



New Mexico Office of
the State Auditor

December 16, 2025

Fiscal Year 2024 Findings Report

July 1, 2023 through June 30, 2024



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Accountability • Transparency • Excellence



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.

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Introduction



Every dollar of public funds represents a commitment to serve the people of New Mexico with integrity, efficiency, and transparency. When that commitment is compromised, whether through noncompliance, inadequate internal controls, or fiscal mismanagement, the consequences can extend beyond balance sheets into the communities that public entities serve. Financial audits are important tools of accountability and governance that help detect such issues and provide a roadmap to future prevention.

OSA has a constitutional mission to protect taxpayers by ensuring that public funds are spent lawfully, efficiently, and effectively. Through independent audits, reviews, and investigations, the Office of the State Auditor (OSA) promotes transparency and strengthens public confidence in government operations. The OSA's Government Accountability Office (GAO) advances this mission by aggregating and analyzing audit data to spotlight systemic issues, emerging risks, and opportunities for improvement.

To that end, the GAO is pleased to present the Annual Findings Report, a statewide analysis of Fiscal Year (FY) 2024 audit and AUP results from 681 governmental entities. This report is intended to provide a snapshot of persistent risk areas and recurring themes among finding data, and actionable insights for policymakers, agency leaders, and the public.

This report serves three purposes:

- **Transparency** – Make finding trends and themes, statewide and in governmental subgroups, accessible and understandable.
- **Accountability** – Highlight areas where gaps and challenges persist and where attention or improvement is needed.
- **Awareness** – Equip management and public officials with comparative insights so they can proactively address vulnerabilities before they escalate into more severe issues.

Persistent challenges, such as late reporting, weak internal controls, procurement irregularities, and federal compliance issues, continue to surface across subgroups of government. By presenting these patterns in a concise, data-driven format, the OSA aims to empower decision-makers in managing public resources wisely, strengthen governance, and help uphold public trust.

This report invites every public entity in New Mexico to learn from statewide trends and confront risks to financial management with greater insight.

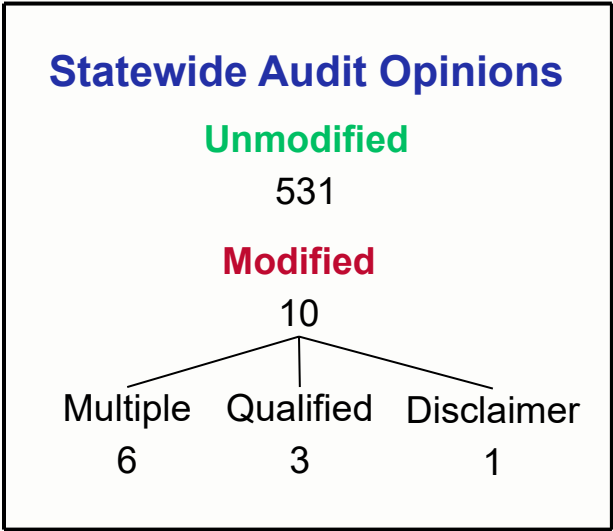
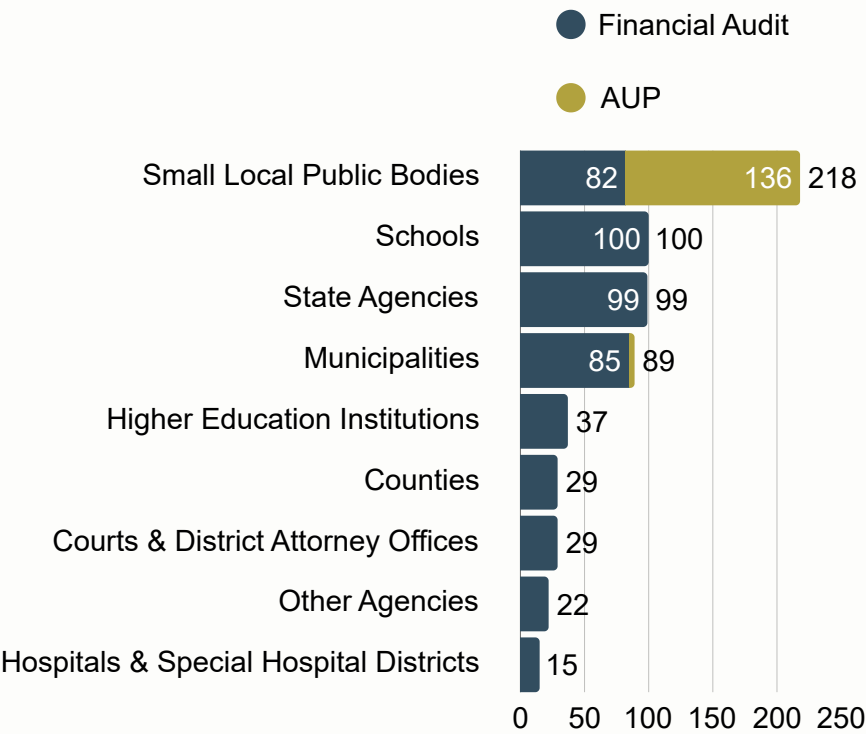
Statewide Summary



In FY 2024, the OSA managed mandatory financial reporting, including financial audits and agreed-upon-procedures (AUPs) engagements, for 681 public entities throughout New Mexico.* This report analyzes findings from these annual financial reports to inform the public and agency management on persistent challenges, risk areas, and recurring themes in public financial management. The information and analysis presented throughout is indented for informational purposes and does not convey authoritative guidance from the OSA.

While the vast majority of audited entities received Unmodified Opinions (meaning their financial statements were accurate and reliable), this indicator alone does not represent the full picture of financial health or risk. Many entities with Unmodified Opinions also had findings (and many repeat findings from prior years) identifying areas of risk and challenges in managing public funds.

The figures below show the government groups reviewed in this report, the allocation of full financial audits and AUPs, and the types of audit opinion all entities with a full financial audit received. Appendix B discusses the various types of audit opinions in more depth.



*Agreed-upon-procedures engagements are for entities that require a financial report but do not require a full financial audit according to the statutory tiered system of reporting. Therefore, AUPs do not include an opinion on an entity’s financial statements. Read more about the tiered system on OSA’s website [here](#).

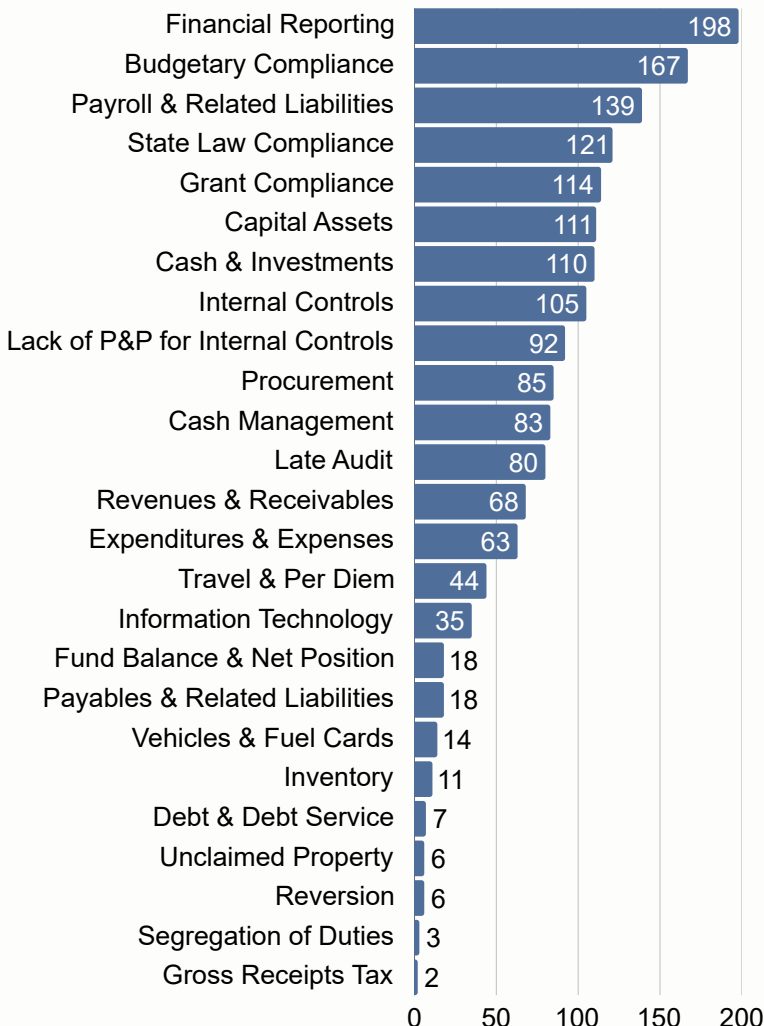
Statewide Summary



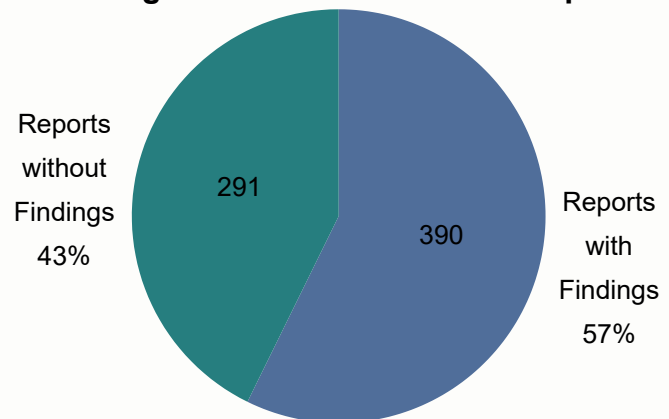
The top five finding categories below comprised approximately 43 percent of all 1,700 statewide findings. In addition, these top categories corresponded to at least one of the top categories in most government subgroups, as detailed in the breakout sections throughout this report. This indicates that these categories represented the most significant challenge areas among governmental entities across the state.

The figures below show the frequency by category of the 1,700 audit and AUP findings statewide, the occurrence of findings in financial reports, and the classification breakdown across all findings. Appendices A and B provide definitions for both finding categories and classifications.

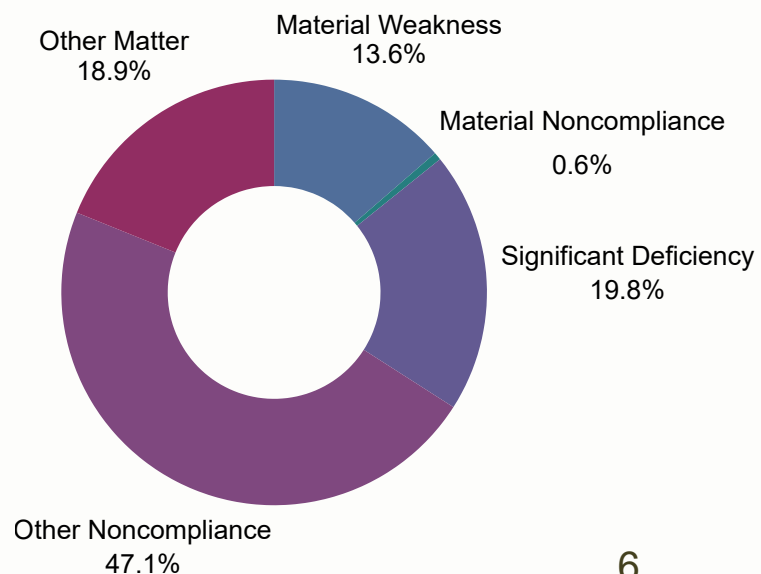
Statewide Finding Frequency by Category



Finding Occurrence in FY 2024 Reports



Statewide Findings by Classification



Statewide Summary

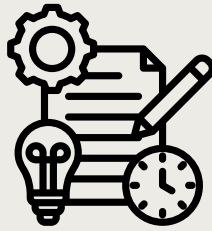


The table below shows (1) each governmental category, (2) the number of entities that had submitted a required financial report for FY 2024 as of October 1, 2025, (3) the percent of those entities that had findings, and (4) the total number of findings in each category (for both financial audit reports and AUP engagement reports). In addition, for entities with findings, the table shows the median and average number of findings per entity.

Governmental Category	Number of Entities	Percent with Findings	Total Number of Findings	Median Findings (among entities <i>with</i> findings)	Average Findings (among entities <i>with</i> findings)
Counties	29	69%	109	4.5	5.5
Courts	29	55%	22	1	1.2
Higher Education Institutions	37	27%	30	1.5	3
Hospitals & Special Hospital Districts	15	67%	25	1.5	2.5
Municipalities	89	70%	270	3	4.4
Independent Housing Authorities (subcategory of Municipalities)	43	26%	22	1	2
Schools	100	81%	474	3	5.9
State Agencies	99	47%	346	2	7.4
Small Local Public Bodies	218	56%	378	2	3.1
Other Agencies*	22	55%	24	1.5	2
Total	681		1,700		

*The Other Agencies category does not have a separate section or analysis, as it included 22 entities that could not be grouped neatly into other established groups, such as Regional Education Cooperatives and Workforce Boards.

Scope and Methodology



Financial audits provide an independent, thorough view of a government entity's financial health. Auditors review records and processes to confirm financial statements are accurate and reliable and that internal controls are functioning properly. Under the Audit Act (Section 12-6-3), every agency that received or spends public funds must have its finances examined and audited each year by:

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

The OSA has statutory oversight responsibilities for annual financial audits, AUP engagements, and special audits of New Mexico's governmental entities. IPAs approved by the State Auditor opine on whether an entity's financial statements are presented fairly, in all material respects in accordance with generally accepted accounting principles. IPAs submit draft audit, AUPs, and special audit reports to OSA for review and approval. OSA conducts three levels of quality assurance reviews for all report types before authorizing their public release on the OSA website.

When submitting a financial report to OSA, IPAs must also submit a summary of findings, if applicable. Staff from OSA's Financial Audit Division compile data from these summaries into a spreadsheet, which the GAO uses to identify and analyze themes and trends in finding frequency and type for each government subgroup.

IPAs identify whether a finding is new or repeated from the previous fiscal year. In some cases, findings repeat across multiple years and in these instances IPAs identify the year the finding originated. Additionally, IPA label findings according to 25 different categories. Appendix A includes definitions for each category and Appendix B describes the elements of an audit finding and the different types of audit opinions discussed throughout this report.

OSA obtained finding data for this report from 541 full annual financial audit reports and 140 AUP engagement reports submitted to the OSA for FY 2024, spanning July 1, 2023 to June 30, 2024. However, each year audits are submitted after their statutory due date. Accordingly, this report does not include all audits and AUPs required in FY 2024. The GAO used a cutoff date of October 1, 2025. Any required financial reports not submitted as of that date were not included in this report's analysis. For example, four of New Mexico's 33 counties did not submit their audit report by the cutoff date and are therefore not included.

OSA organized similar public entities into nine overarching categories to enable more impactful thematic analysis and enhance reporting on trends within each subgroup's findings. Appendix C identifies and describes each governmental subgroup included in this report.

Small Local Public Bodies



Small Local Public Bodies (SLPBs) include acequias, irrigation districts, land grants, mutual domestic water associations, public improvement districts, soil and water conservation districts, special districts, tax increment development districts, and water and natural gas associations.

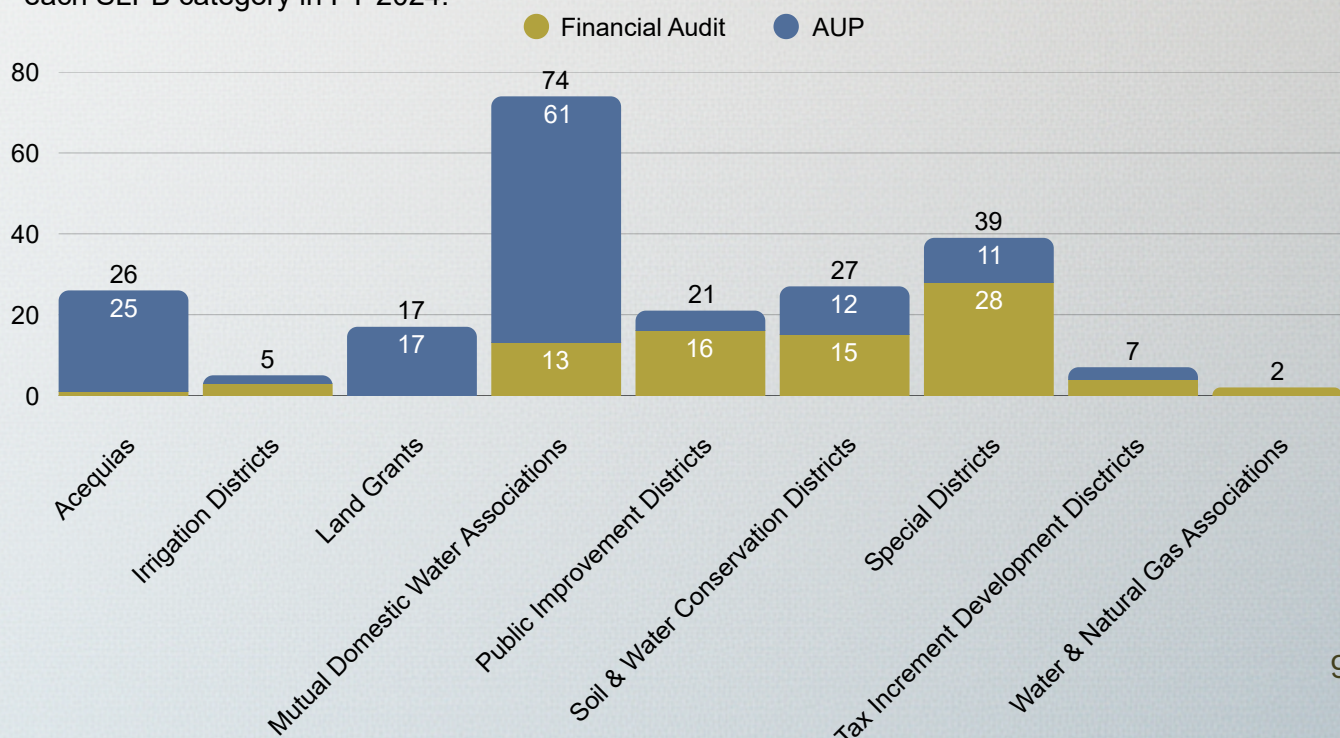
SLPBs are, by definition, smaller organizations often staffed by volunteers with limited or no financial management experience. As a result, SLPBs have faced persistent challenges in preparing and maintaining required financial documents and reports and submitting required annual financial reports on-time. These challenges are reflected in frequently occurring findings among SLPBs year after year. Of particular concern for FY 2024, 41 SLPBs had a late financial report finding and 42 had not submitted their required report by October 1, 2025, the cutoff date for this analysis.

As of October 1, 2025, 218 SLPBs submitted either an AUP engagement report or a full financial audit, according to their revenue and the tiered system of financial reporting defined in the Audit Act. Specifically:

- 136 SLPBs submitted an AUP engagement report, of which 82 (60 percent) had findings.
 - 82 SLPBs submitted an annual financial statement audit, of which 39 (48 percent) had findings.
- All 82 received an unmodified audit opinion.

Financial statement audit findings relate to whether an organization's financial statements are presented fairly in accordance with accounting standards, and they can include serious issues like material weaknesses in internal controls. AUP engagements are limited-scope reviews with specific procedures and do not provide an opinion. Accordingly, the nature of findings between these report types vary. For example, AUP findings never include material weaknesses or overall conclusions about financial statements. Due to these differences, the following pages presents SLPB findings in full financial statement audit reports and AUP engagement reports separately.

The figure below shows the breakdown of annual financial audit and AUP engagements for each SLPB category in FY 2024.

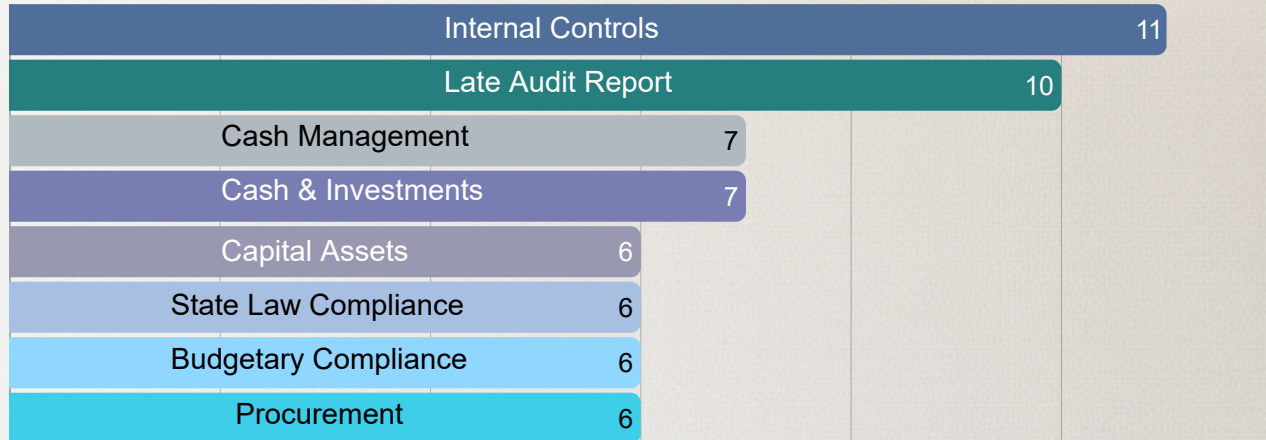


Small Local Public Bodies with Financial Statement Audits



The 82 SLPBs that required an annual financial statement audit had a combined total of 80 findings. The top categories, accounting for 59 of the 80 findings (74 percent) are shown in the figure below.

Top SLPB Finding Categories for Financial Statement Audits



Total: 59

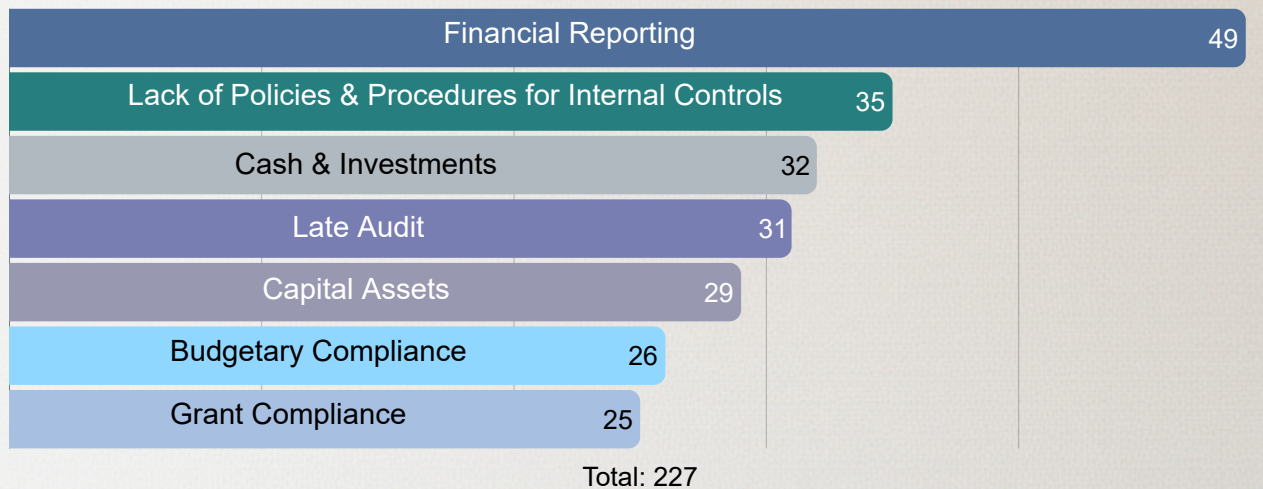
- 1. Internal Controls:** Weak financial controls and oversight, including inadequate documentation, lack of reconciliations, missing reviews and approvals, and absence of formal policies.
- 2. Late Audit Report:** SLPBs did not always submit their required financial audit report on time.
- 3. Cash Management:** Issues with bank and account reconciliations, including mismatched balances between systems, incomplete or delayed reconciliations, and lack of proper recording for key accounts. Findings also reported missing reviews, documentation, and formal processes.
- 4. Cash and Investments:** Missing bank statements, stale checks, inadequate collateralization for deposits, improper recognition of grant and loan funds, unauthorized investments, and errors in reconciliations.
- 5. Capital Assets:** Findings addressed weak controls over asset tracking and reporting, such as large adjustments to construction-in-progress, lack of detailed and certified physical inventories, and inaccurate or incomplete asset listings.
- 6. State Law Compliance:** Compliance and reporting deficiencies, including late IPA submission, inaccurate financial reporting to state authorities, failure to notify required parties of asset sales, underpledged collateral, and unauthorized contributions.
- 7. Budgetary Compliance:** Expenditures exceeded approved budgets (in one case by more than \$365,000) and failure to submit required budgets and reports.
- 8. Procurement:** SLPBs with this finding had procurement control weaknesses, including failures to create purchase orders, missing receiving documentation, lack of compliance with the New Mexico Procurement Code, discrepancies between invoices and payments, absence of a Chief Procurement Officer, and inadequate oversight of purchasing processes.

Small Local Public Bodies with Agreed-Upon-Procedures Engagements



The 136 SLPBs that required an AUP engagement report had a combined total of 298 findings. Fifty-four of the 136 SLPBs had no findings. The top finding categories, accounting for 227 (76 percent) of findings in SLPB AUP engagement reports, are shown in the figure below.

Top SLPB Finding Categories for AUP Engagements



1. Financial Reporting: SLPBs had Weak financial controls and oversight, including inadequate documentation, lack of reconciliations, missing reviews and approvals, and absence of formal policies.

2. Lack of Policies & Procedures for Internal Controls: SLPBs sometimes lacked written policies and procedures for non-routine journal entries and procurement. This increases the risk of embezzlement, misuse of cash accounts, and poor purchasing decisions.

3. Cash and Investments: Issues commonly included incomplete, missing, untimely, or inaccurate bank account reconciliations, which increases risk associated with mismanagement of public funds.

4. Late Audit Report: SLPBs did not always submit their required audit report on time.

5. Capital Assets: SLPBs did not always comply with State statute to prepare and certify Capital Asset Inventory Reports by the end of the fiscal year, raising concerns about asset tracking and accounting.

6. Budgetary Compliance: Findings highlighted weak financial planning and compliance controls, resulting in failure to prepare and approve budgets, missing submissions to DFA, lack of supporting documentation, and spending over authorized limits.

7. Grant Compliance: SLPBs with this finding demonstrated persistent noncompliance with required monthly project status reporting.

Recommendations for Small Local Public Bodies



Review and Strengthen Internal Control Frameworks

- Develop, implement, and regularly review and update policies and procedures for key areas of financial management, particularly for:
 - Financial close, reconciliations, and journal entries
 - Cash management and budget monitoring
 - Asset inventories, and
 - Compliance with procurement code and state law.

Establish Systems to Ensure Compliance with Required Deadlines

- Develop systems (such as a compliance calendar) to ensure compliance for timely submission of budgets, IPA contracts, and audit reports.

Stay Informed

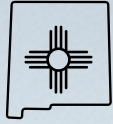
- Understand all reporting requirements, deadlines, and relevant State statutes that affect SLPBs.

Plan for Continuity

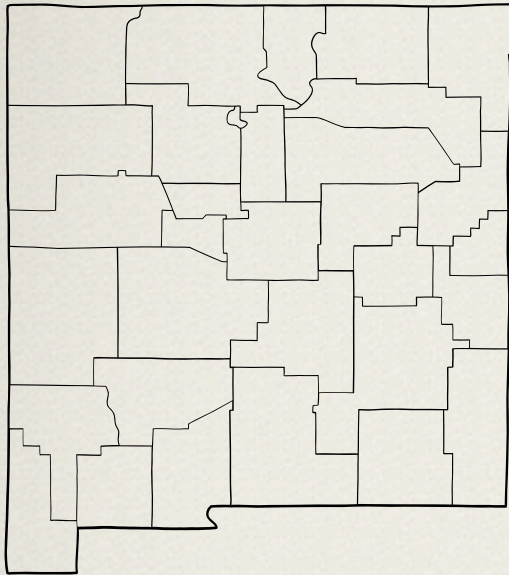
- Turnover in small organizations can have an outsized impact on operations. SLPBs should prepare by documenting important requirements, procedures, and training for new staff.



Counties



29	3	4	9	20	109
Financial Audit Reports	Modified Audit Opinions	Reports Not Submitted by October 1, 2025*	Reports Without Findings	Reports With Findings	Total Findings

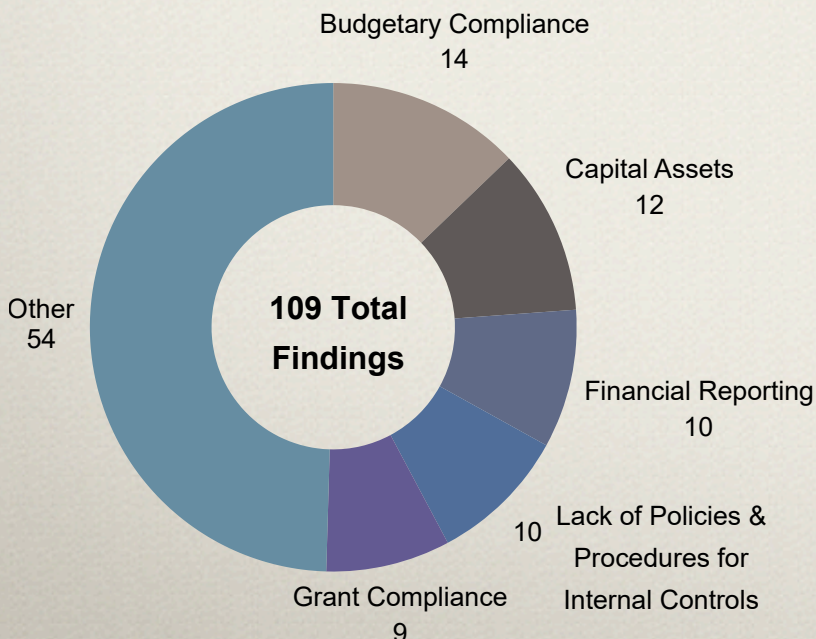


The Counties government subgroup consists of all 33 county governments in New Mexico. In FY 2024:

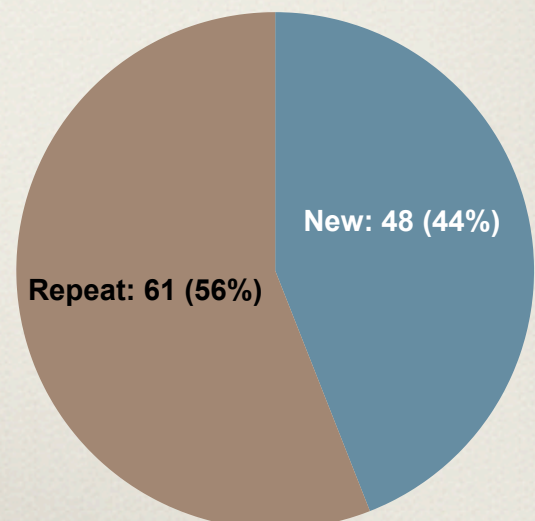
- They received 26 Unmodified and 3 Modified audit opinions (Two Multiple Opinions and one Qualified Opinion).
- Four counties did not submit their annual financial audit reports by October 1, 2025 – a significant delay since all county audit reports were due by December 1, 2024.
- Of 29 submitted reports, 9 (31 percent) had no findings, while the remaining 20 had 109 findings.
- Counties had a high percentage (56 percent) of repeat findings.

The top five finding categories accounted for 55 of the 109 findings (50 percent). Details on these categories are shown in the figures below and discussed further on the next page.

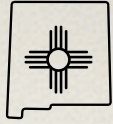
Top Audit Finding
Categories



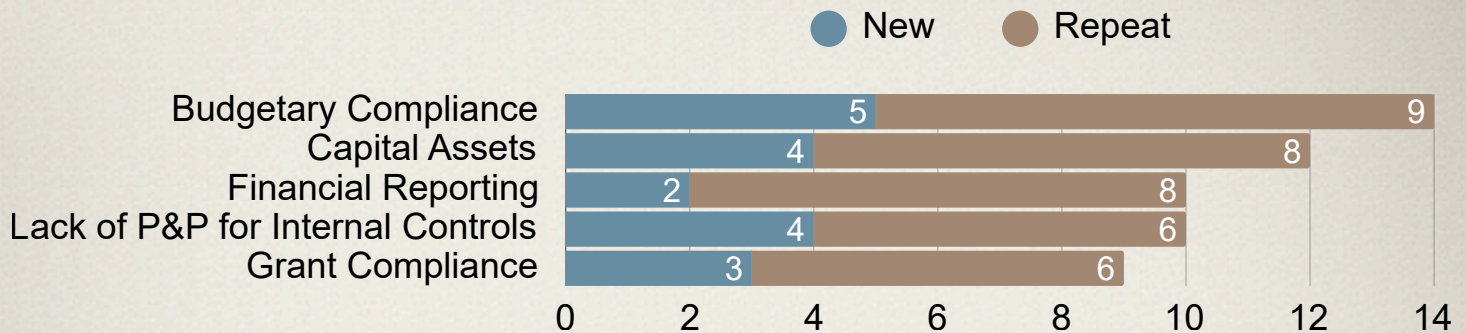
New & Repeat
Findings



*Colfax, Hidalgo, Mora, and San Miguel Counties did not submit their required annual financial statement audit for FY 2024 by October 1, 2025 and are therefore not included in this analysis.



Top Five Finding Categories



1. Budgetary Compliance: County spending sometimes exceeded approved budgets. When this occurs, Counties have to supplement budget deficits with other funds, which can increase financial difficulties and diminish cash in other funds.

2. Capital Assets: Counties did not always have sufficient processes to maintain accurate and complete records of capital assets, increasing risk of misstatement and inaccuracies in financial reporting.

3. Financial Reporting: Some County financial records had errors or incorrect amounts. Auditors had to make journal entry adjustments and restatements to correct balances and misstatements.

4. Lack of Policies & Procedures for Internal Controls: Issues included a lack of comprehensive accounting policies and procedures, missing documentation in personnel files, and a lack of procedures for reviewing and approving journal entries.

5. Grant Compliance: Issues included non-compliance with federal grant guidelines, inadequate tracking of grant activities, reimbursement requests, and expenditures, need for adjustments to correct the Schedule of Expenditures of Federal Awards (SEFA), missing policies and procedures required by federal law, lack of tracking and inventory of items purchased with federal funds, and late submissions for federal Single Audits.

Recommendations:

- Review budget deficits to ensure all funds have adequate budget authority and sufficient cash balances. Enhance budget monitoring processes and review processes for determining end-of-the-year cash balance estimates.
- Implement procedures to maintain an accurate capital asset inventory, including regular physical inventory counts and timely updates to the asset listing.
- Regularly review internal control frameworks to ensure adequate coverage, particularly for financial reporting and federal grant compliance, and verify key procedures are documented in writing.

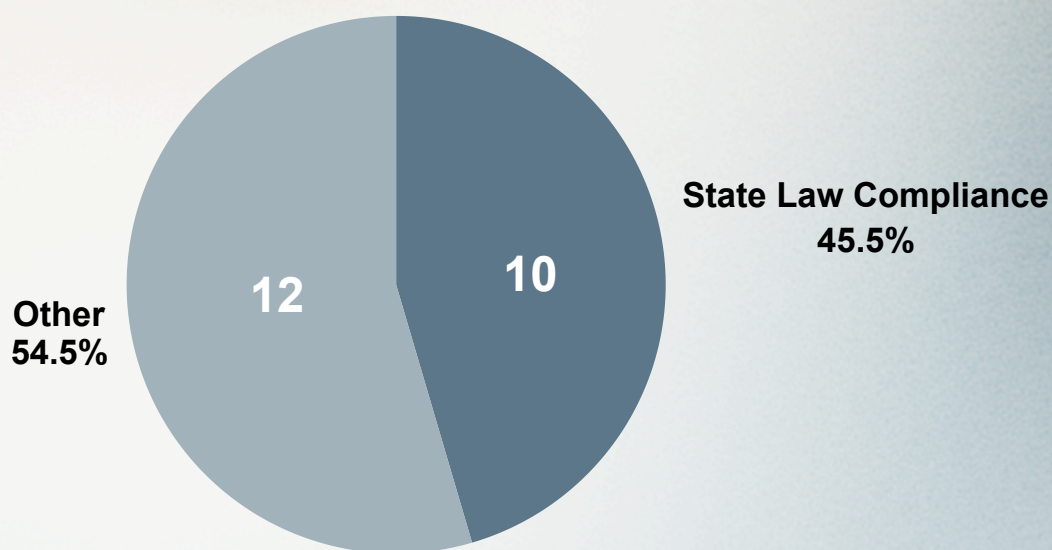
Courts



The Courts government subgroup includes 29 entities: 13 District Courts, 13 Offices of Judicial District Attorneys (the Eleventh District includes two distinct divisions with separate audits), the Bernalillo County Metropolitan Court, the Administrative Office of the Courts and the Administrative Office of the District Attorneys.

Of these 29 entities, 16 had audit findings and 13 did not. Those that did had a combined total of 22 findings. For the third consecutive year, the most common finding category was State Law Compliance, amounting to 10 of 22 findings (approximately 45 percent).

Finding Categories



State Law Compliance: This finding category exclusively affected District Courts, often due to instances of non-compliance with requirements related to Cash Bond Receipts and late payments under Agreements to Pay.

Recommendation: District Courts should ensure responsible court staff are aware of relevant state laws and requirements and emphasize the importance of complying with related policies and procedures.

Higher Education Institutions

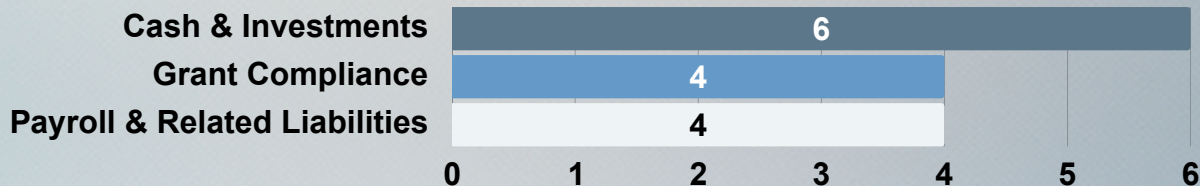


37	100%	27	10	30
Audits Submitted	Unmodified Opinion	Audits Without Findings	Audits With Findings	Total Findings



The Higher Education Institutions sub-group includes New Mexico's state universities, foundations, colleges, component units and other specialized schools, such as the Institute of Mining and Technology and School for the Blind and Visually Impaired.

Higher Education Institutions was an overall financially healthy government subgroup. All institutions had Unmodified audit opinions and only 10 of the 37 audit reports (27 percent) had findings. The three most common finding categories, amounting to 14 of 30 total findings (47 percent), are discussed below. Of note, four institutions* had not submitted their FY 2024 annual financial audit by October 1, 2025, showing a significant delay because Higher Education Institution audit reports were due to OSA by November 1, 2024.



Cash & Investments: Findings pointed to weaknesses in cash and investment accounting and controls, particularly in reconciliations, classification/recording accuracy, and authorizations.

Grant Compliance: Issues with compliance and reporting controls, specifically around timeliness, accuracy, and approval processes for federally mandated reports and payments.

Payroll & Related Liabilities: Findings revealed payroll and tax compliance control weaknesses, specifically around accuracy, approvals, reconciliations, and timely regulatory filings.

Recommendations: Higher Education Institutions should strengthen governance and oversight over cash and investments and payroll processes, and establish procedures to ensure compliance with grant reporting requirements.

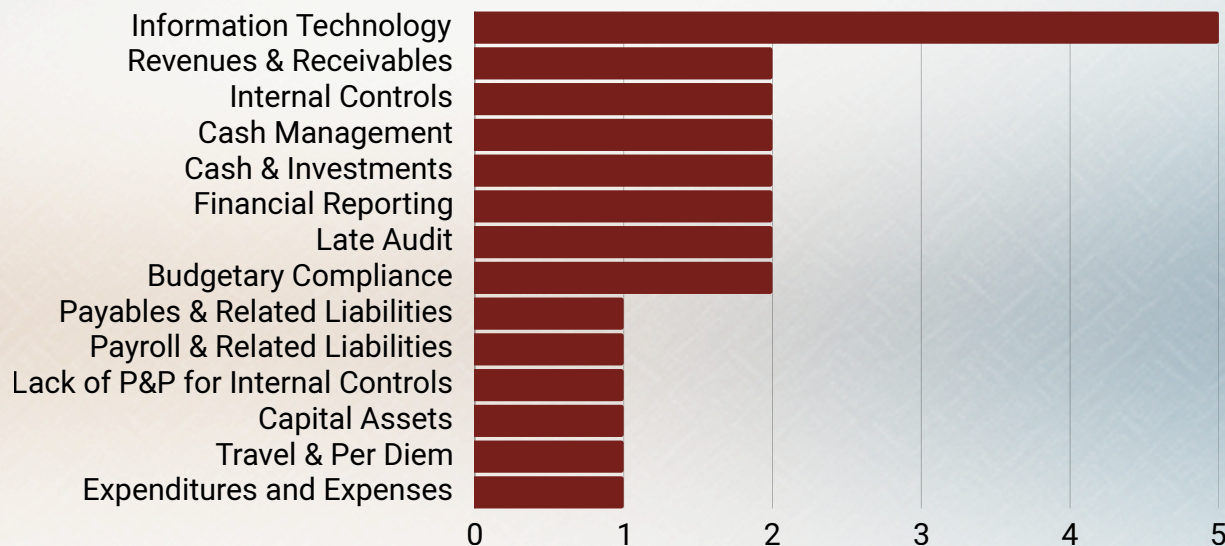
*Mesalands Community College, San Juan Community College, Luna Community College, and Southeast New Mexico College did not submit their required annual financial statement audit for FY 2024 by October 1, 2025 and are therefore not included in this analysis.

Hospitals



Hospitals and Special Hospital Districts are a small government sub-group with only 16 different entities. One entity, Jal Hospital District, did not submit its annual financial audit report for FY 2024 by October 1, 2025 and is therefore not reflected in this analysis.

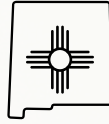
Aside from a higher occurrence of the Information Technology finding category, which occurred in half of the audit reports with findings, hospitals lacked pronounced finding themes or trends.



Information Technology: All five findings in this category addressed issues with user controls, roles, and permissions in hospital financial and accounting systems. Weaknesses in this area can lead to unauthorized access to sensitive data, a breakdown in proper segregation of duties, and increase the risk of cybersecurity vulnerabilities.

Recommendation: Hospitals should design and implement controls over user access to systems containing sensitive financial data to help prevent and detect unauthorized access, use, and modification of data, including sensitive and confidential information.

Municipalities

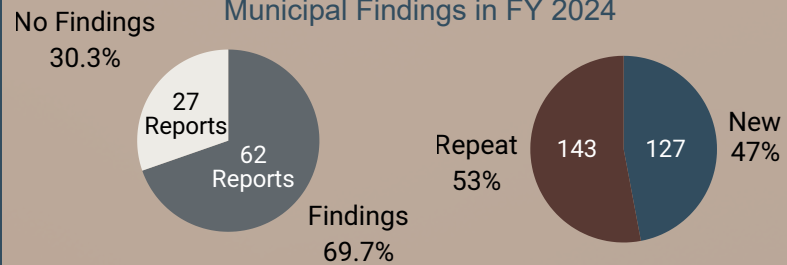


85	5	4	21	27	62	270
Financial Audit Reports	Modified Audit Opinions	Agreed-Upon- Procedures	Reports Not Submitted by October 1, 2025	Reports Without Findings	Reports With Findings	Total Findings

Municipal Financial Reporting in FY 2024

- Unmodified Opinion - 80 Audit Reports
- Multiple Opinions - 3 Audit Reports
- Qualified - 1 Audit Report
- Disclaimer - 1 Audit Report
- AUP (No Opinion) - 4 Reports

Municipal Findings in FY 2024



The Municipalities government sub-group includes New Mexico's cities, towns, villages, and certain municipal component units such as independent utility and housing authorities. Municipalities vary widely in their size and financial performance and activity. For instance, this group includes both Albuquerque, New Mexico's largest city with a population of more than 550,000 and the Village of Grenville, which has just 22 residents. As a result, the type and severity of challenges municipalities face also varies.

This diversity is reflected in municipal financial reports, audit opinions, and findings. In FY 2024, municipalities:

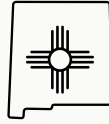
- Submitted four AUPs under the tiered system, indicating limiting financial activity.
- Received five modified audit opinions, the highest occurrence out of all government sub-groups reviewed, flagging more significant financial statement issues for those entities.
- 30 percent of all municipal financial reports had no findings.
- The 70 percent that did collectively had 270 findings in 23 different categories.

Municipalities also had a significant proportion of reports that either contained late audit findings or were not submitted by the cutoff date for this analysis (October 1, 2025). In total, among the 110 entities in the municipal group, nearly 33 percent fell in this category, highlighting persistent challenges with audit timeliness.

Municipalities did not have significant outliers in its finding categories, however the top five amounted to 121 of 270 findings (45 percent). The figure below shows the distribution among top 10 finding categories and the next page discusses the top five in more detail.



Municipalities



Financial Reporting: Journal entries did not always have evidence of review and approval, significant journal entry adjustments, and untimely submission of required quarterly financial reports, and some material adjustments were necessary to present financial statements as materially correct.

Budgetary Compliance: Municipalities with this finding had expenditures that exceeded approved budgets for certain funds. For example, one town had overages in its Recreation Fund of more than \$74,000.

Payroll & Related Liabilities: Common issues included incorrect PERA withholdings, late PERA payments, and missing or inaccurate I-9 Forms.

Cash & Investments: In this finding category, auditors reported that banks did not always insure or collateralize deposits, overstated cash balances, had untimely cash deposits, untimely or incomplete bank reconciliations, and pooled cash did not always reconcile to the cash reported in funds.

Lack of Policies & Procedures for Internal Controls: Weak governance and inadequate internal control frameworks. For example, some municipalities with this finding had outdated or missing policies, weak enforcement of existing procedures, and inadequate fraud prevention measures.

Recommendations:

1. Establish clear review and approval processes for journal entries and implement controls to ensure timely, accurate submission of required quarterly financial reports to the Department of Finance and Administration.
2. Implement stronger budget monitoring and controls to prevent expenditures from exceeding approved budgets.
3. Monitor and test payroll compliance to ensure accurate withholdings, timely payments, and proper documentation for all employees.
4. Enhance cash management practices by securing deposits, reconciling accounts promptly, and maintaining accurate records of pooled funds.
5. Periodically review, test, and revise internal control frameworks that include up-to-date policies and procedures.

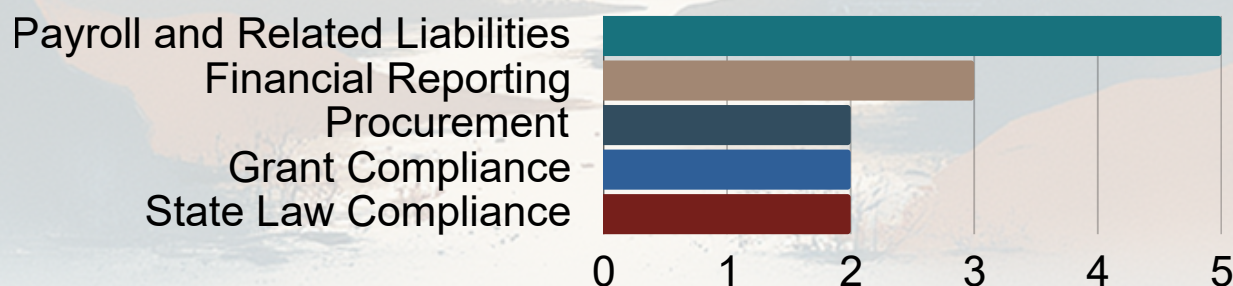
Municipalities: Independent Housing Authorities



43	100%	32	11	22
Financial Audit Reports	Unmodified Audit Opinions	Reports Without Findings	Reports With Findings	Total Findings

Independent Housing Authorities are part of the municipal government subgroup but are reported separately due to differences in structure and governance. Unlike municipal departments, housing authorities operate with independent boards and financial systems, which require separate audits and reporting.

In FY 2024, all 43 authorities received unmodified audit opinions, and approximately 75 percent had no findings, indicating strong overall performance. However, among the reports with findings, payroll issues were most common, and three material weaknesses in financial reporting warrant attention. The figure below shows the categories with two or more findings for Independent Housing Authorities.



Payroll and Related Liabilities: Findings identified weaknesses in payroll and personnel compliance, including untimely or inaccurate tax and PERA filings, errors in benefit accruals and withholdings, incomplete employee documentation, and lack of proper tracking for deposits.

Financial Reporting: All three findings in the financial reporting category were material weaknesses affecting component units of the Albuquerque Housing Authority. Two resulted in material misstatements due to incomplete presentation of construction and developer costs, and one identified incomplete presentation resulting from missing loan proceeds.

Recommendations: Independent Housing Authorities should monitor and test payroll compliance to ensure accurate withholdings, filings, deposits, and proper documentation for all employees. Additionally, they should ensure formal financial reporting and review processes are in place to provide complete and accurate information before financial statements are finalized.

Schools



100

Audits
Submitted

99

Unmodified
Opinions

19

Audits With No
Findings

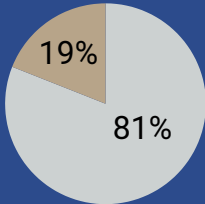
81

Audits With
Findings

474

Total
Findings

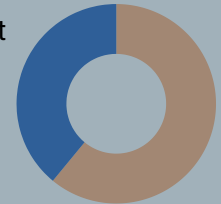
Reports without
Findings



Reports with
Findings

- 289 New Findings
- 185 Repeat Findings

Repeat
39%



New
61%

Schools is a large government subgroup with more than 100 entities throughout the state, including New Mexico's public city schools, public and independent school districts, county schools, and municipal schools. While all but one received an unmodified audit opinion, school entities had a high share of findings. In FY 2024, audit findings reported for this group accounted for nearly 28 percent of the 1,700 findings reported across all entities.

School entities especially struggled with payroll related issues as well as compliance with budgetary rules and State law. Findings in these three categories comprised 197 of 474 (41 percent) of all findings in the Schools subgroup.

Payroll and Related Liabilities (70 findings): This category included unpaid amounts for payroll-related expenses, resulting in liabilities, and any violations of federal, state, or local regulations concerning employment, personnel documentation, or payroll reporting. This includes concerns such as late payments, unpaid earned leave, or incorrect retirement deductions.

Budgetary Compliance (70 findings): Schools with this finding often had expenditures that exceeded budgets in certain funds, adjusted budgets without proper approvals, or, in some cases, carried budget deficits.

State Law Compliance (57 findings): Schools did not always comply with State laws. Examples include not submitting required Title IX reports, missing employee background checks, incomplete required training, and untimely reporting to the New Mexico New Hires Directory.

Recommendations: Enhance controls over payroll functions, strengthen oversight of budgetary adherence, and identify and address gaps in State law compliance, to include ensuring responsible staff are aware of relevant laws and requirements.

State Agencies



99

Audits
Submitted

98

Unmodified
Audit Opinions

52

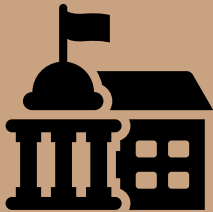
Audits With No
Findings

47

Audits With
Findings

346

Total
Findings



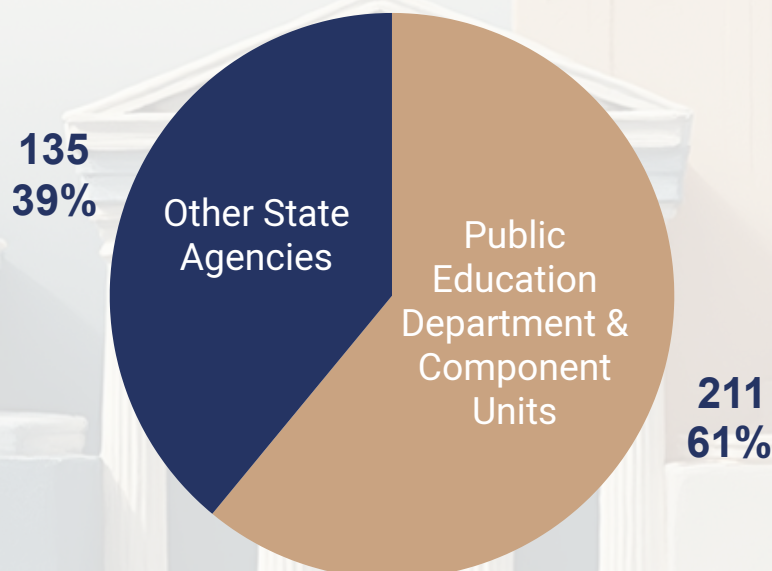
State Agencies include Executive branch and Legislative agencies and quasi-governmental entities like the Public Schools Insurance Authority.

New Mexico's Public Education Department (PED) accounted for a significant portion of all findings in the State Agency subgroup, representing 211 (61 percent) of 346 total findings.

This concentration was due to the distribution of PED audit findings among the many various component units of PED throughout the state, such as academies, charter schools, preparatory schools, and high schools.

As a result, this analysis presents findings associated with PED and its components units separate from other State Agencies, which had 135 total findings.

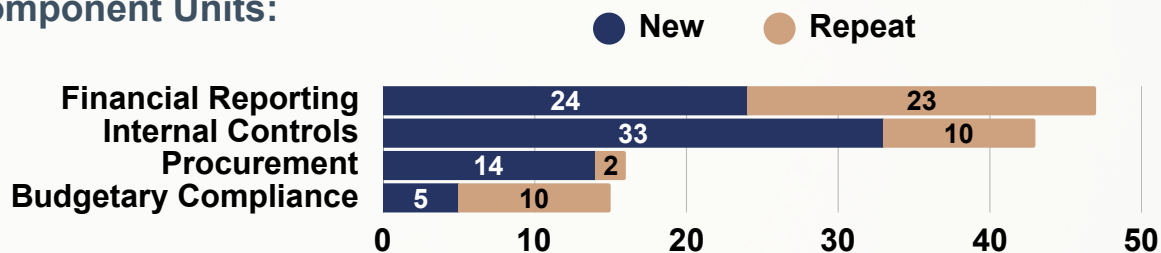
Findings



State Agencies

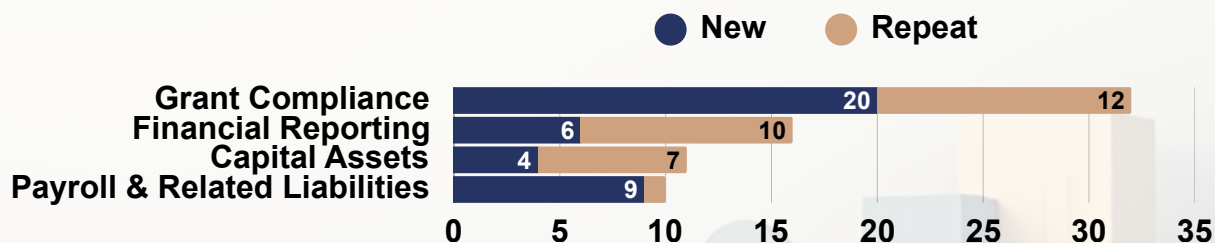


Common Finding Categories for the Public Education Department & Component Units:



1. **Financial Reporting Errors** frequently stemmed from misclassifying transactions to the correct fund, requiring manual adjustments.
2. **Internal Control** weaknesses existed in multiple areas, including governance, procurement, journal entries, financial closing, cash management, payroll, HR, and documentation and recordkeeping.
3. **Procurement:** Schools with this finding often exceeded the small purchase threshold by making purchases over \$60,000 without competitive procurement.
4. **Budgetary Compliance:** School spending exceeded authorized budgets for certain funds.

Common Finding Categories for All Other State Agencies:



1. **Grant Compliance:** Agencies lacked proper controls to ensure compliance with federal grant requirements, such as complete and timely reporting, sufficient record keeping, and recipient monitoring.
2. **Financial Reporting:** Issues with financial close, errors and misstatements, adjustments needed to reconcile accounts, multiple versions of the SEFA.
3. **Capital Assets:** Agencies did not always track, record, and inventory assets properly.
4. **Payroll:** Instances of over and under payment, timecard errors, and missing required documentation.

Recommendations:

1. Strengthen front-end coding controls for fund transactions.
2. Periodically define, review, and revise internal controls to ensure necessary coverage over key areas, such as financial reporting, payroll, and document retention.
3. Comply with the procurement code and retain documentation to demonstrate compliance.
4. Routinely monitor expenditures to ensure budgetary authority is not exceeded.
5. Implement and enforce procedures to ensure compliance with federal grant requirements.

Appendix A: Finding Category Definitions



This appendix includes current definitions for audit and AUP finding categories. IPAs determine finding category classifications during audit work.

- **Budgetary Compliance:** An exception or deficiency wherein the governmental entity did not comply with state or local governmental budget requirements.
- **Capital Assets:** Any violation of statutory requirements relating to the recording, tracking, or disposition of capital assets, or an exception or deficiency in accounting for a governmental entity's capital assets and/or related depreciation, which include land, buildings, infrastructure, equipment (including motor and aircraft fleets), and intellectual property (including software) that have an estimated useful life of one year or more.
- **Cash and Investments:** An exception or deficiency in accounting for the governmental entity's cash, which is money in the form of deposits, including short-term or long-term investments and banking agreements.
- **Cash Management:** An exception or deficiency relating to cash internal controls, petty cash or vouchers and deposits.
- **Debt and Debt Service:** An exception or deficiency relating to debt, generally referring to money owed by one party, the borrower or debtor, to a second party, the lender or creditor. Debt is generally subject to contractual terms regarding the amount and timing of repayments of principal and interest.
- **Expenditures and Expenses:** An exception or deficiency in the overall public spending carried out by the governmental entity, including expenditures in violation of a grant or other agreement, payment for goods or services prior to receipt, expenses not properly authorized, a lack of supporting documentation, and deficiencies related to purchase orders. Includes subcategories of advance payments, lack of documentation, lack of proper authorization, purchase and credit cards and other expenditures and expenses.
- **Financial Reporting:** An exception or deficiency in the governmental entity's processes for producing financial statements that fairly reflect its financial position and activities in accordance with applicable accounting standards.
- **Fund Balance and Net Position:** An exception or deficiency associated with net position and fund balance, which includes improper classification, deficit fund balances and net position, and material restatements.
- **Grant Compliance:** An exception or deficiency wherein the governmental entity failed to comply with state or federal requirements related to a grant agreement.
- **Gross Receipts Tax:** An exception or deficiency related to the calculation, remitting or payment of gross receipts taxes to the Tax and Revenue Department.
- **Information Technology:** An exception or deficiency in best practices associated with the application of computer and telecommunication equipment to store, retrieve, transmit, and manipulate data.
- **Internal Controls:** An exception or deficiency related to the internal control framework. Includes subcategories of Billing Utilities, Debt and Cash, Revenue and Utility.

Appendix A: Finding Category Definitions Cont.



- **Inventory:** An exception or deficiency in accounting of inventory of goods and materials that a government agency holds.
- **Lack of Policies and Procedures or Internal Controls:** An exception or deficiency in the governmental entity's policies and procedures such that the policies and procedures are not sufficient to create a proper internal control environment to ensure accountability and consistency in financial reporting and compliance with applicable laws, regulations, contracts and grant agreements.
- **Late Audit:** An exception or deficiency such that the audit or audit contract was not submitted by the state audit rule deadline.
- **Payables and Related Liabilities:** An exception or deficiency regarding a governmental entity's accounting for its obligations recorded as payables and other liabilities.
- **Payroll and Related Liabilities:** An exception or deficiency associated with amounts owed for payroll-related expenditures that are not yet paid, creating a liability, or any violation of federal, state, or local requirements regarding employment, required forms, or payroll reporting.
- **Procurement:** Any violation of the applicable laws, rules, and regulations governing the procurement of goods and services with public funds.
- **Revenues and Receivables:** An exception or deficiency related to the revenue and/or funds received or to be received by the governmental entity.
- **Reversion:** An exception or deficiency wherein the auditee was either not timely in reverting unspent reverting appropriations at the end of the appropriation period and/or erroneous computation of amounts thereof.
- **Segregation of Duties:** An exception or deficiency when the entity has one person performing more than one financial function which should have been segregated in light of proper internal controls.
- **State Law Compliance:** Any violation of state statutory requirements, including, but not limited to, the Anti-Donation Clause of the New Mexico Constitution, the Governmental Conduct Act, the Open Meetings Act and the Public Money Act. Includes subcategories of Anti-Donation Act, Open Meetings Act, Public Monies Act, Sale of Public Property, and Other State Law Compliance.
- **Travel and Per Diem:** An exception or deficiency from state or local laws, rules and regulations pertaining to governmental travel and per diem. Per diem is the daily allowance for expenses that governmental entities give an individual to cover expenses when traveling for work. Travel expenses are ordinary and necessary expenses incurred in traveling for government business.
- **Unclaimed Property:** An exception or deficiency in which the auditee did not comply with statutory requirements to timely remit unclaimed funds or property to the Taxation and Revenue Department, or the auditee failed to account for unclaimed funds or property.
- **Vehicles and Fuel Cards:** Any violation of the allowable use of a government vehicle or an exception or deficiency in the use of fuel cards authorized by a governmental entity to purchase fuel for government vehicles.

Appendix B: Key Audit Terms and Concepts



Understanding Findings

Financial audit reports express whether the audited entity's financial statements are presented fairly by management and in accordance with applicable accounting standards. Auditors review underlying data and processes that informed the preparation of financial statements. These reports often include findings, which occur when auditors identify a situation that deviates from established criteria, such as law, policy, standard, or best practices.

Findings identify deficiencies, weaknesses, or noncompliance with established standards and communicate critical information to the public about problems and concerns in public financial management. In addition, under Generally Accepted Government Auditing Standards, they must include specific elements supported by evidence collected during the audit, including:

- What occurred, or what is the problem? (condition)
- What should have occurred instead? How do the auditors know it's a problem? (criteria)
- Why did it happen? (cause)
- Why does it matter? What are the consequences? (effect)
- What's needed to fix it? (recommendation)

Understanding the Five Classifications of Findings

In financial audits, findings are classified according to their severity and impact on the audited entity's financial statements and internal controls. The five categories of findings, ranked from most to least severe, are shown in the table below:

Material Weakness	A serious problem in internal controls that makes it likely a material mistake in the financial statements won't be caught or fixed in time.
Material Noncompliance	A major failure to follow laws, regulations, contracts, or grant rules that is significant enough to matter on its own or when combined with other issues.
Significant Deficiency	An internal control problem that isn't as severe as a material weakness but is still important and needs attention from management.
Other Noncompliance	Breaking a law, rule, contract, or grant requirement that could affect the financial statements or a specific program, but isn't considered major.
Other Matter	Any violation of law or good accounting practice found during the audit that is minor and doesn't rise to the level of a significant deficiency.

Importantly, findings do not exist in a vacuum. They should be evaluated alongside the audit opinion, other audit findings, previous financial audits, and management's responses along with proposed corrective actions.

Appendix B: Key Audit Terms and Concepts Cont.



Understanding Financial Audit Opinions

Audit reports include an opinion by the auditor as to whether there is reasonable assurance that the financial statements prepared by management are free from material misstatements.

Modified opinions can impact the financial activities of the audited entity. For example, they can result, in downgraded bond ratings, decreased access to direct capital outlay appropriations, increased scrutiny from federal grantee agencies. In severe cases, the state may have to step in and operate the entity's finances if the underlying issues related to the modified opinion cannot be resolved. The type and definition of each audit opinion are presented below.

Unmodified Opinion	Financial statements are presented fairly, in all material respects, and in accordance with Generally Accepted Accounting Principles (GAAP).
Modified Opinion	A broad term used to group a series of increasingly severe audit opinions including: qualified, adverse or disclaimer of opinion.
Multiple Opinions	Auditors express different opinions on different aspects of the financial statements. For example, an audit may express an unmodified opinion on general fund activities, but a qualified opinion on enterprise fund activities.
Qualified Opinion	An auditor concludes that misstatements, individually or in aggregate, are material but not pervasive to the financial statements. Auditors may also express this opinion if they are unable to obtain sufficient appropriate evidence on which to base the opinion, but concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.
Adverse Opinion	Auditors conclude that misstatements, individually or when grouped with other misstatements, are both material and pervasive to the financial statements.
Disclaimer Opinion	Auditors are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

Appendix C: Governmental Subgroups



OSA organized similar public entities into nine overarching categories to enable more impactful thematic analysis and enhance reporting on trends within each subgroup's findings. The table below identifies and describes each governmental subgroup included in this report.

Governmental Category	Description
Counties	New Mexico's 33 county governments.
Courts	District Courts, Offices of Judicial District Attorneys, the Bernalillo County Metropolitan Court, the Administrative Office of the Courts and the Administrative Office of the District Attorneys.
Higher Education Institutions	New Mexico's state universities, foundations, colleges, component units and other specialized schools, such as the Institute of Mining and Technology and School for the Blind and Visually Impaired.
Hospitals	Hospitals and Special Hospital Districts.
Municipalities	New Mexico's municipal governments, including cities, towns, and villages, and Independent Utility and Housing Authorities.
Other Agencies	Councils of Government, Other Agencies, Regional Educational Cooperatives.
Schools	New Mexico's public city schools, public and independent school districts, county schools, and municipal schools.
Small Local Public Bodies	Acequias, Irrigation Districts, Land Grants, Mutual Domestic Water Associations, Public Improvement Districts, Soil and Water Conservation Districts, Special Districts, Tax Increment Development Districts, and Water and Natural Gas Associations.
State Agencies	Executive branch and Legislative agencies and quasi-governmental entities like the Public Schools Insurance Authority. This category also includes the Public Education Department, which encompasses various component units throughout the state, such as academies, charter schools, preparatory schools, and high schools.



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