citizens of New Mexico on the accountability of state and local governments, the Office provides information and technical assistance for government agencies and independent public accountants throughout the state.

The Office is comprised of four divisions and one special office: the Administrative Services Division, Compliance and Regulation Division, Special Investigation Division, Financial Audit Division, and the Government Accountability Office.

Similar to other agencies, the Office has a logo that reflects its specific function. The logo features the American eagle with outspread wings that appears on the official state seal, but also includes an icon of the ledger or "T account." The left side of the "T" column lists debit transactions and the right side of the "T" lists credits. The balancing of the debit and credit columns is fundamental to the accounting profession.
Strategic Vision

The core mission of the Office of the State Auditor is to provide an independent assessment of the expenditure of public monies and to foster financial transparency and accountability in government.

Specifically, State Auditor Keller has implemented a vision for the Office that is aimed at helping governments across the state work better and safeguarding taxpayer monies by aggressively tackling fraud, waste and abuse. These efforts include:

- Advancing audit accountability by ensuring prompt corrective actions are taken by agencies when problems are identified;
- Making the Office accessible and responsive to agencies, independent public accounting firms and the public;
- Providing support to “at-risk” entities and small political subdivisions in getting their books in order and complying with financial reporting requirements;
- Enhancing investigative efforts to make sure allegations of wrongdoing are evaluated in a thorough and timely manner; and
- Providing useful and accessible information to the public and policymakers about statewide fiscal issues and government workings.
Administrative Division

The Administrative Division consists of five employees who are responsible for managing the day-to-day operations of the Office. The Division oversees the Office’s budget, information technology systems, human resources, and provides general administrative support to other divisions.

BUDGET TRENDS
As a result of declining revenues and the State’s fiscal challenges, the Legislature has steadily decreased the Office’s budget by almost 10 percent since FY 2015. The Office has taken steps to achieve savings, such as significantly cutting rent and travel expenses, but the cuts have taken a toll on the agency’s operations. For example, funding available for contracts has decreased by about 88 percent over this period, limiting the ability of the agency to conduct audits and investigations of potential wrongdoing in a timely manner. Additionally, the “Other” budget category, which provides the resources for financial and technical assistance to agencies throughout the state, is down by about 35 percent.

Table 1

<table>
<thead>
<tr>
<th>Total OSA Budget by Fiscal Year</th>
<th>Decrease of 9.5% Since FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>$3,808,400</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$3,767,700</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$3,508,100</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$3,445,400</td>
</tr>
</tbody>
</table>

Despite declining resources, the agency’s performance targets have been consistently increased. In particular, the Office’s mandate to generate audit fees was raised from $430,000 per year to
$450,000. With decreased general fund appropriations, the agency’s reliance on these fees to cover the agency’s operations has gone up substantially. About 22 percent of the agency’s operating budget each year now comes from the Audit Fund. This trend is unsustainable in out-years. If the agency is not provided the resources to conduct audits, it cannot generate the fees necessary to replenish the Audit Fund and maintain its operations at the current level.

HUMAN RESOURCES
The Office maintains very low overhead costs. Due to the technical nature of auditing, the Office does require highly-credentialed accounting professionals to carry out its responsibilities. As such, the Office has made the recruitment and retention of qualified individuals a top priority of the agency. Since January 2015, the Office has doubled the number of employees with CPAs (five to ten).

However, as a result of budget constraints, the Office is currently required to maintain three vacant auditor positions (8.6 percent unfunded vacancy rate). With the Office overseeing the financial reporting of about 1,500 entities each year, adequate staffing is critical to ensuring public resources are not being mismanaged. At 32 funded FTE, and with a broad mandate to thoroughly examine the financial affairs of government agencies throughout the entire State, the current staffing level provides the minimal extent of support necessary to maintain agency operations at the present level.

IMPACT OF BUDGET REDUCTIONS
Continued budget reductions will adversely impact the agency’s ability to fulfill its constitutional and statutory responsibilities as well as meet legislatively-mandated performance targets. Specific risks include:

- Fraud, waste and abuse going undetected and credible complaints not being investigated;
- Longer processing times for releasing audits that are necessary for entities to obtain state and federal funding;
- Limited financial and technical assistance to agencies in need;
- Inability to retain and recruit appropriately credentialed staff; and
- Failure to meet legislatively-mandated revenue generation targets.
Compliance and Regulation Division

State Auditor Keller established the Compliance and Regulation Division in 2015 to bring greater focus to quality control and compliance issues. The Division processes all audit contracts, handles public records requests, compiles the Audit Rule, and oversees the approval of independent public accounting firms to conduct government audits. In addition, the Division houses the Director of Compliance and Quality Control and the Chief Legal Counsel for the Office.

IMPROVING AUDIT RULE REQUIREMENTS

The Office has made a series of changes to the Audit Rule (2.2.2 NMAC) to improve accountability and transparency. These efforts have included:

- Making the Audit Rule subject to a formal public comment process for the first time;
- Requiring additional information to be made public in audits, such as agencies’ large government contracts and State Investment Council investment fees;
- Proactively educating agencies on the impact of important new rules aimed at bringing greater transparency to tax breaks awarded by state and local governments (GASB 77);
- Mandating that agencies provide detailed corrective action plans to audit findings and that auditors report on the agencies’ progress in the next audit cycle;
- Helping to ensure the timely completion of the State’s Comprehensive Annual Financial Report (CAFR) by establishing the first ever deadline for DFA’s submission of the report; and
- Reducing the length of the Audit Rule by 30 percent.

STREAMLINING BUSINESS PROCESSES

The Division processes hundreds of audit contracts each year between agencies and independent public accounting firms. Additionally, as part of its regulatory oversight role, the Division reviews applications from firms seeking approval to conduct governmental audits in the State, which had in the past been several hundreds of pages long ("Firm Profiles"). Historically, the Division administered contracts and Firm Profiles through a time consuming process relying on staff reviews of paper copies. The Office implemented a new online portal that reduced contract processing times by 75 percent and that eased the regulatory burden of Firm Profile preparation and reviews, decreasing profile processing times by 27 percent.
Financial Audit Division

The Financial Audit Division consists of fourteen employees who are responsible for overseeing financial reporting requirements of about 1,500 governmental entities. Pursuant to state law, all governmental agencies are required to have their financial affairs thoroughly examined and audited each year by the Office of the State Auditor or independent auditors (IPAs) approved by the Office (of which about 85 percent are in-state businesses). This includes state agencies, municipalities, counties, school districts, soil and water conservation districts, domestic water consumer associations, land grants, acequias, public improvement and tax districts, etc.

Certain local public bodies may file a financial self-certification form or complete an agreed-upon procedures report (AUP) in lieu of a full audit. Of all the governmental entities state-wide, only about 500 are required to complete full audits, with the remainder completing AUPs or self-certifications.

While Division staff directly perform audits each year, due to the Office’s limited resources, a majority of the financial and compliance audits are conducted by IPAs partnering with the Office. The Division also verifies that audits performed by IPAs are completed in accordance with the Audit Rule and professional standards through a report review process and workpaper reviews.

In spite of budget constraints, and the expanded activities of the agency, the Office has met or exceeded its legislatively-mandated performance targets. This has been made possible by better utilizing staff across various divisions to meet workload peaks and generate audit fees.

PERFORMANCE MEASURES – FY 2017

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>TARGET</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees generated</td>
<td>$450,000</td>
<td>$527,241</td>
</tr>
<tr>
<td>Percentage of audit reports reviewed within 10 days</td>
<td>90%</td>
<td>93%</td>
</tr>
<tr>
<td>Number of training sessions performed</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>Number of working paper reviews of independent public accountants</td>
<td>45</td>
<td>45</td>
</tr>
</tbody>
</table>

“Financial reporting plays a major role in fulfilling government’s duty to be publicly accountable in a democratic society.”

– Governmental Accounting Standards Board, Concept Statement No. 1.
REPORT REVIEW PROCESS

Each year, the Division reviews about 700 audit and AUP reports as part of its quality control process. These reports, which range from 30 pages in length to over 1,000 pages, are reviewed two to three times prior to release by the Office. The volume of reports reviewed by the Office has increased over 20% since Fiscal Year 2011.

Once released, the reports are sent to the Department of Finance and Administration, the Legislative Finance Committee and other relevant oversight agencies. These reports, which include a vast amount of information regarding how governmental agencies are working, are publically available on the Office’s website. State-wide trends and analysis are also highlighted through the work of the Government Accountability Office.

REDUCING THE NUMBER OF “AT-RISK” ENTITIES

The Office’s “At-Risk” list includes two distinct components. “Late Reports” highlights certain categories of entities that have not filed timely financial reports in compliance with the deadlines set forth in the Audit Act and the Audit Rule. These entities are “at-risk” in the sense that their financials have not been examined during the relevant fiscal year(s). If entities receiving public funds are not audited the risks of misstatements or fraud, waste and abuse increase.

ENTITIES WITH OVERDUE AUDITS / AGREED-UPON PROCEDURES REPORTS

<table>
<thead>
<tr>
<th>TYPE OF ENTITY</th>
<th>1/28/15</th>
<th>6/30/17</th>
<th>% (+ / -)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State agencies</td>
<td>6</td>
<td>2</td>
<td>-66</td>
</tr>
<tr>
<td>Counties</td>
<td>3</td>
<td>1</td>
<td>-66</td>
</tr>
<tr>
<td>Municipalities</td>
<td>20</td>
<td>2</td>
<td>-90</td>
</tr>
<tr>
<td>Schools</td>
<td>5</td>
<td>1</td>
<td>-80</td>
</tr>
<tr>
<td>Higher Education</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Hospitals</td>
<td>2</td>
<td>1</td>
<td>-50</td>
</tr>
<tr>
<td>Council of Governments</td>
<td>1</td>
<td>0</td>
<td>-100</td>
</tr>
<tr>
<td>Special Districts</td>
<td>9</td>
<td>3</td>
<td>-66</td>
</tr>
<tr>
<td><strong>Entities two or more years late</strong></td>
<td>13</td>
<td>4</td>
<td>-69</td>
</tr>
<tr>
<td><strong>Entities five or more years late</strong></td>
<td>6</td>
<td>0</td>
<td>-100</td>
</tr>
</tbody>
</table>
In January 2016, the Office added a second component of the list to bring greater awareness to entities that filed their financial reports on time, but whose independent auditors have concluded that there are material and pervasive misstatements in the financial statements (adverse opinion) or that there is insufficient basis to form an opinion and any undetected misstatements could be material and pervasive (disclaimer of opinion). This was an important step in highlighting “bad” audits as opposed to simply late audits, and enabling the Office and other relevant oversight bodies to better track corrective actions.

In addition, the Office has focused on obtaining a more complete understanding of all of the state and local governmental entities that may be subject to the Audit Act. The Department of Finance and Administration does not maintain a list of all the active political subdivisions of the state. Determining revenue levels and sources, activity status, and current contact of smaller entities can be very difficult. This is especially true with respect to the approximately 600 acequias and over 200 mutual domestic water consumer associations throughout the state. However, the Office has dedicated staff to reaching out to these types of entities to help them achieve compliance.

As a result, compliance levels have steadily increased. For example, as of January 2016, only four of the 22 land grants were in compliance. Today, all but four are current on their financial submissions. Compliance with financial reporting requirements is not only important in terms of accounting for taxpayer dollars, but also important in enabling these smaller entities to access federal, state and local funding.

**PROVIDING FINANCIAL ASSISTANCE**

The Office awards a limited number of grants to small political subdivisions to help cover auditing costs each year. Among the factors considered in evaluating requests for funding, the Office looks at financial need and whether completing the audit(s) or AUP(s) will prevent the entity from losing state or federal funding.

Over the last three fiscal years, the Office has awarded about $420,000 to 64 small, mostly rural entities in 19 different counties. Although these resources have been critical in assisting communities in need with meeting auditing requirements, as a result of budget reductions, the amount of grant funding available has consistently declined from $160,000 in FY15 to $100,000 in FY17, and an estimated $20,000 in FY18.

**Figure 3 - Grants by Fiscal Year**
### Figure 4 – Grants Awarded FY15-FY17

<table>
<thead>
<tr>
<th>Agency Name</th>
<th>County</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abiquiu Mutual Domestic Water &amp; Sewer Association</td>
<td>Rio Arriba</td>
<td>$10,657.50</td>
</tr>
<tr>
<td>Acmea De Cerrillos</td>
<td>Rio Arriba</td>
<td>$800.00</td>
</tr>
<tr>
<td>Acoma de el Rincon</td>
<td>Santa Fe</td>
<td>$1,405.00</td>
</tr>
<tr>
<td>Acoma de la Agua Caliente</td>
<td>San Miguel</td>
<td>$1,180.00</td>
</tr>
<tr>
<td>Acoma De la Cerqua</td>
<td>Santa Fe</td>
<td>$1,050.00</td>
</tr>
<tr>
<td>Acoma de la Laja</td>
<td>Mora</td>
<td>$2,172.00</td>
</tr>
<tr>
<td>Acoma de la Olva Banda</td>
<td>Santa Fe</td>
<td>$1,855.61</td>
</tr>
<tr>
<td>Acoma de La Posada</td>
<td>Rio Arriba</td>
<td>$114.22</td>
</tr>
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<td>Acoma de los Cuarteles</td>
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<td>$1,500.00</td>
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<td>Acoma de las Espanola</td>
<td>Santa Fe</td>
<td>$4,155.00</td>
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<tr>
<td>Acoma del Barranco Alto</td>
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<td>$314.00</td>
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<tr>
<td>Acoma del Barranco Blanco</td>
<td>Santa Fe</td>
<td>$1,775.00</td>
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<tr>
<td>Acoma del Monte del Río Chiquito</td>
<td>Taos</td>
<td>$3,325.00</td>
</tr>
<tr>
<td>Acoma del Puente</td>
<td>Santa Fe</td>
<td>$964.45</td>
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<tr>
<td>Acoma Mesilla de Medios</td>
<td>Rio Arriba</td>
<td>$614.22</td>
</tr>
<tr>
<td>Acoma Rio Churuno</td>
<td>Rio Arriba</td>
<td>$3,125.00</td>
</tr>
<tr>
<td>Agua Prii Community Water System Association</td>
<td>Santa Fe</td>
<td>$3,500.00</td>
</tr>
<tr>
<td>Alamos Mutual Domestic Water Consumer Association</td>
<td>Rio Arriba</td>
<td>$1,961.00</td>
</tr>
<tr>
<td>Carlsbad Mutual Domestic Water Consumers &amp; Mutual Sewage Works Association</td>
<td>Rio Arriba</td>
<td>$8,100.00</td>
</tr>
<tr>
<td>Canon Mutual Domestic Water &amp; Sewage Works Association</td>
<td>Sandia</td>
<td>$3,520.00</td>
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<tr>
<td>Canon Mutual Domestic Water Consumer Association</td>
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<td>$3,900.00</td>
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<td>Carlsbad @ Apache Mutual Domestic Water Consumers Association</td>
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<td>$2,470.46</td>
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<td>Cedar Crest Mutual Domestic Water Consumers &amp; Sewage Works Association</td>
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<td>$9,650.00</td>
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<td>Chaparral Mutual Domestic Water Consumers Association</td>
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<td>Chile Les Grant</td>
<td>Bernalillo</td>
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<tr>
<td>Des Montes Ditch Association</td>
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<td>$1,319.01</td>
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<td>East and West Sandia Water Association</td>
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<td>San Miguel</td>
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<td>El Rio Regional Water &amp; Wastewater Association</td>
<td>Rio Arriba</td>
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<td>Guadalupe Soil &amp; Water Conservation District</td>
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<td>$3,010.00</td>
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<tr>
<td>Hamkito Mutual Domestic Water Consumers Association</td>
<td>Grant</td>
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<td>Hanover Mutual Domestic Water Consumer Association</td>
<td>Grant</td>
<td>$26,600.00</td>
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<td>La Acoma Nueva</td>
<td>Santa Fe</td>
<td>$1,102.00</td>
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<td>La Cerqua Mutual Domestic Water Consumers Association</td>
<td>Santa Fe</td>
<td>$24,385.00</td>
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<td>La Puente Acoma Association</td>
<td>Rio Arriba</td>
<td>$3,125.00</td>
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<tr>
<td>Las Tuzas Mutual Domestic Water Consumers Association</td>
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<td>$2,104.00</td>
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<td>Liberty Mutual Domestic Water System Association</td>
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<td>$4,324.50</td>
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<td>Lower Animas Community Ditch</td>
<td>San Juan</td>
<td>$13,500.00</td>
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<tr>
<td>Mora Mutual Domestic Water &amp; Sewage Works Association</td>
<td>Mora</td>
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<td>Nogal MWDCA</td>
<td>Lincoln</td>
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<td>North Star DMC &amp; SWC</td>
<td>San Juan</td>
<td>$20,060.00</td>
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<td>Oketa Soil and Water Conservation District</td>
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<td>Peraltales Village Mutual Domestic Water Consumers Association</td>
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<td>$1,805.63</td>
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<td>Quemado Mutual Water &amp; Sewage Works Association</td>
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<td>$10,865.75</td>
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<td>Roselale Mutual Domestic Water Association</td>
<td>Grant</td>
<td>$4,347.00</td>
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<td>Sangre de Cristo Regional Mutual Domestic Water Consumers</td>
<td>Guadalupe</td>
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<td>Trampas Mutual Domestic Water Consumer Association</td>
<td>Taos</td>
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<td>Upper Alamo Pueblo Mutual Domestic Water Consumers Association</td>
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<td>Upper La Plata Pueblo Water Consumers &amp; Mutual Sewage Works Cooperative</td>
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<td>Ute Creek Soil and Water Conservation District</td>
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<td>Village of Des Moines</td>
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<td>Union</td>
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<td>Mora</td>
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<tr>
<td>Wimoonpahp Mutual Domestic Water Consumers &amp; Sewage Works Association</td>
<td>Santa Ana</td>
<td>$4,171.03</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td><strong>$418,146.07</strong></td>
</tr>
</tbody>
</table>
Special Investigations Division

The Special Investigation Division consists of seven classified employees who are responsible for conducting special audits and investigations of state and local governments. The Division also oversees a 24-hour a day hotline that allows the public to report allegations of financial fraud, waste or abuse.

State Auditor Keller has made robust investigative efforts a top priority. When allegations of wrongdoing go undetected, agencies bear higher losses, important services are not provided to taxpayers as intended, and faith in government’s commitment to addressing misconduct is diminished. Investing in oversight and accountability is also a cost effective return from a budgetary perspective, preventing losses before they occur and promptly identifying serious problems, such as thefts, under collection of revenue, waste of resources and other financial shortcomings.

To strengthen the investigative capacity of the Division, the Office fully staffed the Division and enhanced the professional skill set of investigators, including hiring employees with CPAs, CFEs and other relevant credentials. The Office also reclassified the Division’s positions to auditors, enabling the Office to perform more Special Audits and generate additional audit fees to support operations.

IDENTIFYING MILLIONS OF DOLLARS IN LOSSES, IMPROPER SPENDING AND WRONGDOING

Wrongdoing occurs at all levels of government and involves all types of employees. For example, since 2015, OSA’s investigations have highlighted misconduct by a cabinet secretary, former police chief, city councilors, county commissioners, county managers, a superintendent, school bookkeepers, a principal, and lower level employees. The Division’s investigations often lead to criminal inquires and resignations, such as the case involving the former Secretary of the Department of Taxation and Revenue.

The nature of cases handled by the Division also vary widely. Common violations relate to the Government Conduct Act; procurement; thefts and embezzlements; uncollected revenue; misuse of

- 90 percent of occupational fraud cases go undetected.
- Median losses per occurrence at state and local governments ($100,000 and $80,000, respectively).

Source: ACFE Report to the Nation
bond proceeds; cash handling; time theft; misuse of government resources; abuse of power; and conflicts of interests.

ELIMINATING INVESTIGATIONS BACKLOG
At the beginning of the new administration, there were approximately 300 outstanding cases involving allegations dating back to 2008. Through the dedicated work of Division staff and streamlined processes, the Office eliminated this backlog while concurrently investigating a constant stream of incoming cases. Since January 2015, the Office processed about 800 cases involving allegations of fraud, waste and abuse.

At the end of the FY17 fiscal year there were about 100 open cases, a challenging but manageable caseload for the Office. While the amount of time it takes to investigate a compliant varies widely based on the nature of the allegation and the complexity of the issue involved, the Office strives to ensure that each matter is handled in a timely and through manner.

SPECIAL AUDITS
Pursuant to state law, NMSA 1978, §12-6-3 (C), in addition to an annual audit, the State Auditor may “cause the financial affairs and transactions of an agency to be audited in whole or part.” Compared to financial audits, which are more limited in focus and cover a single fiscal year, this authority enables the Office to designate an entity for a special audit and “dig deeper” into specific areas of concern as well as evaluate multiple years of activities. Recent special audit designations include:

- University of New Mexico Athletics Department (Forthcoming)
- Office of the Superintendent of Insurance Premium Tax Collection – Phase II (Forthcoming)
- Deming Public Schools Misappropriation of Funds (Forthcoming)
- State Agency Procurement Practices (August 2017)
- Dora Consolidated School District (July 2017)
- Bernalillo Public Schools Misappropriation of Funds (May 2017)
- City of Moriarty Utility Billing (January 2017)
- Untested Sexual Assault Evidence Kits in New Mexico (December 2016)
• Indigent Health Care at University of New Mexico Hospital (November 2016)
• Town of Estancia Financial Procedures and Internal Controls (October 2016)
• Office of the Superintendent of Insurance Underpayments of Premium Taxes – Phase I (September 2016)
• Eastern New Mexico University-Roswell Emergency Medical Services Program (March 2016)
• City of Ruidoso Downs Municipal Court (February 2016)
• City of Santa Fe 2008 Parks General Obligation Bonds (February 2016)
• Public Education Department Special Education Funding (September 2015)
• McKinley County Sheriff’s Office (MCSO) Grant Reporting Procedures (July 2015)

RISK REVIEWS
In addition to annual and special audits, the Office of the State Auditor routinely issues “Risk Reviews” aimed at identifying potential areas of non-compliance as well as control environments that may be susceptible to fraud, waste and abuse. These reviews, which often occur between annual audit cycles, focus on highlighting specific areas of concern that require the prompt attention of agencies or oversight bodies. Recent Risk Reviews include:

• Administrative Support of Charter Schools (August 2017)
• City of Hobbs Ethics-Procurement Issues (February 2017)
• State Deficit Spending (January 2017)
• Hanover Mutual Domestic Water Consumers Association Expenditures (November 2016)
• Developmental Disabilities Planning Council Misappropriation of Funds (September 2016)
• La Promesa Charter School Reimbursement (July 2016)
• Department of Health-Medical Cannabis Cards (June 2016)
• City of Albuquerque-TASER (April 2015)

Figure 6 - State Auditor Keller Reviewing Las Cruces Evidence Room Sexual Assault Kits
Government Accountability Office

State Auditor Keller established the Government Accountability Office ("GAO") in 2015 to better inform the public about our state's finances. Financial audits of state and local governments include a vast amount of information concerning the expenditure of billions of dollars in public funds. These audits also note areas where agencies are not complying with applicable laws, rules and regulations.

However, historically, this data has been buried within hundreds of separate financial reports issued each year that are not easily understood by the general public and policy-makers. The GAO aggregates and analyzes this information in a way that is accessible and useful to the public, providing insight into how the government spends our tax dollars and fulfilling the Office’s constitutional mandate to bring transparency and accountability to the use of public funds.

ENHANCING TRANSPARENCY

The GAO has issued multiple reports aimed at enhancing transparency regarding how public funds are being used and the challenges governments are facing. With the establishment of the GAO, the Office was able to issue the first statewide Findings Report. This report provides a comparative analysis of entities with the most audit findings by category and analyzes finding trends year-over year. Another first report issued by the Office is the Fund Balance Report, which compiles a list of the billions of dollars sitting in state agency accounts and tracks how those monies are being (or not being) utilized. This information was heavily used by legislators during recent budget debates and as part of capital reform discussions.

The GAO has also released various Transparency Reports shedding light on important areas, including:

- Pay Equity Vendor Reporting (July 2017)
- State and Local Food and Food Service Contracting (June 2017)
- State and Local Information Technology Contracting (April 2017)
- Educational Equity Study (February 2017)
- Procurement Overview (February 2017)
- Indigent care at the University of New Mexico Hospital (November 2016)
- Lodgers Tax Expenditures (February 2016)
- Bulletin: GASB 77 is Coming (January 2016)
- County and Municipality Fund Balances, FY 14 (November 2015)

RISK ADVISORIES
GAO “Risk Advisories” convey important risk trends to state and local governments to help them prevent frauds and non-compliance before they occur. Advisories have dealt with everything from the lack of background checks in schools to wire transfer scams. By identifying risks early, and conveying this information to agencies in a timely manner, the Office can help prevent significant loss of taxpayer dollars and encourage agencies to proactively comply with laws and accounting best practices. GAO Risk Advisories include:

- Vendor Fraud Risk Notice (April 2017)
- Accounting for Monies and Receivables from Appearance and Bail Bonds (March 2017)
- Compliance with Chief Procurement Officer Requirements (March 2017)
- Controls over Student Activity Funds (September 2016)
- Municipal Utilities (July 2016)
- Wire Transfer Scams (June 2016)
- School Personnel Act Compliance (November 2015)

SPECIAL PROJECTS
As part of State Auditor Keller’s vision to use the authorities of the Office in a manner that is most impactful to New Mexicans, the GAO leverages the broad jurisdiction of the Office to bring attention to important statewide issues that would otherwise go unaddressed.

One such project, a collaborative effort between the GAO and the Special Investigations Division, was the “Special Audit of Untested Sexual Assault Evidence Kits in New Mexico.” The report identified over 5,400 untested rape kits, some as old as 15 years. New Mexico has the highest number of backlogged rape kits per capita in the country.
As a result of the report’s findings and the recommendations it put forward, the Legislature enacted various measures to require policies on handling kits and facilitate processing in a timely manner.

Future GAO projects include a statewide review of indigent healthcare expenditures, ongoing assessments of the impact of federal policy changes, reviews of tax expenditures, and guidance regarding the implementation of tax abatement agreements.

**Figure 8 – Office Staff Recognizing International Women’s Day**
# Staff Roster

## EXECUTIVE
- **Timothy M. Keller**, MBA, CFE - State Auditor
- **Sanjay Bhakta**, CPA, CGFM, CFE, CGMA - Deputy State Auditor
- **Sunalei Stewart**, JD, MA, CFE - Chief of Staff
- **Justine Freeman**, MA - Deputy Chief of Staff
- **Sarita Nair**, JD, MCRP - Chief Government Accountability Officer and General Counsel

## ADMINISTRATIVE DIVISION
- **Art Baca** - Information Technology Director
- **Amanda Herrera** - Executive Secretary / Admin Assistant
- **Lori Johnson** - Human Resource Manager
- **Antonio Medina** - Finance and Budget Director
- **Aaron Nieto** - Operations Administrator

## COMPLIANCE AND REGULATION DIVISION
- **Emily Oster**, CPA, CGMA, MACCT - Compliance / Quality Control Director
- **Bernadet Martinez** - Records Custodian
- **Frank Valdez** - Contracts Administrator

## FINANCIAL AUDIT DIVISION
- **Lynette Kennard**, CPA, CGFM - Financial Audit Director
- **Chan Kim**, CPA - Audit Manager
- **Elise Mignardot**, CPA - Audit Manager
- **Shannon Sanders**, CPA, CFE - Audit Manager
- **Lisa Jennings**, MBA - Audit Manager
- **Jessica Lucero** - Audit Manager
- **Antonio Baca**, CPA - Audit Manager
- **Kevin Chavez** - Audit Manager
- **Ralen Randel**, CGFM, MACCT, MBA, MA - Audit Manager
- **Anne Kelbley** - Audit Manager

## SPECIAL INVESTIGATIONS DIVISION
- **Kevin Sourisseau**, CPA - Special Investigations Director
- **Hamish Thomson**, CPA/CFF, CFE - Audit Supervisor
- **Chelsea Martin**, CPA, CFE, CICA, CR.FA - Audit Supervisor
- **Terry Becenti**, CFE - Senior Auditor
- **Cindy Padilla** - Senior Auditor
- **Guadalupe Jaramillo** - Senior Auditor
- **Brendan Miller** - Staff Auditor

## GOVERNMENT ACCOUNTABILITY OFFICE
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