New Mexico Office of the State Auditor

November 13, 2025

Annual Report

July 1, 2024 through June 30, 2025

Joseph M. Maestas

State Auditor

For more information about this report, contact David Stephens, Director of Government Accountability, at david.stephens@osa.nm.gov or 505-629-6632.

Accountability • Transparency • Excellence

Table of Contents

Message from the State Auditor

The Office of the State Auditor (OSA) plays a vital constitutional role in protecting the use of public funds throughout the state. New Mexicans deserve a government that manages these funds responsibly and in full compliance with the law and established accounting standards. My office helps make this a reality by auditing public financial activities holding agencies and officials accountable and promoting transparency in government spending.

Despite operating for years under tight budgets and relying on vacancy savings and external auditors to fill key gaps, our agency has consistently prioritized efficiency and innovation. We've invested in professional development and training to maximize each individual's impact, and proactively pursued opportunities to improve operational effectiveness. Notably, among other efforts, we completed a series of upgrades to OSA Connect and began integrating AI tools into our report review process to enhance timeliness and productivity.

Inspired by my great-grandfather, Jose Amado Lucero, a constitutional delegate who helped secure statehood, I remain steadfast in my commitment to advancing our government's financial accountability and transparency to the people of New Mexico.

To that end, I am pleased to present our Annual Report for Fiscal Year 2025, showcasing the comprehensive statewide audit work and impactful initiatives led by our team over the past year. Whether we're ensuring financial compliance, fighting fraud, protecting vulnerable adults, or supporting small local public bodies, we remain squarely focused on bringing value to New Mexicans and dedicated to excellence. The OSA will continue its mission—now 112 years strong—with integrity and transparency.

Joseph M. Maestas

Joseph M. Maestas

State Auditor

Mission

Promote honest, efficient, and effective government by conducting independent audits, reviews, and investigations that ensure public funds are properly spent, and that state agencies and local governments operate with integrity and transparency.

Vision

Serve as a trusted guardian of public resources, empowering citizens through transparency and helping build agencies and governments that are accountable, ethical, and financially sound.

New Mexico Office of the State Auditor

Highlights

Fiscal Year 2025

Financial Audits

540+ IPA Audits Ongoing or Submitted

130+ IPA Agreed-Upon-Procedures (AUPs)

2,000+ OSA Quality Reviews

90% Of IPA audits submitted on-time

3 OSA Audits

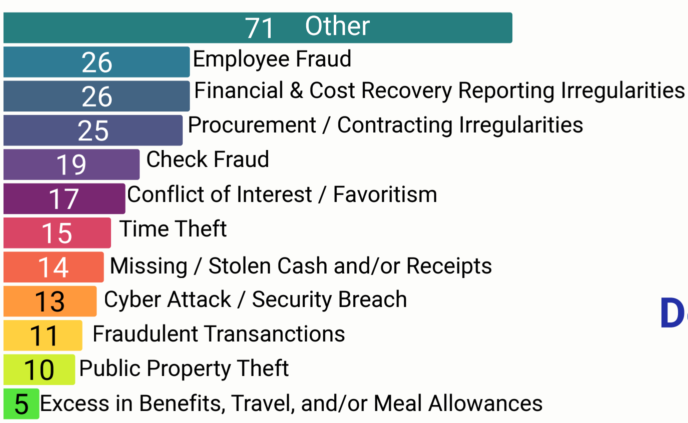
8 OSA AUPs

1700+ **findings** that identified weak internal controls, non-compliance, and other issues

1700+ **recommendations** to strengthen fiscal management, improve internal practices, and build lasting resilience

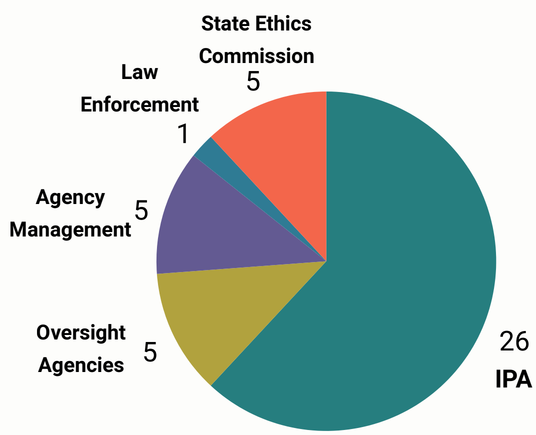
Special Audits & Investigations

252 Hotline complaints received & processed



6 Special Audits Designated

42 Referrals



Conservatorship Oversight

1,363 **conservator report reviews** produced to inform judicial decisions

4 **full audits** initiated targeting highest-risk reports

Small Local Public Body Assistance

$7.5 Million Released in public funding to newly compliant LPBs

64 Grants awarded to assist sLPBs with audit costs

355 New Compliance Certifications

27 New SLPBs Registered

17 External Education Engagements

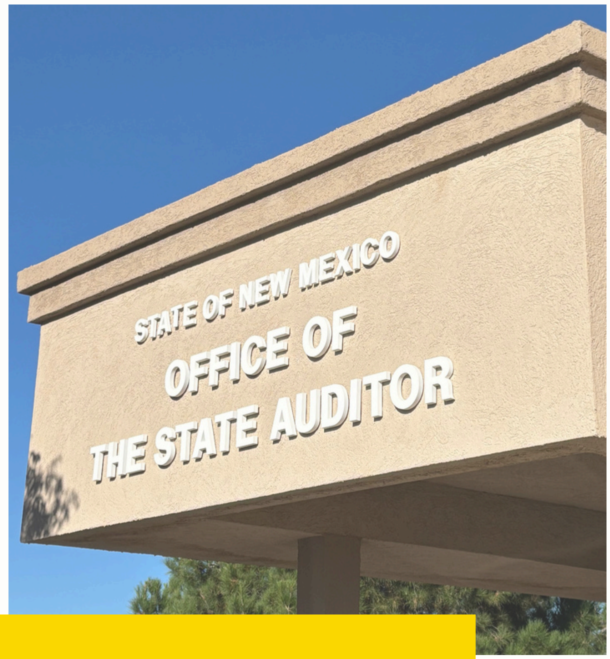
OSA helps ensure Small Local Public Bodies are financially compliant and able to access withheld public funding to strengthen their communities.

About the Office of the State Auditor

The Office of the State Auditor (OSA) helps safeguard public funds across nearly all state-funded entities in New Mexico. Established by the state constitution in 1911 as an executive office, the OSA is led by an elected State Auditor who may serve up to two four-year terms. **As New Mexico's only independent and nonpartisan financial oversight agency, the OSA plays a critical role in holding local, state, and elected officials accountable for the responsible use of public resources.**

In 1968, the New Mexico Supreme Court enshrined the OSA's modern financial watchdog responsibilities and authorities, stating the OSA 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 ... state officers and agencies who, by law, receive and expend public moneys."[1]

Today, in accordance with the Audit Act of 1978, the OSA thoroughly reviews the finances of more than 1,000 government agencies and local organizations across the state every year to ensure transparency, accountability, and public fiscal responsibility.



[1] THOMPSON V. LEGISLATIVE AUDIT COMM'N, 1968-NMSC-184, 79 N.M. 693, 448 P.2d 799 (S. Ct. 1968)

Staff and Organization

Building Excellence Through Teamwork and Development

- Financial Audits
- Special Audits & Investigations
- Conservatorship Oversight
- Compliance & Quality Control
- Small Local Public Body Assistance Program
- Administrative Services & IT

OSA's executive team includes the Deputy State Auditor, the Office of the General Counsel, the Policy Director, and Director of Government Accountability. The Deputy State Auditor oversees each division shown on the left. Collectively, these divisions fulfill the OSA's critical statutory and discretionary fiscal oversight responsibilities.

Our staff are dedicated public servants who collectively have more than 200 years of combined auditing and financial crimes investigations experience and bring significant expertise to the mission. Nearly half our staff hold an advanced degree, such as a Masters in Business or Public Administration. Additionally, **83 percent have at least one professional license or certification**, including:

- Certified Public Accountant
- Certified Fraud Examiner
- Certified Government Financial Manger
- Chief Procurement Officer

200+ years of combined experience

83% have at least one professional certification

Like many public agencies, OSA faces growing challenges in recruiting and retaining qualified staff due to a shrinking accounting workforce and the increasing difficulty of competing with private-sector wages. To mitigate these pressures, OSA has launched an internship program—creating hands-on learning opportunities for students at New Mexico's universities and building a sustainable pipeline of future talent. In addition, OSA invests in ongoing professional development and training to support employee growth, career satisfaction, and long-term retention. These efforts not only strengthen the agency's internal capacity but also ensure that staff are equipped to uphold the highest standards of governmental accounting and auditing.

Financial Audits

Bringing Transparency and Accountability to New Mexico's Public Spending

Under the Audit Act (Section 12-6-3), **every agency and local public body[2] must have its finances examined and audited each year** by:

- The State Auditor
- Staff from the OSA, or
- Independent Public Accountants (IPAs) approved by the State Auditor

The Financial Audit Division (FAD) performs this core statutory mission. **FAD ensures each audit is conducted in accordance with professional auditing standards and rules issued by the state auditor.** If an agency hires an IPA, the OSA performs due diligence on the IPA, approves the contract between the agency and IPA, and reviews the IPA's final audit report to ensure it meets quality and professional standards. The OSA maintains a list of 57 approved IPA firms, an increase from 50 in FY 2024. The figure below shows OSA's oversight process for IPAs performing audits of state agencies.

Audit Rule

OSA guidance and requirements for audits is defined in the Audit Rule (2.2.2.1 NMAC). The Audit Rule helps ensure all audits follow consistent professional standards and include requirements from other laws, such as the Uniform Probate Code. The OSA updates the Audit Rule each year. You can access the current version here. Depending on the volume or complexity of changes to the Audit Rule, the OSA hosts trainings to keep agencies, IPAs, and the public informed.

OSA Performs Due Diligence on IPA Firms → OSA Approves Contract Between IPAs and State Entities → OSA Reviews IPA Audit Reports → OSA Reviews Workpapers for a Selection of IPAs → IPA Audit Report Published

OSA completes 3 distinct reviews for each IPA audit report to ensure quality and compliance with professional audit standards.

[2] According to the Audit Act, "agency" refers to any government organization—such as state bureaus, courts, departments, counties, cities, school districts, or public commissions—that receives or spends public money. Local public bodies include, for example, mutual domestic water consumers associations, land grants, acequias, and special districts.

Financial Audits

Bringing Transparency and Accountability to New Mexico's Public Spending

In FY 2025, the Financial Audit Division **reviewed and approved 538 IPA audits** of public entities. This included more than **2,000 distinct report reviews** (three levels of review per report) to ensure quality and compliance with Generally Accepted Government Auditing Standards and Generally Accepted Accounting Principles.

Throughout the year, OSA auditors worked with IPAs to address challenges and help facilitate on-time completion. These efforts **contributed to 90 percent of IPA audits meeting their statutory deadline.**

In addition, OSA staff performed three full financial statement and compliance audits of state agencies and eight AUP engagements resulting in $361,000 in audit fees. This body of financial oversight resulted in more than **1700 findings** that identified weak internal controls, missing policies and procedures, instances of non-compliance with state law, and problems with cash management, among others. **Each finding resulted in a distinct recommendation** to correct issues, strengthen fiscal management, improve internal practices, and build lasting resilience. These results will be detailed in the OSA's forthcoming FY 2025 Findings Report.

535+
IPA Audits
1700+ Findings & Recommendations

90%
Of IPA audits submitted on-time
Meeting their statutory due date

2,000+
OSA Quality Reviews
OSA auditors each performed 260+ reviews throughout the year, on average

3
OSA Audits

8
OSA AUPs

$361,000 in Audit Fees Generated

Financial Audits

Bringing Transparency and Accountability to New Mexico's Public Spending

Financial Reporting for Local Public Bodies

Financial reporting and audit requirements for local public bodies (LPBs), such as acequias, small towns, land grants, and water districts, can differ from those for state agencies and depend on their annual revenue. The table below shows the tiered financial reporting system for local public bodies required under the Audit Act which determines whether an organization needs a full audit or an Agreed-Upon Procedures (AUP) engagement. A financial audit provides a full opinion on whether financial statements are accurate and trustworthy, AUPs focus on specific checks, such as verifying account balances or confirming transactions, without giving a full opinion. **In FY 2025, OSA or OSA-approved IPAs completed 136 AUP engagements for SLPBs in Tiers 3-5 and 82 financial audits for SLPBs in Tier 6.**

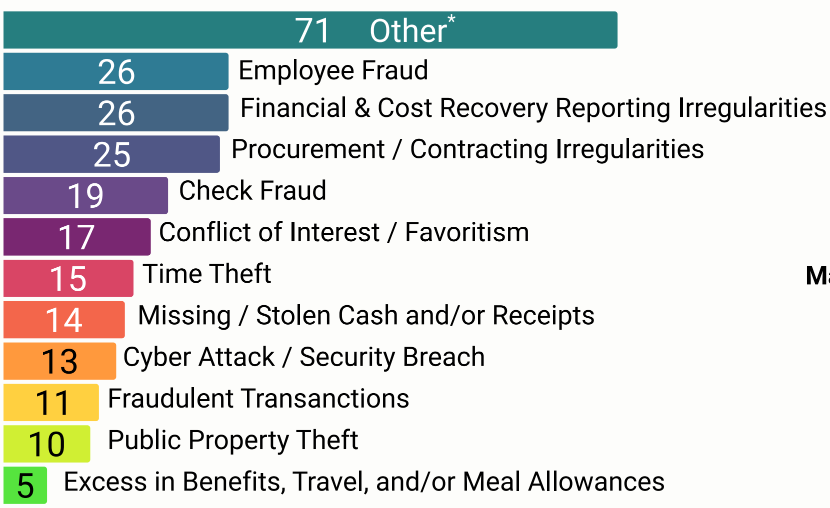
Tier	Revenue	Financial Reporting Requirement
I	Less than $10,000	No audit or financial reporting requirement (if no major capital funds are spent)
II	$10,000 to $50,000	Follow basic financial rules (defined in Section 6-6-3 NMSA 1978)
III	Less than $50,000 but spent capital outlay funds	Submit a simple financial report to the State Auditor for the capital outlay funds
IV	$50,000 to $250,000	Submit a cash comparison report to the State Auditor tailored to the LPB
V	$250,000 to $500,000	Submit a compilation of financial statements and a tailored report
VI	$500,000 or more	Undergo a full annual audit like any state agency

Special Audits & Investigations

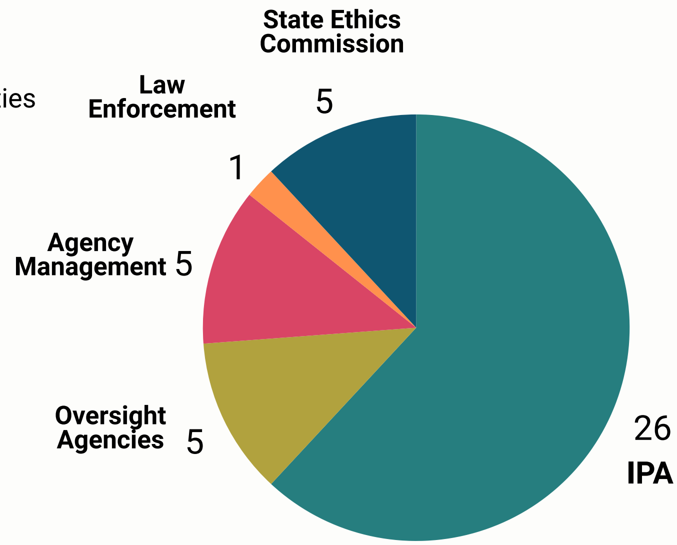
Detecting and preventing fraud, waste, and abuse

In addition to statutorily required financial audits, the State Auditor has the authority to initiate discretionary special audits or investigations, often in connection with reports of fraud, waste and abuse in government. **The Special Investigations Division (SID) hotline receives anonymous reports about fraud, waste, and abuse nearly every day.** SID's certified fraud examiners carefully review each complaint to determine if further investigation, referral, or a special audit is needed. SID refers any signs of criminal activity to appropriate prosecutorial, law enforcement or oversight authorities. SID may also refer a report directly to an IPA to inform an audit's scope and focus. In FY 2025, SID received, triaged, and processed 252 complaints, issued 42 referrals, and designated six special audits. The top complaint and referral categories are shown below.

252 Hotline complaints received & processed



42 Referrals



* "Other" includes complaints that fall outside of OSA's jurisdiction, such as public safety, environmental protection, employee relations, and misuse of confidential or proprietary information.

Special Audits & Investigations

Detecting and preventing fraud, waste, and abuse

Project Spotlight: Upgrades to OSA's Fraud Reporting Hotline and Investigations Case Management System

The Special Investigations Division successfully **launched Case IQ**, the OSA's **cutting-edge, web-based Fraud Reporting Hotline**, marking a major leap in transparency and citizen empowerment.

This modernized platform streamlines the reporting process for complaints or allegations of fraud, waste, and abuse, offering intuitive access and real-time case tracking. By replacing outdated systems with a secure, user-friendly interface, Case IQ enhances public trust and strengthens investigative efficiency.

Previously, reports had to be submitted by mail. Now, public citizens and state and local agencies can submit anonymous tips, upload evidence, and receive updates online. This innovative move reflects the Division's commitment to innovation, accountability, and fostering a more responsive government. Access the new streamlined CaseIQ **here**.

Conservatorship Oversight

Protecting the Finances of New Mexico's Most Vulnerable Residents

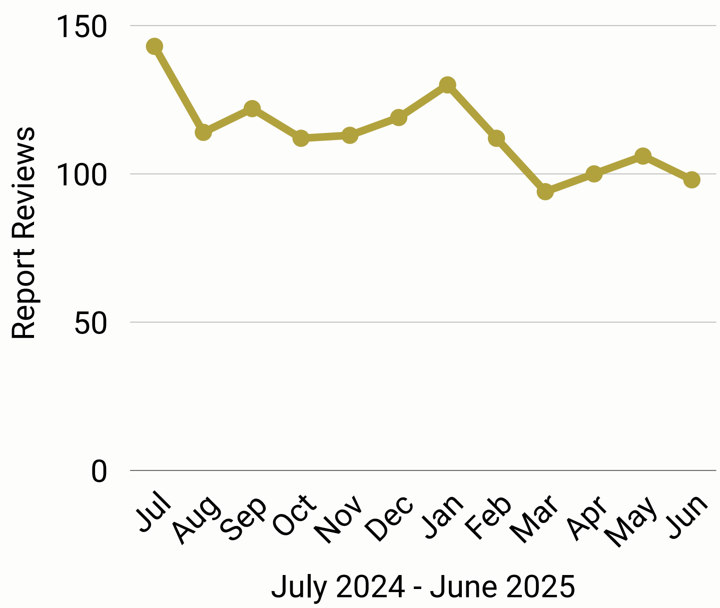
Since 2021, New Mexico law has required the OSA to review annual conservatorship reports (financial reports for people under conservatorship due to age, disability, or incapacity) to ensure vulnerable individuals are protected and their finances are managed properly (NMSA 1978, § 45-5-409(H)). The Conservatorship Division uses a risk-based approach to decide which conservatorship reports need a full audit. OSA staff perform these audits and submit them to the appropriate district court.

In FY 2025, the Conservatorship Division **reviewed 1,363 annual conservator reports (an average of 114 per month) to assist the courts in monitoring conservatorships**. These reviews are not full audits but targeted assessments to help identify potential discrepancies, omissions, or other concerns in reported conservator financial activity to support judicial decision-making. The OSA **conducted 4 full audits of conservatorships to provide a deeper evaluation of specific cases**.

1,363 Conservator Report Reviews Produced

4 Full Audits Initiated

OSA's risk-based approach determines which reports need a full audit



Strategic Initiatives

Strengthening Compliance to Unlock Opportunity

Small Local Public Body Assistance Program

In 2023, **the OSA took action to help ensure SLPBs were financially compliant and could access withheld state funding by launching the Small Local Public Body Assistance Program**.[3] Under this initiative, the OSA partners with local independent public accountants to assist LPBs prepare and submit the financial reports required according to their revenue. Interested LPBs can apply on OSA's website. In addition, the OSA produced an instructional video on understanding and using the system, which is available **here**.

In FY 2025, OSA advanced its support for small local public bodies (SLPBs), issuing 64 audit assistance grants and 355 new compliance certifications, including 113 previously non-compliant entities. These efforts directly unlocked $7.5 million in previously withheld funding for compliant SLPBs. Additionally, OSA's Small Local Body Program Coordinator **delivered 17 educational sessions reaching over 500 participants from state and federal agencies, grassroots organizations, and the audit and accounting sectors**. Notably, OSA partnered with the Department of Finance and Administration to deliver targeted training in technical, financial, and reporting practices to public entities statewide.

These initiatives reflect OSA's ongoing commitment to empowering SLPBs with the tools, training, and support needed to strengthen compliance and unlock critical public funding.

$7.5 Million
Released in public funding to newly compliant LPBs

64
Grants awarded to SLPBs to assist with audit costs

27
New OSA-Registered SLPBs

355
Total New Compliance Certifications

113
Previously Non-Compliant SLPBs Brought into Compliance

[3] Recipients of state capital outlay funding—one-time appropriations to build or improve public infrastructure, such as roads, buildings, and equipment—must be current on financial reporting required under the Audit Act before receiving funds (Executive Order 2013-006).

Strategic Initiatives

Strengthening Compliance to Unlock Opportunity

Small Local Public Body Assistance Program

Small Local Public Body Forum

On June 23, 2025, OSA hosted a first-of-its-kind collaboration event: the **Small Local Public Body Forum**. The Forum brought together representatives from grassroots organizations who advocate and support acequias, land grants, soil and water districts, and other rural entities to discuss financial compliance challenges and identify pathways for reform. The Forum fostered collaboration among community partners to strengthen transparency and accountability across New Mexico's smallest public bodies.

This Forum resulted in a dedicated SLPB working group focused on:

- Modernizing the tiered system on financial compliance reporting (see page 10),
- Enhancing access to technical assistance, and
- Developing legislative recommendations that support rural equity and long-term compliance sustainability.

OSA Photo: Auditor Maestas addressing the Small Local Public Bodies Forum.

Strategic Initiatives

Increasing Efficiency by Integrating Technology

OSA-Connect Upgrades

In FY25, OSA's IT team completed a full redesign and deployment of OSA-Connect—OSA's system for audit report submission, review, and publication—transforming several standalone modules into a single, integrated, and user-friendly platform. The upgrade significantly improved functionality and user experience for OSA staff, IPA firms, and agency users statewide. With enhanced performance and broader accessibility, the system now better serves all users, including those in rural communities.

Following the launch, OSA received positive feedback from IPA firms and agency users, particularly for the new **e-signature capability.** This new feature streamlined the submission of audit contracts and tier certifications by eliminating the need for printing, scanning, and uploading hard copy documents. The process is now entirely digital—saving time, reducing errors, and improving efficiency for both auditors and agencies. This modernization reflects OSA's commitment to using technology to make financial reporting faster, easier, and more secure. Access OSA-Connect and search for published audit reports **here**.

Strategic Initiatives

Strengthening Accountability; Enhancing Transparency

Government Accountability Office

The OSA's Government Accountability Office (GAO) is a key lever in fulfilling the OSA's mission to inspire public trust by bringing transparency and accountability to government spending. The GAO is uniquely positioned to analyze audit, investigation, and hotline data in a way that is accessible and useful to government stakeholders.

GAO aggregates statewide audit data to identify trends, analyze risks, and translate key insights from hundreds of annual financial reports into action by informing the public and decision makers about areas of concern and high-risk in the use of public funds and government financial operations. The GAO produces a range of products to promote transparency, accountability, and informed financial oversight in New Mexico. These include:

Annual Findings Report	Analyze statewide audit findings to identify trends and provide insight on public financial management and spending.
Risk Advisories	Alert IPAs and the public to concerns in financial reporting or compliance, and alert state and local officials to high risks.
Transparency Reports	Highlight key issues such as timeliness, efficiency, and equity in government financial management.
Bulletins	Offer technical guidance on new accounting and auditing standards, helping professionals stay informed of changes.

All GAO reports are available on the **OSA website**.

Quality Control and Compliance

Ensuring Excellence and Compliance with Professional Standards

The Quality Control and Compliance Director ensures that OSA consistently adheres to the most current governmental auditing and accounting standards, including Generally Accepted Government Auditing Standards and Generally Accepted Accounting Principles. This work is essential to maintaining the integrity, reliability, and transparency of public financial reporting in New Mexico.

The Director's key responsibilities include reviewing applications from accounting firms seeking approval to conduct governmental audits, revising OSA regulations to reflect evolving standards, and providing expert consultation on complex compliance issues involving both technical standards and state law. The Director also oversees the development and refinement of internal policies for audit report and workpaper review—ensuring that every audit meets rigorous professional benchmarks.

By upholding these standards, OSA helps safeguard public trust and ensures that financial decisions made by government entities are based on accurate, transparent information.

What Are GAGAS and GAAP?

Generally Accepted Government Auditing Standards (GAGAS) Also known as the "Yellow Book," are the professional standards that guide how government audits are conducted. These standards ensure that audits are independent, objective, and consistent, helping to detect errors, prevent fraud, and promote accountability in public spending.

Generally Accepted Accounting Principles (GAAP) are the rules and guidelines that public entities follow when preparing financial statements. They ensure that financial information is accurate, transparent, and comparable across agencies—so taxpayers, policymakers, and oversight bodies can clearly understand how money is managed and spent.

External Engagement

Outreach That Educates and Builds Public Trust

Throughout FY 2025, OSA prioritized public education and transparency by actively engaging with diverse audiences across New Mexico. Through briefings, presentations, and trainings, OSA shared its deep expertise with hundreds of people across the state to strengthen understanding of public financial processes, promote accountability, and build trust in government operations. These efforts reflect OSA's commitment to transparency and its drive to ensure New Mexicans understand how public funds are managed—today and into the future. In FY 2025, OSA:

- **Provided expert insight on fraud, waste, and abuse** in government through a presentation to the New Mexico Society of Certified Public Accountants at the annual Government Finance Experts Conference.
- **Connected with University of New Mexico students** to raise awareness of the OSA mission and accounting profession.
- **Led community collaboration through OSA's Small Local Public Bodies Forum**, convening grassroots advocates for acequias, land grants, and other rural entities to address financial compliance challenges and explore reform strategies.
- **Met with the board of the New Mexico Society of CPAs** to discuss state financial matters.
- **Presented OSA legislative priorities** to New Mexico's Legislative Finance Committee.
- **Attended the New Mexico Municipal League's annual award ceremony** to recognize excellence in financial reporting.
- **Hosted the Annual Audit Awards** at the annual legislative conference of New Mexico Counties to recognize sustained audit excellence and timeliness.

Looking ahead to FY 2026, OSA will expand its outreach by establishing a strategic alliance with IPA firms to leverage shared expertise, promote best practices, and further strengthen public trust in financial oversight.

Media Highlights

Raising Awareness on Critical Issues

Auditor Maestas has also prioritized drawing attention to the consequences of state-wide (and national) shortages of professional accountants. These shortages can have damaging ripple effects on the financial management of local governments struggling to hire a good accountant. Watch the Auditor's December 2024 interview with KRQE on the subject here and read the Albuquerque Journal's coverage on how this issue increases risk to New Mexico's financial oversight here.

New Mexico's State Auditor explains the state's accounting 'crisis'

ALBUQUERQUE, N.M. (KRQE) – Plenty of industries are in need of staff, but did you know New Mexico has an accounting crisis? That's according to State Auditor, Joseph Maestas. When local govern...

KRQE NEWS 13 / Dec 3, 2024

Accountant shortage risks New Mexico's financial oversight, state auditor says

"The industry is in dire need of comprehensive reform," State Auditor Joseph Maestas said.

Albuquerque Journal /

In July 2025, OSA released the comprehensive designated Special Audit report on Mesalands Community College, uncovering the root causes of the financial instability that had brought the institution to the brink of insolvency. The report's findings were instrumental in prompting the College to take long-overdue corrective actions and begin implementing sustainable solutions. Read the story here and stay up-to-date on news and media coverage of OSA's work here.

State Auditor keeps Mesalands Community College from closing after misuse of funds

TUCUMCARI, N.M. (KRQE) – A New Mexico community college, on the brink of going broke, because the people in charge of the money didn't know how to manage it, but after the state auditor ...

KRQE NEWS 13 / Jul 29

FRAUD, WASTE, AND ABUSE HOTLINE

To report fraud, waste, or abuse in any public entity in New Mexico, anonymously or on the record, access our hotline here or call (505) 476-3800 and ask to speak with the Special Investigations Division.

www.osa.nm.gov
OSA Main Line: 505-476-3800

Produced by the OSA's Government Accountability Office
Contact David Stephens, GAO Director, at (505) 629-6632 or david.stephens@osa.nm.gov with questions.

Accountability • Transparency • Excellence