OFFICE OF THE STATE AUDITOR

JOSEPH M. MAESTAS, PE, CFE

AGENCY NO. 30800

OPERATING BUDGET APPROPRIATION REQUEST

FISCAL YEAR 2028

JOSEPH M. MAESTAS, PE, CFE
STATE AUDITOR

DONNA MONTOYA TRUJILLO, CPA
DEPUTY STATE AUDITOR

State of New Mexico
Office of the State Auditor

September 1, 2026

Mr. Wayne Propst, Cabinet Secretary
Department of Finance & Administration
407 Galisteo Street
Santa Fe, NM 87501

Re: Office of the State Auditor Budget Request – Fiscal Year 2028

Dear Secretary Propst:

The Office of the State Auditor (OSA) submits this fiscal year 2028 (FY28) budget appropriation request for your consideration.

OSA's independent audit and financial oversight responsibilities extend to more than 1,000 government entities across New Mexico. Our audits, special investigations, fraud reporting, referrals, training, technical assistance, and risk analysis help deter fraud, waste, and abuse, promote accountability, and strengthen public confidence in government.

The state needs strong financial oversight and accountability more than ever. New Mexico is making historic investments in early childhood education, behavioral health, infrastructure, housing, public safety, and other critical programs. As state spending has grown from $8.3 billion in FY23 to $11 billion in FY27, OSA's oversight responsibilities have expanded alongside it. However, OSA's resources have not kept pace with this growth. OSA's FY27 base budget of $6.45 million represents just 0.058% of the state's general fund budget. Likewise, the state's federal expenditures—which OSA also has audit oversight responsibility for—increased from $10 billion to $13.4 billion over the same period, while OSA's budget is only 0.048% of those funds.

This disproportionate funding severely limits OSA's ability to identify and address emerging issues, respond to legislative requests, modernize operations, and ultimately increases risk to accountability and transparency for New Mexico's public finances. OSA's resources are constrained on every front:

- Nine of OSA's 41 approved FTE positions (22%) are vacant, and OSA lacks budget to fill even one.
- About 50% of OSA's staff are compensated below appropriate placement levels, creating significant recruitment and retention challenges. OSA estimates appropriate placement would require an additional $494,312. OSA intends to collaborate with the State Personnel Office on a Compensation and Classification study to help ensure sustainable appropriate placement.

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- OSA has seen a concerning rise in fraud, waste, and abuse complaints. OSA processed 254 allegations in FY25 and 452 in FY26, a 78% increase, and maintains an active caseload of approximately 350. These trends increase demand for OSA investigative referrals and special audits, and risks time lag on serious allegations.
- OSA's conservatorship oversight responsibilities now consume approximately $800,000 (12%) of the agency's base budget despite no dedicated funding accompanying this mandate. OSA performs more than 1,300 conservatorship report reviews annually, but OSA only has the capacity to perform full financial examinations on less than one percent of those reports. New Mexico's population aged 65 and older is expected to increase by more than 200,000 over the next 20 years, which will likely correlate with an increased need for greater conservatorship oversight.
- OSA's Small Local Public Bodies (sLPB) assistance program has restored compliance for 375 entities and unlocked more than $14.8 million in capital outlay funding that otherwise would have been inaccessible to local communities. Continued reliance on annual special appropriations puts those gains at risk. Without recurring support, compliance gains may be lost, reducing access to capital outlay funds and increasing the risk of persistent financial management deficiencies among small local governments.
- Despite the strides OSA has made in modernizing its information technology (IT), its existing hardware is aging and operates beyond its warranty period and expected lifecycle, necessitating either replacement or upgrade. Additionally, the OSA Connect web portal and fraud, waste, and abuse report intake system require modernization to enhance internal efficiency and increase value and accessibility for our stakeholders.
- OSA receives and analyzes a unique concentration of financial data, audit results, fraud complaints, referrals, and oversight findings from more than 1,000 public entities. With sufficient resources, OSA's Government Accountability Office can translate this information into actionable trend analysis and early risk reporting that can help legislators and government leaders improve decision-making and address emerging issues before they become costly failures.

As public expectations for transparency continue to grow and state spending reaches unprecedented levels, New Mexico needs a strong and adequately resourced statewide oversight function. OSA's ability to provide timely audit oversight, identify and address financial risks, strengthen government accountability, and protect taxpayer resources depends on sufficient staffing, technology, and operational support. OSA's FY28 budget requests are outlined below.

1. Details of any General Fund base budget increases that are required to maintain services at FY26 levels (includes increases in risk rates and population caseloads when the State is statutorily required to provide a certain service):

a. The OSA requests an overall increase in the **200 Category (Personal Services) of $2,870,954, or 60.8%,** for all line items within that category (520100 through 520300) as follows:

   i. Adjustment for appropriate placement under the new salary structure for all staff of $494,312;

ii. Fill nine (9) vacant positions currently held vacant due to budgetary constraints and the addition of eight (8) new staff positions, which is calculated at $1,511,804.

iii. An increase in the internship program of $37,380 to further invest in talent pipeline in collaboration with local universities.

iv. An increase of $308,482 for the small local public bodies expansion request which includes the addition of three (3) positions;

v. An increase of $495,374 for the benefits increase per rate changes and additions of new staff.

vi. An increase of $23,602 for longevity pay for current employees.

b. OSA requests an increase to the **300 Category (Contractual Services) budget of $56,600, or 25.6%,** for RTS Web hosting & annual maintenance, RTS OSA Connect enhancements for reporting entities, RS21 maintenance/support for new AI software for report review objectives & related data analytics.

c. OSA proposes to increase the **400 Category (Other Expenses) by $184,495 or 28%** which includes:

i. Increase in dues and subscriptions of $69,850 per FY26 actuals CCH – ProFX, Thomson Reuters PPC/CheckPoint subscriptions, Carahsoft Data Snipper, Ardham Meraki Lic & Barracuda backup, consistent with FY26 Actuals.

ii. Increase in supplies and travel of $19,985 required to perform state-wide audits and the expansion request outreach.

iii. Increase of $4,580 in the OSA office suite per its lease agreement.

iv. Increase in $70,000 for the DoIT estimate for hosting AI fees.

v. Other increases of $20,080 per rate sheets and other.

2. Summary of any significant changes in project revenue:

The OSA anticipates project revenue through audit fees will remain at the FY26 rate of $350,000.

3. Summary of any significant changes in projected expenditures by line item:

OSA's FY28 request reflects the resources necessary to maintain existing services, address expanded statutory responsibilities and strengthen statewide accountability and oversight. The most significant expenditure increase is within the Personal Services and Employee Benefits category, which increases by $2.48 million (52.6%). This request supports filling nine currently vacant positions, adding eight new positions to address growing workload demands, expanding the agency's internship program, expanding the sLPB assistance program, and covering increased employee benefit costs associated with staffing growth and statewide rate changes.

The Contractual Services category increases by $56,533 (25.6%) to support critical technology systems, including maintenance and enhancements to OSA's audit oversight and reporting platforms and support for advanced data analytics and artificial intelligence tools used in audit report review processes.

The Other Costs category increases by $184,395 (28.7%), primarily driven by:

- Increased software licensing, subscriptions, and cybersecurity-related services necessary to support audit oversight and agency operations;
- Additional travel and operating expenses associated with statewide audit work and required outreach efforts;
- Lease-related occupancy cost adjustments; and
- Higher Department of Information Technology telecommunications, hosting, and artificial intelligence service costs.

Overall, the requested increases are largely attributable to staffing needs, technology modernization, and operational costs necessary to fulfill OSA's expanding oversight responsibilities and support effective accountability for New Mexico's historic levels of public investment.

4. Identification of any significant projected funding shortages and the impact on the agency's core mission if additional funding is not provided:

The FY28 request is intended to address longstanding resource shortages that impede OSA's ability to fulfill its constitutional and statutory duties and provide effective oversight.

Audit Function and Oversight. The most significant funding shortage exists within OSA's audit oversight and financial audit functions, where staffing levels have remained insufficient despite increasing audit complexity, expanding oversight requirements, and a shrinking pool of qualified accounting professionals. OSA is closely monitoring warning indicators, including late audits, auditor rotation exemption requests, and entities unable to secure independent audit services. If these trends continue, OSA faces an increased risk of becoming the auditor of last resort for a growing number of entities, diverting limited resources from its core oversight responsibilities and reducing its capacity to provide timely, effective oversight across government.

Conservatorship Oversight. Increasing resources for OSA's Conservatorship Division will enable it to more frequently identify potential financial abuse, mismanagement, or irregularities involving vulnerable adults throughout New Mexico. Current staff spend approximately 85-90% of their time reviewing conservatorship reports forwarded to OSA by the courts and preparing correspondence to the judges in those cases to address discrepancies and request additional supplemental documentation from the conservators. OSA has also seen an increase in the status hearings held by judges in these cases, requiring staff to participate in the hearings to serve as experts for the court, and in some cases, to testify in evidentiary hearings. Due to this increase in workload and limited staffing, the Division currently has the capacity to perform audits on less than one percent of more than 1,300 submitted reports annually. Additional funding would permit roles and responsibilities to be streamlined so that more senior auditors could focus on conducting full audits on conservatorships with the highest risk for potential abuse.

Government Insights, Risk Warning, and Accountability. OSA is the state's central repository for audit reports, financial statements, audit findings, fraud, waste, and abuse complaints, referrals, and other oversight information from more than 1,000 public entities. Each year, OSA reviews and releases more than 600 audits and financial reports, providing visibility into statewide financial risks that no other entity possesses. Audit findings increased from 1,355 in FY23 to 1,700 in FY24, indicating that underlying control weaknesses are becoming more persistent. With additional analytical capacity, OSA can integrate its unique data sources to identify emerging risks, detect recurring patterns across governments, and provide legislators and public officials with early warning information before problems escalate into fraud, financial distress, or noncompliance. Without additional resources, valuable statewide oversight information will remain fragmented and limit OSA's ability to proactively identify and report systemic risks and target corrective action where it is needed most.

Fraud, Waste, and Abuse Detection and Deterrence. OSA has experienced a significant increase in fraud, waste, and abuse allegations, processing 254 complaints in FY25 and 452 complaints in FY26, a 78% increase in a single year, while maintaining an active caseload of approximately 350. Investigative resources have not kept pace with this workload growth, limiting OSA's ability to promptly assess all complaints, identify patterns across entities, and refer higher-risk matters to appropriate entities and authorities. Without additional capacity, response times are likely to increase, potential fraud and misuse of public funds may go unresolved for longer periods, and opportunities to detect systemic issues before they result in significant financial losses may be missed.

Compensation. Compensation challenges continue to affect OSA's ability to attract, recruit, and retain qualified professionals in an increasingly competitive labor market, particularly within the accounting and auditing professions. Maintaining competitive compensation and adequate staffing authority is essential to ensuring the agency can recruit qualified candidates, support succession planning, and meet its statutory responsibilities.

Small Local Public Bodies Assistance. OSA has been operating the Small Local Public Bodies Assistance Program (sLPB) since 2023 to support small, resource-limited local governments. However, demand for technical assistance, training, and compliance support has grown significantly across all types of local governments—including municipalities, counties, school districts, and special districts. This increasing demand now exceeds the program's current capacity, and the state lacks a permanent, scalable framework to support local governments before compliance issues arise. OSA needs recurring and additional resources to maintain recent compliance gains and expand the proven assistance model to serve all local governments in need.

5. Proposed changes in program structure and/or the realignment of agency resources to address critical or emerging needs.

OSA continues to evaluate and realign agency resources to address changing risks, emerging statutory responsibilities, and increasing oversight demands. Recent resource allocations have prioritized activities that directly support accountability, audit timeliness, risk identification, and protection of public funds. Key realignment efforts include:

Prioritization of high-risk and referred oversight activities. OSA has prioritized oversight activities initiated through legislative referrals, directing staff capacity toward matters of significant public interest and elevated financial or governance risk to maximize accountability and corrective action.

Conservatorship oversight. OSA has absorbed legislatively mandated conservatorship review responsibilities by reallocating existing staff resources. While this approach has allowed the agency to meet statutory requirements, it has diverted resources from core financial oversight functions and is not sustainable without additional capacity due to increasing conservatorship oversight demand.

Technology and data analytics investments. OSA is enhancing the use of data analytics, reporting systems, and artificial intelligence tools to improve audit report review processes, increase efficiency, identify statewide trends and risks, and allow staff to focus on higher-value oversight activities.

Risk-based oversight model. OSA is shifting resources toward high-risk entities and emerging financial concerns so oversight occurs earlier, when corrective action is less costly and more effective than responding after significant deficiencies, fraud, or financial distress develop.

Workforce development initiatives. OSA is expanding its internship program, recruitment efforts, and university partnerships to address persistent accounting workforce shortages and strengthen the agency's long-term talent pipeline.

6. Conclusion

State expenditures are at historic levels, increasing the risks associated with inadequate oversight. Without additional resources, OSA cannot maintain the level of service and oversight needed to protect the state's growing investments, improve compliance among the most resource-limited local governments, identify and reduce financial risk, and preserve public confidence in government. This request represents a prudent investment in the staff, technology, and operational capacity required to fulfill OSA's constitutional and statutory responsibilities and deliver the impactful services New Mexicans deserve.

I respectfully request approval of this budget proposal.

Sincerely,

Joseph M. Maestas

Joseph M. Maestas, PE, CFE
State Auditor

Agency Name: Office of the State Auditor Business Unit: 30800

I hereby certify that the accompanying summary and detailed statements are true and correct to the best of my knowledge and belief and that the arithmetic accuracy of all numeric information has been verified.

Joseph M. Maestas

Joseph M. Maestas, State Auditor

Donna Montoya Trujillo, Deputy State Auditor

Cheryl James, Chief Financial Officer

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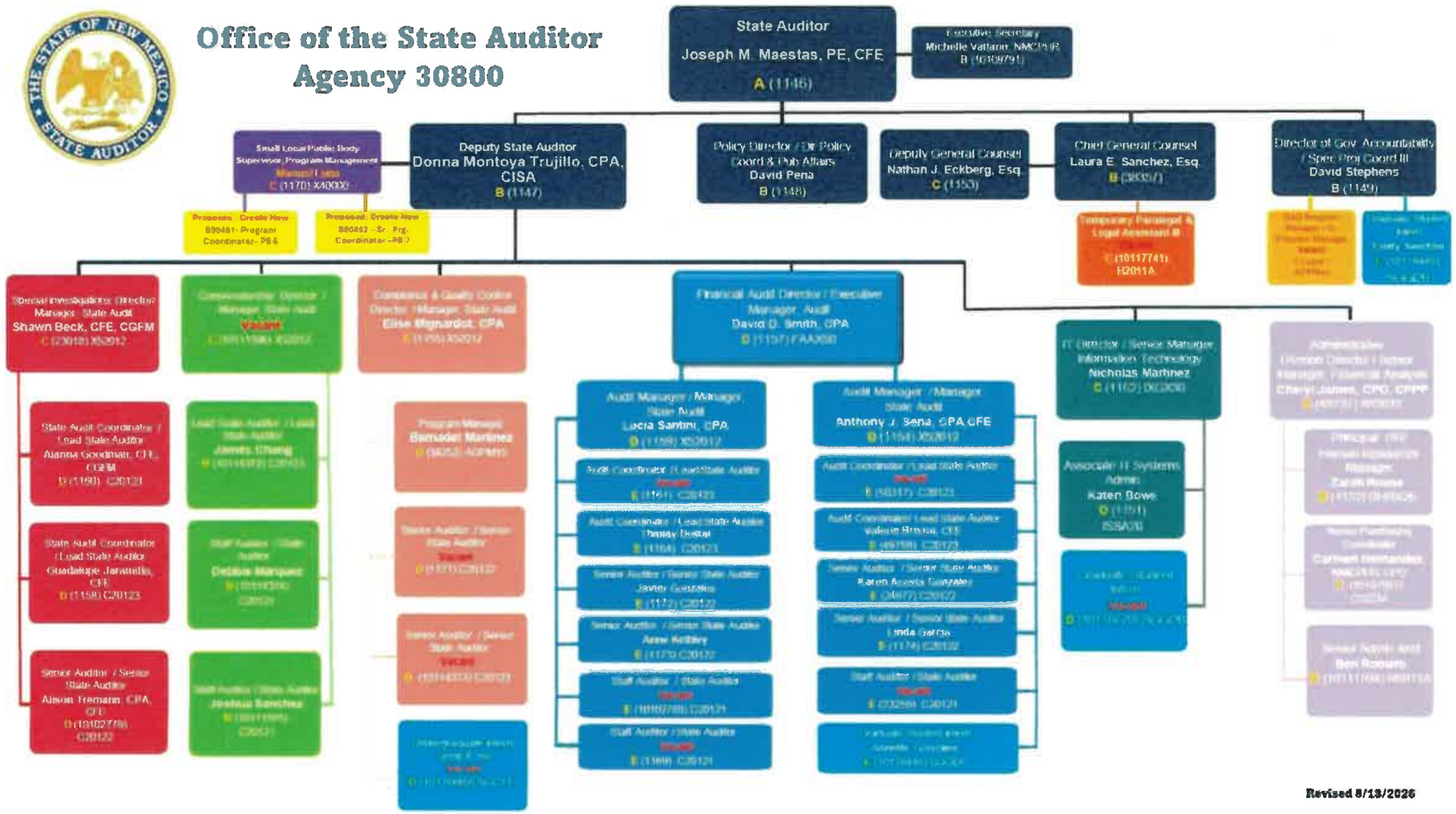
Note: Appropriation Requests for agencies headed by a board or commission must be approved by the board or commission by official action and signed by the chairperson. Operating Budgets of other agencies must be signed by the director or secretary. Appropriation Requests not properly signed will be returned.

Agency Name: Office of the State Auditor
Program Name:

Business Unit: 30800
Program Code: P628

APPROPRIATION REQUEST
ORGANIZATION CHART
FORM S-2



State Auditor

BU	PCode	Department
30800	P628	000000

State of New Mexico

S-8 Financial Summary

(Dollars in Thousands)

		2025-26 Opbud	2025-26 Actuals	2026-27 Opbud	2027-28 PCF Proj	FY 2028 Agency Request Base	FY 2028 Agency Request Expansion	FY 2028 Agency Request Total
REVENUE								
111	General Fund Transfers	4,422.5	4,299.9	4,727.5	0.0	7,520.7	327.2	7,847.9
112	Other Transfers	905.1	267.1	858.1	0.0	850.0	0.0	850.0
130	Other Revenues	374.3	48.5	350.0	0.0	350.0	0.0	350.0
150	Fund Balance	530.8	735.9	508.1	0.0	500.0	0.0	500.0
REVENUE, TRANSFERS		**6,232.7**	**5,351.4**	**6,443.7**	**0.0**	**9,220.7**	**327.2**	**9,547.9**
REVENUE		**6,232.7**	**5,351.4**	**6,443.7**	**0.0**	**9,220.7**	**327.2**	**9,547.9**
EXPENSE								
200	Personal services and employee benefits	4,526.0	4,627.5	4,722.2	5,988.7	7,284.7	308.7	7,593.4
300	Contractual services	197.8	146.0	221.3	0.0	277.9	0.0	277.9
400	Other	603.8	577.9	642.1	0.0	808.1	18.5	826.6
EXPENDITURES		**5,327.6**	**5,351.4**	**5,585.6**	**5,988.74**	**8,370.7**	**327.2**	**8,697.9**
500	Other financing uses	905.1	0.0	858.1	0.0	850.0	0.0	850.0
OTHER FINANCING USES		**905.1**	**0.0**	**858.1**	**0**	**850.0**	**0.0**	**850.0**
EXPENSE		**6,232.7**	**5,351.4**	**6,443.7**	**5,988.74**	**9,220.7**	**327.2**	**9,547.9**
FTE POSITIONS								
810	Permanent	41.00	33.00	41.00	44.00	49.00	3.00	52.00
830	Temporary	1.00	0.00	0.00	0.00	3.00	0.00	3.00
FTEs		**42.00**	**33.00**	**41.00**	**44.00**	**52.00**	**3.00**	**55.00**
FTE POSITIONS		**42.00**	**33.00**	**41.00**	**44.00**	**52.00**	**3.00**	**55.00**

CATEGORY TOTALS MUST RECONCILE WITH THE GENERAL FUND COLUMN OF THE **BFM REV EXP COMPARISON AGENCY REPORT**

TYPE IN GREEN CELLS ONLY

STATE AUDITOR (30800)
FY28 RECURRING GENERAL FUND: AGENCY APPROPRIATION REQUEST
CHANGES BY PROGRAM AND CATEGORY

State Auditor (P628)	Salaries and Benefits (200's)	Contractual Services (300's)	Other (400's)	Other Financing Uses (500's)	TOTAL
FY27 Operating Budget: General Fund	**$3,864.1**	**$221.3**	**$642.1**	**$0.0**	**$4,727.5**
Increases (Decreases)					
Increase # of funded FTE by approximately 17 (base budget)	$2,472.9				**$2,472.9**
3 new FTE and associated operating costs (expansion)	$308.7		$18.5		**$327.2**
GSD internal service charges (liability, workers comp, unemployment, property, motor pool)	$12.8		$0.5		**$13.3**
10% employee health benefits premium increase	$84.9				**$84.9**
Agency audit rate		($0.1)			**($0.1)**
IT maintenance and support		$56.7			**$56.7**
Employee travel for auditing fieldwork, outreach, and training			$5.6		**$5.6**
IT hardware/software agreements and licenses			$70.0		**$70.0**
DoIT internal service charges			$85.3		**$85.3**
Office lease			$4.6		**$4.6**
					$0.0
					$0.0
FY28 Request: General Fund	**$6,743.4**	**$277.9**	**$826.6**	**$0.0**	**$7,847.9**
$ increase over FY27	$2,879.3	$56.6	$184.5	$0.0	**$3,120.4**
% increase over FY27	74.5%	25.6%	28.7%	#DIV/0!	**66.0%**

State Auditor

BU	PCode	Department
30800	0000	0000000000

State of New Mexico

S-9 Account Code Revenue/Expenditure Summary

(Dollars in Thousands)

		2025-26	2025-26	2026-27	2027-28	—— FY 2028 Agency Request ——		
		Opbud	Actuals	Opbud	PCF Proj	Base	Expansion	Total
499105	General Fd. Appropriation	4,422.5	4,299.9	4,727.5	0.0	7,520.7	327.2	7,847.9
111	General Fund Transfers	4,422.5	4,299.9	4,727.5	0.0	7,520.7	327.2	7,847.9
499905	Other Financing Sources	0.0	267.1	0.0	0.0	0.0	0.0	0.0
499906	OFS - INTRA-Agency	905.1	0.0	858.1	0.0	850.0	0.0	850.0
112	Other Transfers	905.1	267.1	858.1	0.0	850.0	0.0	850.0
424102	Auditing Services	374.3	47.0	350.0	0.0	350.0	0.0	350.0
496901	Miscellaneous Revenue	0.0	1.5	0.0	0.0	0.0	0.0	0.0
130	Other Revenues	374.3	48.5	350.0	0.0	350.0	0.0	350.0
326900	Committed FB - Gov	530.8	735.9	508.1	0.0	500.0	0.0	500.0
150	Fund Balance	530.8	735.9	508.1	0.0	500.0	0.0	500.0
TOTAL REVENUE		6,232.7	5,351.4	6,443.7	0	9,220.7	327.2	9,547.9
520100	Exempt Perm Positions P/T&F/T	1,654.4	796.0	908.9	905.6	958.4	0.0	958.4
520300	Classified Perm Positions F/T	1,748.9	2,369.3	2,112.6	3,390.2	4,069.2	221.4	4,290.6
520500	Temporary Positions F/T & P/T	35.0	65.6	100.0	0.4	137.4	0.0	137.4
520600	Paid Unused Sick Leave	2.8	3.9	3.4	0.0	3.4	0.0	3.4
520700	Overtime & Other Premium Pay	0.0	22.0	0.0	0.0	0.0	0.0	0.0
520710	Longevity Pay	0.0	0.0	0.0	0.0	23.6	0.0	23.6
520800	Annl & Comp Paid At Separation	14.8	17.1	12.1	0.0	12.1	0.0	12.1
521100	Group Insurance Premium	278.2	373.9	438.4	517.7	550.2	23.2	573.4
521200	Retirement Contributions	450.0	619.8	716.9	820.3	967.3	42.6	1,009.9
521300	F I C A	227.0	243.3	290.2	264.3	384.6	17.0	401.6
521400	Workers' Comp Assessment Fee	0.4	0.3	0.4	0.0	0.4	0.0	0.4
521410	GSD Work Comp Insur Premium	2.5	2.8	2.5	0.0	2.1	0.0	2.1
521500	Unemployment Comp Premium	12.1	12.1	12.1	0.0	0.0	0.0	0.0
521600	Employee Liability Ins Premium	40.2	36.9	50.2	0.0	75.4	0.0	75.4
521700	RHC Act Contributions	59.7	64.4	74.5	90.1	100.6	4.5	105.1
200	Personal services and employee benef	4,526.0	4,627.5	4,722.2	5,988.7	7,284.7	308.7	7,593.4
535200	Professional Services	67.8	0.0	46.1	0.0	46.1	0.0	46.1
535209	Professional Svcs - Interagenc	0.0	16.3	0.0	0.0	0.0	0.0	0.0
535300	Other Services	40.0	33.9	41.0	0.0	41.0	0.0	41.0
535400	Audit Services	15.0	17.2	18.4	0.0	18.3	0.0	18.3
535500	Attorney Services	25.0	8.4	25.0	0.0	25.0	0.0	25.0
535600	IT Services	50.0	70.2	90.8	0.0	147.5	0.0	147.5

BU	PCode	Department
30800	0000	0000000000

State of New Mexico

S-9 Account Code Revenue/Expenditure Summary

(Dollars in Thousands)

		2025-26 Opbud	2025-26 Actuals	2026-27 Opbud	2027-28 PCF Proj	FY 2028 Agency Request Base	FY 2028 Agency Request Expansion	FY 2028 Agency Request Total
300	Contractual services	197.8	146.0	221.3	0.0	277.9	0.0	277.9
542100	Employee I/S Mileage & Fares	5.0	1.8	5.0	0.0	5.0	1.2	6.2
542200	Employee I/S Meals & Lodging	5.0	3.1	5.0	0.0	5.0	9.0	14.0
542500	Transp - Fuel & Oil	3.0	1.0	3.0	0.0	3.0	0.0	3.0
542600	Transp - Parts & Supplies	1.0	3.4	1.0	0.0	1.0	0.0	1.0
542800	State Transp Pool Charges	12.9	16.8	17.1	0.0	17.6	0.0	17.6
543200	Maint - Furn, Fixt, Equipment	5.0	0.5	5.0	0.0	5.0	0.0	5.0
543830	IT HW/SW Agreements	50.0	119.5	50.0	0.0	119.9	0.0	119.9
544000	Supply Inventory IT	38.0	32.1	38.0	0.0	38.0	7.5	45.5
544100	Supplies-Office Supplies	3.5	4.5	3.5	0.0	4.5	0.8	5.3
544800	Supplies-Education&Recreation	1.0	0.0	1.0	0.0	1.0	0.0	1.0
544900	Supplies-Inventory Exempt	3.0	1.5	3.0	0.0	3.0	0.0	3.0
545600	Reporting & Recording	6.0	3.4	6.0	0.0	6.0	0.0	6.0
545609	Report/Record Inter St Agency	0.2	0.0	0.2	0.0	0.2	0.0	0.2
545700	ISD Services	1.7	27.5	10.9	0.0	100.3	0.0	100.3
545710	DOIT HCM Assessment Fees	15.1	14.7	15.8	0.0	15.0	0.0	15.0
545900	Printing & Photo Services	3.0	3.5	3.0	0.0	3.0	0.0	3.0
545909	Printing & Photo - Interagency	0.0	0.0	0.0	0.0	0.0	0.0	0.0
546100	Postage & Mail Services	0.3	0.3	0.3	0.0	0.3	0.0	0.3
546400	Rent Of Land & Buildings	224.8	224.5	229.0	0.0	233.6	0.0	233.6
546500	Rent Of Equipment	3.5	4.3	3.5	0.0	8.2	0.0	8.2
546610	DOIT Telecommunications	44.6	39.0	44.6	0.0	41.3	0.0	41.3
546700	Subscriptions/Dues/License Fee	25.0	29.3	30.0	0.0	30.0	0.0	30.0
546709	Subscription & Due Interagency	1.2	0.0	1.2	0.0	1.2	0.0	1.2
546800	Employee Training & Education	45.0	41.6	55.0	0.0	55.0	0.0	55.0
546900	Advertising	5.0	0.9	10.0	0.0	10.0	0.0	10.0
547000	Legal Settlements	50.0	0.0	50.0	0.0	50.0	0.0	50.0
547900	Miscellaneous Expense	1.0	0.5	1.0	0.0	1.0	0.0	1.0
547999	Request to Pay Prior Year	1.0	0.5	1.0	0.0	1.0	0.0	1.0
548200	Furniture & Fixtures	5.0	0.0	5.0	0.0	5.0	0.0	5.0
548300	Information Tech Equipment	20.0	0.0	20.0	0.0	20.0	0.0	20.0
549600	Employee O/S Mileage & Fares	12.0	1.8	12.0	0.0	12.0	0.0	12.0
549700	Employee O/S Meals & Lodging	12.0	1.9	12.0	0.0	12.0	0.0	12.0

State of New Mexico

S-9 Account Code Revenue/Expenditure Summary

(Dollars in Thousands)

BU	PCode	Department
30800	0000	0000000000

		2025-26 Opbud	2025-26 Actuals	2026-27 Opbud	2027-28 PCF Proj	FY 2028 Agency Request Base	Expansion	Total
400	Other	603.8	577.9	642.1	0.0	808.1	18.5	826.6
555106	OFU - INTRA-Agency	905.1	0.0	858.1	0.0	850.0	0.0	850.0
500	Other financing uses	905.1	0.0	858.1	0.0	850.0	0.0	850.0
TOTAL EXPENSE		6,232.7	5,351.4	6,443.7	5,988.74	9,220.7	327.2	9,547.9
810	Permanent	41.00	33.00	41.00	44.00	49.00	3.00	52.00
810	Permanent	41.00	33.00	41.00	44.00	49.00	3.00	52.00
830	Temporary	1.00	0.00	0.00	0.00	3.00	0.00	3.00
830	Temporary	1.00	0.00	0.00	0.00	3.00	0.00	3.00
TOTAL FTE POSITIONS		42.00	33.00	41.00	44.00	52.00	3.00	55.00

APPROPRIATION REQUEST
FORM S-10 FUND BALANCE PROJECTION

(In Whole Dollars)

Agency:	State Auditor	Business Unit:	30800
Fund Name:	IPA Account	Fund Number:	11200
Legal Auth.	NM Stat § 6-3-24 (2025)		

BEGINNING BALANCE

Unreserved, undesignated fund balance (not cash balance) from SHARE NMS006GL Balance Sheet Report at close of FY26		2,839,700
ADJUSTMENTS		
Add:		
Interfund receivables, accounts receivables, and other assets not reflected in fund balance from FCD Reports at close of FY26	0	
Other (explain in detail)	0	
Deduct:		
Liabilities not reflected in FCD Reports at close of FY26	0	
Fund balance designated by law for future expenditure (non-reverting funds)	0	
Amount due to State General Fund or other fund designated by statute	(743,700)	
Other (explain in detail)	(23,800)	
FY26 revision not reflected in liabilities	0	
Total Adjustments		(767,500)
ADJUSTED UNRESERVED, UNDESIGNATED FUND BALANCE at close of FY26		2,072,200
Add:		
Projected revenue/sources (less fund balance budgeted) for FY27	350,000	
Deduct:		
Projected total expenditures for FY27	(904,000)	
ADJUSTED UNRESERVED/UNDESIGNATED FUND BALANCE at close of FY27		1,518,200
Add:		
Projected revenue/sources (less fund balance requested) for FY28	350,000	
Deduct:		
Total expenditures budgeted in appropriation request	(850,000)	
ADJUSTED UNRESERVED/UNDESIGNATED FUND BALANCE at close of FY28		1,018,200

State of New Mexico

S-13 Line Items by Business Unit Expenditures

(Dollars in Thousands)

BusUnit			Line Item		2025-26 Actuals	2026-27 Opbud	Request Base	Request Expansion	Recommendation Base	Recommendation Expansion	Opbud
30800	P628-R	State Auditor	520100	Exempt Perm Positions P/T&F/T	795.98	908.9	958.4	0	0	0	0.0
			520300	Classified Perm Positions F/T	2,369.34	2,112.6	4,069.2	221.4	0	0	0.0
			520500	Temporary Positions F/T & P/T	65.61	100	137.4	0	0	0	0.0
			520600	Paid Unused Sick Leave	3.93	3.4	3.4	0	0	0	0.0
			520700	Overtime & Other Premium Pay	21.98	0	0	0	0	0	0.0
			520710	Longevity Pay	0	0	23.6	0	0	0	0.0
			520800	Annl & Comp Paid At Separation	17.14	12.1	12.1	0	0	0	0.0
			521100	Group Insurance Premium	373.94	438.4	550.2	23.2	0	0	0.0
			521200	Retirement Contributions	619.77	716.9	967.3	42.6	0	0	0.0
			521300	F I C A	243.35	290.2	384.6	17	0	0	0.0
			521400	Workers' Comp Assessment Fee	0.32	0.4	0.4	0	0	0	0.0
			521410	GSD Work Comp Insur Premium	2.79	2.5	2.1	0	0	0	0.0
			521500	Unemployment Comp Premium	12.06	12.1	0	0	0	0	0.0
			521600	Employee Liability Ins Premium	36.9	50.2	75.4	0	0	0	0.0
			521700	RHC Act Contributions	64.42	74.5	100.6	4.5	0	0	0.0
			535200	Professional Services	0	46.1	46.1	0	0	0	0.0
			535209	Professional Svcs - Interagenc	16.27	0	0	0	0	0	0.0
			535300	Other Services	33.91	41	41	0	0	0	0.0
			535400	Audit Services	17.22	18.4	18.3	0	0	0	0.0
			535500	Attorney Services	8.39	25	25	0	0	0	0.0
			535600	IT Services	70.21	90.8	147.5	0	0	0	0.0
			542100	Employee I/S Mileage & Fares	1.84	5	5	1.2	0	0	0.0
			542200	Employee I/S Meals & Lodging	3.1	5	5	9	0	0	0.0
			542500	Transp - Fuel & Oil	0.98	3	3	0	0	0	0.0
			542600	Transp - Parts & Supplies	3.41	1	1	0	0	0	0.0
			542800	State Transp Pool Charges	16.82	17.1	17.6	0	0	0	0.0
			543200	Maint - Furn, Fixt, Equipment	0.51	5	5	0	0	0	0.0
			543830	IT HW/SW Agreements	119.45	50	119.9	0	0	0	0.0
			544000	Supply Inventory IT	32.11	38	38	7.5	0	0	0.0
			544100	Supplies-Office Supplies	4.5	3.5	4.5	0.8	0	0	0.0
			544800	Supplies-Education&Recreation	0	1	1	0	0	0	0.0
			544900	Supplies-Inventory Exempt	1.49	3	3	0	0	0	0.0

S-13 Line Items by Business Unit Expenditures

(Dollars in Thousands)

			545600	Reporting & Recording	3.4	6	6	0	0	0	0.0
			545609	Report/Record Inter St Agency	0	0.2	0.2	0	0	0	0.0
			545700	ISD Services	27.54	10.9	100.3	0	0	0	0.0
			545710	DOIT HCM Assessment Fees	14.7	15.8	15	0	0	0	0.0
			545900	Printing & Photo Services	3.48	3	3	0	0	0	0.0
			545909	Printing & Photo - Interagency	0.05	0	0	0	0	0	0.0
			546100	Postage & Mail Services	0.26	0.3	0.3	0	0	0	0.0
			546400	Rent Of Land & Buildings	224.46	229	233.6	0	0	0	0.0
			546500	Rent Of Equipment	4.28	3.5	8.2	0	0	0	0.0
			546610	DOIT Telecommunications	38.98	44.6	41.3	0	0	0	0.0
			546700	Subscriptions/Dues/License Fee	29.25	30	30	0	0	0	0.0
			546709	Subscription & Due Interagency	0	1.2	1.2	0	0	0	0.0
			546800	Employee Training & Education	41.61	55	55	0	0	0	0.0
			546900	Advertising	0.94	10	10	0	0	0	0.0
			547000	Legal Settlements	0	50	50	0	0	0	0.0
			547900	Miscellaneous Expense	0.5	1	1	0	0	0	0.0
			547999	Request to Pay Prior Year	0.49	1	1	0	0	0	0.0
			548200	Furniture & Fixtures	0	5	5	0	0	0	0.0
			548300	Information Tech Equipment	0	20	20	0	0	0	0.0
			549600	Employee O/S Mileage & Fares	1.83	12	12	0	0	0	0.0
			549700	Employee O/S Meals & Lodging	1.9	12	12	0	0	0	0.0
			555106	OFU - INTRA-Agency	0	858.1	850	0	0	0	0.0
Subtotal for:	30800	P628-R	State Auditor		5,351.41	6,443.7	9,220.7	327.2	0	0	0.0
30800					**5,351.41**	**6,443.7**	**9,220.7**	**327.2**	**0**	**0**	**0.0**

Totals by Line Item

			2025-26	2026-27	Request		Recommendation		
BusUnit	**Line Item**		**Actuals**	**Opbud**	**Base**	**Expansion**	**Base**	**Expansion**	**Opbud**
30800	**520100**	**Exempt Perm Positions P/T&F/T**	795.98	908.9	958.4	0	0	0	0.0
	520300	**Classified Perm Positions F/T**	2,369.34	2,112.6	4,069.2	221.4	0	0	0.0
	520500	**Temporary Positions F/T & P/T**	65.61	100	137.4	0	0	0	0.0

State of New Mexico

S-13 Line Items by Business Unit Expenditures

(Dollars in Thousands)

520600	Paid Unused Sick Leave	3.93	3.4	3.4	0	0	0	0.0
520700	Overtime & Other Premium Pay	21.98	0	0	0	0	0	0.0
520710	Longevity Pay	0	0	23.6	0	0	0	0.0
520800	Annl & Comp Paid At Separation	17.14	12.1	12.1	0	0	0	0.0
521100	Group Insurance Premium	373.94	438.4	550.2	23.2	0	0	0.0
521200	Retirement Contributions	619.77	716.9	967.3	42.6	0	0	0.0
521300	F I C A	243.35	290.2	384.6	17	0	0	0.0
521400	Workers' Comp Assessment Fee	0.32	0.4	0.4	0	0	0	0.0
521410	GSD Work Comp Insur Premium	2.79	2.5	2.1	0	0	0	0.0
521500	Unemployment Comp Premium	12.06	12.1	0	0	0	0	0.0
521600	Employee Liability Ins Premium	36.9	50.2	75.4	0	0	0	0.0
521700	RHC Act Contributions	64.42	74.5	100.6	4.5	0	0	0.0
535200	Professional Services	0	46.1	46.1	0	0	0	0.0
535209	Professional Svcs - Interagenc	16.27	0	0	0	0	0	0.0
535300	Other Services	33.91	41	41	0	0	0	0.0
535400	Audit Services	17.22	18.4	18.3	0	0	0	0.0
535500	Attorney Services	8.39	25	25	0	0	0	0.0
535600	IT Services	70.21	90.8	147.5	0	0	0	0.0
542100	Employee I/S Mileage & Fares	1.84	5	5	1.2	0	0	0.0
542200	Employee I/S Meals & Lodging	3.1	5	5	9	0	0	0.0
542500	Transp - Fuel & Oil	0.98	3	3	0	0	0	0.0
542600	Transp - Parts & Supplies	3.41	1	1	0	0	0	0.0
542800	State Transp Pool Charges	16.82	17.1	17.6	0	0	0	0.0
543200	Maint - Furn, Fixt, Equipment	0.51	5	5	0	0	0	0.0
543830	IT HW/SW Agreements	119.45	50	119.9	0	0	0	0.0
544000	Supply Inventory IT	32.11	38	38	7.5	0	0	0.0
544100	Supplies-Office Supplies	4.5	3.5	4.5	0.8	0	0	0.0
544800	Supplies-Education&Recreation	0	1	1	0	0	0	0.0
544900	Supplies-Inventory Exempt	1.49	3	3	0	0	0	0.0
545600	Reporting & Recording	3.4	6	6	0	0	0	0.0
545609	Report/Record Inter St Agency	0	0.2	0.2	0	0	0	0.0
545700	ISD Services	27.54	10.9	100.3	0	0	0	0.0

S-13 Line Items by Business Unit Expenditures

(Dollars in Thousands)

545710	DOIT HCM Assessment Fees	14.7	15.8	15	0	0	0	0.0
545900	Printing & Photo Services	3.48	3	3	0	0	0	0.0
545909	Printing & Photo - Interagency	0.05	0	0	0	0	0	0.0
546100	Postage & Mail Services	0.26	0.3	0.3	0	0	0	0.0
546400	Rent Of Land & Buildings	224.46	229	233.6	0	0	0	0.0
546500	Rent Of Equipment	4.28	3.5	8.2	0	0	0	0.0
546610	DOIT Telecommunications	38.98	44.6	41.3	0	0	0	0.0
546700	Subscriptions/Dues/License Fee	29.25	30	30	0	0	0	0.0
546709	Subscription & Due Interagency	0	1.2	1.2	0	0	0	0.0
546800	Employee Training & Education	41.61	55	55	0	0	0	0.0
546900	Advertising	0.94	10	10	0	0	0	0.0
547000	Legal Settlements	0	50	50	0	0	0	0.0
547900	Miscellaneous Expense	0.5	1	1	0	0	0	0.0
547999	Request to Pay Prior Year	0.49	1	1	0	0	0	0.0
548200	Furniture & Fixtures	0	5	5	0	0	0	0.0
548300	Information Tech Equipment	0	20	20	0	0	0	0.0
549600	Employee O/S Mileage & Fares	1.83	12	12	0	0	0	0.0
549700	Employee O/S Meals & Lodging	1.9	12	12	0	0	0	0.0
555106	OFU - INTRA-Agency	0	858.1	850	0	0	0	0.0
	Grand Total	**5,351.41**	**6,443.7**	**9,220.7**	**327.2**	**0**	**0**	**0.0**

State of New Mexico

P-1 Program Overview

Program Description:

The Office of the State Auditor (OSA) performs a crucial constitutional and statutory role in ensuring the transparent, accountable, and efficient use of public resources through independent, rigorous financial oversight of more than 1,000 government entities across New Mexico. These include state agencies, schools, counties, municipalities, higher education institutions, hospitals, courts, district attorneys, independent housing authorities, and Small Local Public Bodies (sLPBs) such as acequias, land grants, and irrigation districts.

Under the Audit Act (NMSA 1978, Section 12-6-3), all public entities are subject to an annual audit or examination performed by the State Auditor, authorized personnel from OSA, or independent public accountants (IPAs) approved by the state auditor. Any engagement between a public entity and an IPA for audit services must be formally authorized through written approval by the state auditor for each individual audit contract. Further, the State Auditor or designated OSA personnel must review all audit reports completed under such contracts, in accordance with NMSA 1978, Section 12-6-14(B) and Rule 2.2.2.15(8)(1) NMAC.

In addition to its core responsibility of auditing public entities, in 2021 the Legislature mandated OSA fill a vital role in protecting vulnerable individuals under conservatorship. The Uniform Probate Code (NMSA 1978, Section 45-5-409 (H)) requires OSA to review financial reports submitted by conservators who manage the assets of individuals unable to do so themselves due to age, disability, or incapacity and determine the need for further examination. This includes accelerated review and decision making to ensure timely and accurate assessments of financial and fraud risk in conservatorships. In this way, the OSA serves as the financial review experts on behalf of courts as they oversee the work of conservators.

The Audit Act (NMSA 1978, Section 12-6-3(C)) also authorizes the state auditor to conduct partial or complete audits of an agency's financial activities, including special audits and financial examinations. If these activities uncover any violation of a criminal statute associated with financial matters, OSA must notify the appropriate prosecuting office. OSA must provide the office with all pertinent data and information regarding the criminal violation in its possession (NMSA 1978, Section 12-6-6). Further, OSA manages the only statewide intake system of anonymous allegations of fraud, waste, and abuse, receiving 452 in FY 2026. Each allegation requires vetting, investigation, and potential referral to appropriate prosecutorial or oversight authorities and law enforcement, including the State Ethics Commission.

OSA's Small Local Public Bodies Assistance Program partners with local independent public accountants to assist New Mexico's smallest public entities—including acequias, land grants, mutual domestic water consumer associations, soil and water conservation districts, and small municipalities—in complying with financial reporting requirements under the Audit Act (NMSA 1978, Section 12-6-3(B)). Since its creation in 2023, the program has demonstrated its ability to enhance accountability, restore access to public funding, and build local capacity among the entities that need it most.

OSA's Government Accountability Office (GAO) helps government officials, legislators, and the public understand and act on the important financial information that flows through OSA from audit and financial reports, fraud, waste, and abuse, complaints and referrals, and OSA's subject matter expertise on financial governance and internal controls. The GAO publishes reports that analyze trends in significant financial matters, flag emerging and high risks, communicate best practices, and summarize insights from audit findings and recommendations.

Program beneficiaries and services: OSA's financial audits, special audits, fraud, waste, and abuse complaint intake system, educational outreach, and small local public bodies assistance efforts reach every part of the state. OSA's collaborative partnerships with oversight, ethics, and prosecutorial entities throughout New Mexico further enhance the effectiveness and reach of OSA's activities. OSA's services ultimately help detect and deter fraud, waste, and abuse, ensure public officials are responsible stewards of taxpayer funds, and increase the public's trust in government.

Major Issues and Accomplishments:

Accomplishments: The following achievements showcase the OSA's dedication to enhancing operations and its statewide impact on accountability and transparency in public financial management.

Information Technology Modernization: OSA has embarked on a strategic endeavor of information technology reform, special investigations case management modernization, web portal system enhancements, and recently a custom artificial intelligence (AI) platform to streamline audit reviews to improve efficiency.

Financial Compliance for Small Local Public Bodies (sLPBs): OSA has continued its innovative financial compliance strategy for SLPBs through annual special appropriations. OSA uses a statewide procurement process to provide accelerated, direct assistance to SLPBs struggling to comply with financial reporting requirements and hire IPAs. Since OSA launched the program in 2023, it has helped bring 267 SLPBs back into a financially compliant status and unlocked more than $10.5 million in previously inaccessible capital outlay funds.

Internship Program: OSA has demonstrated its commitment to knowledge exchange and collaboration by launching an innovative intern program. By forging partnerships with New Mexico universities, OSA has facilitated valuable learning experiences for students while cultivating a pool of future accounting and audit talent.

Major issues: OSA's current funding provides limited flexibility to address emerging risks, respond to legislative requests, modernize operations, and sustain long-term capacity, as illustrated by the following challenges.

Staffing Challenges: Nine of 41 approved FTE positions (22%) are vacant, but OSA lacks budget to fill any. Further, approximately 50% of OSA's staff are compensated below appropriate placement levels, creating recruitment, retention, and succession challenges.

Sustained Need for sLPB Assistance: Despite the success of OSA's assistance program, it subsists on special appropriations. Small Local Public Bodies will likely continue to face significant compliance and financial management challenges, including delayed reporting, internal control weaknesses, and staffing shortages, and many need expanded services focused on technical assistance and training.

Increase in Reports of Fraud, Waste, and Abuse: OSA processed 254 fraud, waste, and abuse complaints in FY 2025 and 452 in FY 2026 (a 78% increase) and maintains an active caseload of approximately 350, straining staff capacity while increasing investigative referrals and demand for special audit services.

Unfunded Conservatorship Oversight Role: OSA's conservatorship oversight responsibilities now consume almost $800,000 (12%) of agency resources despite no dedicated funding accompanying this mandate. OSA typically reviews more than 1,300 conservatorship reports annually, but only has the staff capacity to perform a full financial examination on less than one percent of those reports. Without the ability to audit larger conservatorships, significant financial mismanagement or fraudulent activity by conservators may go undetected, potentially resulting in substantial losses to protected individuals.

Aging Information Technology: Despite the strides OSA has made in modernizing its IT, its existing hardware is aging and operates beyond its warranty period and expected lifecycle, necessitating either replacement or upgrade. Additionally, the OSA Connect web portal and fraud, waste, and abuse report intake system require modernization to enhance internal efficiency and increase value and accessibility for our stakeholders.

State of New Mexico

P-1 Program Overview

Overview of Request:

OSA developed its budget proposal by analyzing the previous year's actual expenditures, the ongoing year's costs, and next year's fiscal requirements, as well as trends in fraud, waste, and abuse and financial compliance across the state.

200 Personal Services: OSA is seeking a justified budget increase. OSA has not received a substantial budget adjustment in over five years, which has constrained its ability to operate efficiently and effectively and keep pace with growing demands of conservatorship oversight, small local public body financial compliance, and intake and analysis of reports of fraud, waste, and abuse across all government sectors. OSA's ability to leverage audit data to proactively identify and address financial and governance risks across the state is likewise diminished. This budget increase will enable OSA to fill longstanding critical vacancies and reduce risks to operational stability.

300 Contractual Services: OSA is requesting an increase in funds allocated to essential general and professional services for support and maintenance for new AI software that will increase efficiency in audit reviews and analytics. The IT Services increase is also intended for vital upgrades to the website, web portal (OSA-Connect), and case-management system.

400 Other Expenses: OSA's request supports staff transportation to perform in-state auditing fieldwork, conduct outreach and training sessions, and attend conference and training that ensure compliance with government auditing standards and requirements. In addition, OSA requests an increase to continue integrating AI into its audit and conservatorship report review processes. This request also includes an increase for office supplies and equipment necessary to maintain service levels, and for OSA's office lease, which is increasing by 2% in FY 2028.

Programmatic Changes:

OSA intends to change its Small Local Public Bodies (sLPB) Assistance Program by continuing the efficient delivery of existing services and expanding through new service offerings focused on technical assistance, audit preparation, and training. These new types of support will help both sLPBs catch up on required financial reporting, resolve longstanding issues, and boost the capacity of their staff to stay financially compliant and ensure access to capital outlay appropriations, infrastructure funding, and federal grants.

Increasing resources for OSA's Conservatorship Division will enable it to more frequently identify potential financial abuse, mismanagement, or irregularities involving vulnerable adults throughout New Mexico. [DS1.1]Current Conservatorship Division staff spend approximately 85-90% of their time reviewing conservatorship reports forwarded to OSA by the courts and preparing correspondence to the judges in those cases to address discrepancies and request additional supplemental documentation from the conservators. In the past six (6) months, staff has also seen an increase in the status hearings held by Judges in these cases, requiring OSA staff to participate in the hearings to serve as experts for the court, and in some cases, to testify in evidentiary hearings. Due to this increase in workload and limited staffing, the Division currently has the capacity to perform audits on less than one percent of more than 1,300 submitted reports annually. Additional funding would permit roles and responsibilities to be streamlined so that more senior auditors could focus on conducting full audits on conservatorships with the highest risk for potential abuse.

OSA seeks to increase the growing workload associated with investigating allegations of fraud, waste, and abuse involving public funds, and increased demand for investigative services, special audits, and coordination with law enforcement and oversight partners. OSA's Special Investigations Division (SID) processed 452 complaints in FY 2026, a 78 percent increase from the previous year. The division also maintains an active caseload of approximately 350, which all require triage, review, analysis, investigation, and referral. Increasing staff will help protect public resources while ensuring allegations of misuse of public funds receive appropriate and timely review and follow-up.

The Government Accountability Office (GAO) has been comprised of one position since its inception in 2015. This limits its ability to generate products and leverage the full depth and breadth of OSA data and research. Increasing resources aligned to the GAO will enable timelier products, robust predictive risk analysis, enhanced capacity to respond to legislative referrals, and more frequent recommendations for reducing risk and strengthening financial stewardship in all government sectors.

Base Budget Justification: Justification for Overall Increases in the Base Appropriation Request:

200 Personal Services: OSA's request for increased budget and expansion request for the sLPB support program will enable it to maintain current service levels and fulfill statutory obligations. OSA plays a vital role in safeguarding public funds across nearly every public entity in New Mexico. However, for years it has operated under constrained budgets, relying on vacancy savings and external auditors to fill critical gaps. This has culminated in a lack of budget availability to fill even one of OSA's nine current vacancies necessary to sustain operational continuity and uphold the agency's core mission of financial oversight and accountability. OSA's internal capacity must be able to fully meet the growing demands of today's financial oversight and accountability challenges.

300 Contractual Services: The increased amounts in contractual services allow for necessary and required general and professional services for the OSA. The increase in IT Services allows for essential upgrades to our web portal, OSA-Connect. This request also includes funding to upgrade OSA's system for statewide intake, analysis and case management of fraud, waste, and abuse reports. This integration is critical to increasing efficiency and timeliness in review processes for the approximately 2,000 audit, financial, and conservatorship reports OSA receives each year.

400 Other Expenses: OSA's request supports the operational resources necessary to fulfill its statutory oversight responsibilities and maintain effective service delivery statewide. The request includes funding to expand the use of AI tools that improve the efficiency and timeliness of audit and conservatorship report reviews, including ongoing software licensing and hosting costs needed to operate and maintain these systems. In addition, the request includes increases for essential office supplies, equipment, and OSA's lease agreement needed to support daily operations and maintain current service levels. Finally, the request includes budgeted amounts to cover pending litigation against OSA.

State Auditor
BU
30800

State of New Mexico

R-2 Transfers
(Dollars in Thousands)

Prov PCode	Prov Fund	Prov Account	Prov Account Name	Rec PCode	Rec Fund	Rec Account	Rec Account Name	2025-26 Actual Transfers	2026-27 Adopted Transfers	2027-28 Agency GF	2027-28 Agency OSF	2027-28 Agency ISF/IAT	2027-28 Agency FF	2027-28 Total Request	Justification
P628	11200	555106	OFU - INTRA	P628	11100	499906	OFS - INTRA	0	858.1	0	850	0	0	850	Transfers - $350K Audit fees $500k Fund balance
								Sum:	858.1	0	850	0	0	850	

REV EXP COMPARISON

(Dollars in Thousands)

30800 - State Auditor

P628 - State Auditor

	General Fund	Other Funds	Other Transfers	Federal Funds	Total
SOURCES Totals	**7,847.9**	**850.0**	**850.0**	**0.0**	**9,547.9**
Personal services and employee benefits	6,743.4	0.0	850.0	0.0	7,593.4
Contractual services	277.9	0.0	0.0	0.0	277.9
Other	826.6	0.0	0.0	0.0	826.6
Other financing uses	0.0	850.0	0.0	0.0	850
USES Total:	7,847.9	850.0	850.0	0.0	9,547.9
Net:	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

State Auditor

BU	PCode	Department
30800	P628	000000

State of New Mexico

EB-1 Expansion Justifications

(Dollars in Thousands)

Local Government Support Program

Rank: 1

New Initiative	2027-28 GF Sources	2027-28 OSF Sources	2027-28 ISF/ IAT Sources	2027-28 FF Sources	2027-28 Total Request	2027-28 Exec Recommendation
General Fund Transfers	327.2	0.0	0.0	0.0	327.2	0.0
REVENUE, TRANSFERS	327.2	0.0	0.0	0.0	327.2	0.0
Personal services and employee b	308.7	0.0	0.0	0.0	308.7	0.0
Other	18.5	0.0	0.0	0.0	18.5	0.0
EXPENDITURES	327.2	0.0	0.0	0.0	327.2	0.0
Permanent	0	0	0	0	3	
FTEs	0	0	0	0	3	0

Brief Description:

The proposed expansion is intended to address persistent gaps in financial management capacity, compliance, and audit readiness among New Mexico's local governments. Many local public bodies, particularly smaller communities and entities with limited administrative resources, face increasing complexity in financial reporting, procurement requirements, internal controls, grant management, and audit compliance. At the same time, they often operate with limited staff, experience frequent turnover in key financial positions, and lack access to specialized expertise needed to maintain effective financial management systems.

The current program provides valuable assistance but is limited in scope and primarily focused on entities that have already experienced significant compliance or financial management issues. As a result, support is often provided after problems have emerged, when corrective actions are more difficult, costly, and time-intensive.

The expanded program seeks to solve this problem by providing proactive technical assistance, training, risk assessment, and capacity-building services to local governments before deficiencies escalate into audit findings, late financial reporting, internal control weaknesses, or other compliance concerns. By helping entities strengthen their financial operations early, the Office can reduce recurring compliance issues, improve accountability and transparency, support effective stewardship of public funds, and enhance the long-term financial sustainability of local governments across New Mexico.

Ultimately, the expansion addresses a statewide capacity gap by providing smaller and resource-constrained local governments with access to expertise and support that would otherwise be unavailable, helping prevent problems rather than simply responding to them after they occur.

Legislative Change:

Session Law Citation:

Legal Settlement:

Case Number or Citation:

State Auditor

BU	PCode	Department
30800	P628	000000

State of New Mexico

EB-2 Expansion Fiscal Summary

(Dollars in Thousands)

Local Government Support Program

Rank: 1

		2027-28 GF Sources	2027-28 OSF Sources	2027-28 ISF/ IAT Sources	2027-28 FF Sources	2027-28 Total Request	2027-28 Exec Recommendation
111	General Fund Transfers	327.2	0.0	0.0	0.0	327.2	0.0
REVENUE, TRANSFERS		327.2	**0.0**	**0.0**	**0.0**	327.2	**0.0**
200	Personal services and employee benefits	308.7	0.0	0.0	0.0	308.7	0.0
400	Other	18.5	0.0	0.0	0.0	18.5	0.0
EXPENDITURES		327.2	**0.0**	**0.0**	**0.0**	327.2	**0.0**
810	Permanent	0	0	0	0	3	0.0
FTEs		**0**	**0**	**0**	**0**	3	**0**

State Auditor

BU	PCode	Department
30800	P628	000000

State of New Mexico

EB-3 Expansion Line Item Detail

(Dollars in Thousands)

Local Government Support Program

Rank: 1

		2027-28 GF Sources	2027-28 OSF Sources	2027-28 ISF/IAT Sources	2027-28 FF Sources	2027-28 Total Request	2027-28 Exec Recommendation
520300	Classified Perm Positions F/T	221.4	0.0	0.0	0.0	221.4	0.0
521100	Group Insurance Premium	23.2	0.0	0.0	0.0	23.2	0.0
521200	Retirement Contributions	42.6	0.0	0.0	0.0	42.6	0.0
521300	F I C A	17.0	0.0	0.0	0.0	17.0	0.0
521700	RHC Act Contributions	4.5	0.0	0.0	0.0	4.5	0.0
200	**Personal services and employee benefits**	**308.7**	**0.0**	**0.0**	**0.0**	**308.7**	**0.0**
542100	Employee I/S Mileage & Fares	1.2	0.0	0.0	0.0	1.2	0.0
542200	Employee I/S Meals & Lodging	9.0	0.0	0.0	0.0	9.0	0.0
544000	Supply Inventory IT	7.5	0.0	0.0	0.0	7.5	0.0
544100	Supplies-Office Supplies	0.8	0.0	0.0	0.0	0.8	0.0
400	**Other**	**18.5**	**0.0**	**0.0**	**0.0**	**18.5**	**0.0**
Total for Program	**Local Government Support**	**327.2**	**0.0**	**0.0**	**0.0**	**327.2**	**0.0**

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

Legislating for Results: **Budget Development Tool**

Agency Expansion Request Justification

New Mexico agencies making significant requests to expand agency budgets, other than workload changes, or for large special appropriations that appear to expand an agency's recurring budget are being asked to assess the proposals and report on their purpose, potential for success, and plans for implementation and accountability in accordance with the Budget Guidelines of the New Mexico Legislative Finance Committee (LFC) and LFC's Legislating for Results Framework.

1 Program Premise

What public problem does this program seek to address? How will this program address the problem? Does the proposed program link to a goal in the agency's strategic plan?

2 Needs Assessment

What is the extent of the problem stated in numerical, geographic, and equity terms? What portion of the total need identified does this program seek to address?

3 Program Description

What specific activities in the program will achieve these expected program outcomes? What are costs per person or activity? Once the program is fully operational, what are the estimated ongoing annual costs?

4 Research and Evidence

Is the program based on evidence or research or a promising practice? Will it need formal evaluation?

5 Implementation Plan

What activities are needed to implement the program? How much will it cost? What is the timeline for each startup activity?

6 Fidelity Plan

Will the program be implemented with equity and fidelity? Do you have a checklist of the program components need to achieve the impacts?

7 Measurement and Evaluation

What specific outcomes are expected? What are key performance measures? How often will the program be measured and evaluated?

Agency and Expansion Request Information

Agency: **Office of the State Auditor**

Short Title of Request: Small Local Public Bodies Expansion

Point of contact for follow-up information:

Name: **Manuel Luna**

Title: **Small Local Public Body Program Manager**

Phone: **505-394-1600**

E-Mail: manuel.luna@osa.nm.gov

Is the requested expansion solely the result of a workload change? No

If yes, no further information is needed. If no, please provide narrative responses addressing item below.

1. Program Premise

In this section, provide information describing the problem this funding is proposed to address.

a. Why is this expansion needed and what problem or need it is attempting to address?

The proposed expansion is intended to address persistent gaps in financial management capacity, compliance, and audit readiness among New Mexico's local governments. Many local public bodies, particularly smaller communities and entities with limited administrative resources, face increasing complexity in financial reporting, procurement requirements, internal controls, grant management, and audit compliance. At the same time, they often operate with limited staff, experience frequent turnover in key financial positions, and lack access to specialized expertise needed to maintain effective financial management systems.

The current program provides valuable assistance but is limited in scope and primarily focused on entities that have already experienced significant compliance or financial management issues. As a result, support is often provided after problems have emerged, when corrective actions are more difficult, costly, and time-intensive.

The expanded program seeks to solve this problem by providing proactive technical assistance, training, risk assessment, and capacity-building services to local governments before deficiencies escalate into audit findings, late financial reporting, internal control weaknesses, or other compliance concerns. By helping entities strengthen their financial operations early, the Office can reduce recurring compliance issues, improve accountability and transparency, support effective stewardship of public funds, and enhance the long-term financial sustainability of local governments across New Mexico.

Ultimately, the expansion addresses a statewide capacity gap by providing smaller and resource-constrained local governments with access to expertise and support that would otherwise be unavailable, helping prevent problems rather than simply responding to them after they occur.

How does this request differ from existing programming?

The proposed expansion represents a fundamental change in the scope and purpose of the sLPB Program, rather than a continuation of existing services. Currently, the program serves a limited subset of local public bodies through targeted interventions after financial, audit, or compliance challenges have already emerged. This reactive model focuses primarily on addressing existing deficiencies and helping entities regain compliance.

Under the proposed expansion, the Office would implement a proactive framework designed to strengthen financial management capacity before significant compliance issues arise. The expanded program would provide technical assistance, training, risk assessment, and preventative support to a broader population of local governments that face similar capacity constraints but may not yet be experiencing acute compliance failures.

The expansion would also broaden eligibility beyond the entities currently served through special appropriations by applying objective criteria that identify governments with limited administrative and financial capacity. Rather than waiting for an entity to become noncompliant, the Office would provide support to qualifying communities based on demonstrable indicators of fiscal vulnerability, including population size, budget capacity, staffing levels, and dependence on intergovernmental revenues.

For purposes of this initiative, a qualifying community could be defined using one or more objective criteria, such as:

- Population of less than 5,000;
- Annual expenditures of less than $5 million;
- Fewer than 10 full-time equivalent employees; or
- More than 50 percent of revenues derived from state, federal, or other intergovernmental sources.

This approach creates a scalable and sustainable program that focuses on prevention, capacity building, and long-term fiscal health. By expanding services to communities that exhibit risk factors associated with limited administrative capacity, the Office can help prevent recurring audit findings, strengthen internal controls, improve financial reporting, and reduce future demands for intensive corrective intervention.

b. How does the requested program fit into the agency's strategic plan?

Item three of the OSA 2028 Strategic Plan is to: Advance Fiscal Stewardship and Local Government Resilience through the following initiatives: Provide expanded proactive support, identify and respond to emerging fiscal risks, and support the long-term financial health of smaller local governments.

c. Has the agency developed a logic model describing the agency's theory of change?

Yes

d. If yes, please provide a copy of the logic model as a picture below or as an additional attachment with the form as part of the agency's submission in BFM. If no, please contact your LFC or DFA analyst for assistance in developing a logic model.

Inputs	**Activities**	**Outputs**	**Short-Term Outcomes**	**Intermediate Outcomes**	**Long-Term Impact**
• Additional staff • Technology investments • Administrative support • Inclusion of the Program Manager FTE in the OSA base operating budget to ensure program stability and support long-term planning	• Provide technical assistance and financial support to eligible entities • Process applications and compliance documentation • Deliver training and outreach • Conduct compliance reviews and monitoring activities • Support entities in resolving audit findings and reporting deficiencies	• Number of entities served • Number of applications processed • Number of trainings delivered • Number of compliance reviews completed • Number of financial support engagements provided • Reduction in audit findings and late financial reporting • Release of capital outlay funds to communities awaiting compliance	• Increased participation in the program • Improved understanding of reporting and compliance requirements • Reduced application and processing delays • Enhanced access to technical assistance and support	• Improved compliance with reporting and audit requirements • Stronger financial management practices • More timely financial reporting and audit completion • Increased effectiveness of program administration and oversight	• Enhanced accountability and transparency • Improved stewardship of public funds • Reduced financial and operational risk • Stronger local government operations and capacity • Increased public confidence in government, particularly in smaller and rural communities

2. Needs Assessment

In this section, provide specifics on the extent of the problem this proposal proposes to solve.

a. What is the extent of the problem to be addressed?

Local governments throughout New Mexico face increasing complexity in financial reporting, procurement compliance, internal controls, grant administration, and audit readiness. These challenges are particularly acute among rural and resource-constrained entities, including acequias, land grants, mutual domestic water consumer associations, small municipalities, and other local public bodies.

Collectively, these entities are responsible for managing public funds, maintaining critical infrastructure, preserving cultural resources, and delivering essential services to their communities. Yet many operate with limited administrative capacity, relying on volunteer governing boards, part-time employees, or a single individual to manage financial and operational responsibilities. As regulatory requirements continue to evolve, many entities lack the staffing, training, and technical expertise necessary to maintain compliance and strong financial management practices.

The extent of the problem is evidenced by recurring audit findings, late financial reporting, difficulties in maintaining internal controls, challenges meeting procurement requirements, and delays in completing corrective actions. When capacity gaps go unaddressed, local governments may experience delayed access to funding opportunities, stalled infrastructure projects, increased audit costs, diminished public confidence, and greater risk of financial mismanagement.

Several factors contribute to these challenges:

- Persistent training gaps in governmental accounting, procurement, grant management, and internal controls;
- Limited financial and administrative staffing;
- Increasingly complex audit, reporting, and compliance requirements;
- Difficulty accessing qualified professional and accounting services;
- Aging administrative and financial management systems;
- High turnover among elected officials, governing board members, and key financial personnel; and
- Growing demand for technical assistance from local governments of all sizes, particularly during staff transitions, system implementations, and responses to audit findings.

While the current Small Local Public Bodies (SLPB) program has successfully reduced compliance backlogs and provided targeted assistance to participating entities, its limited scope and reliance on special appropriations constrain long-term planning, staffing stability, and service delivery. As a result, many local governments with similar capacity challenges remain without access to preventative support.

The problem extends beyond individual compliance deficiencies. It reflects a broader statewide capacity gap affecting the ability of local governments to effectively manage public resources, comply with statutory requirements, and sustain essential public services. Under the current model, assistance is frequently provided only after significant issues have emerged. A more proactive and scalable approach is needed to build organizational capacity, strengthen financial governance, reduce compliance risks, and prevent problems before they escalate.

b. What is the total statewide need in numerical or geographic terms? If applicable, this may include a description and analysis of historically unserved or underserved populations.

The extent of the problem is demonstrated by the number of local public bodies that continue to experience audit findings and delayed financial reporting. While the current SLPB program has helped address compliance issues among participating entities, the data below indicate that capacity and compliance challenges remain widespread across New Mexico local governments. The number of entities with findings and late reporting underscores the need for a proactive, scalable program that provides technical assistance before issues escalate into significant compliance deficiencies.

Governmental Category	Number of Entities	Percent with Findings	Total Number of Findings	Median Findings (among entities *with* findings)	Average Findings (among entities *with* 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		

c. What percentage of the previously identified total statewide need does this request seek to address?

3. The percentage will be determined based on the final eligibility criteria and service delivery capacity. However, the expansion is designed to significantly increase the Office's reach beyond the entities currently served through the Small Local Public Bodies program and provide assistance to a substantial portion of local governments experiencing capacity and compliance challenges.

4. Program Description

In this section, provide information detailing activities, costs, and benefits of the proposal.

a. How much is the agency's request for FY28, and from what source is the agency requesting additional funding?

$326.9

Salaries and benefits: $308.5

Outreach travel costs: $18.5

b. Provide a list of specific activities that will be carried out if this request is granted.

- Provide training and educational opportunities for governing boards, elected officials, finance personnel, and administrative staff on statutory requirements, financial reporting, audit responsibilities, internal controls, and compliance obligations.
- Develop and distribute educational materials explaining reporting requirements, common audit findings, compliance expectations, and best practices.
- Create and maintain practical compliance resources, including templates, sample policies, checklists, guidance documents, and self-service tools that entities can adapt to their local needs.
- Provide informational guidance on financial reporting, procurement requirements, internal controls, audit preparation, and other compliance-related topics.
- Facilitate access to approved CPA firms and other qualified professionals who can provide specialized technical assistance while maintaining auditor independence.
- Connect local governments with relevant state, federal, professional, academic, and nonprofit resources that support financial management and compliance improvement.
- Monitor statewide reporting patterns, audit findings, and compliance trends to identify recurring challenges and emerging risks.
- Conduct proactive outreach to entities demonstrating signs of compliance difficulties and provide information about available resources and assistance.
- Support newly elected officials, governing board members, and administrative personnel through orientation materials, training, and educational resources.
- Provide continuity support during leadership transitions, staffing changes, and other organizational disruptions that may affect compliance.
- Collect and analyze data on compliance trends, participation, and assistance activities to identify statewide needs and target future support efforts.
- Evaluate program outcomes and use performance information to improve services, develop targeted resources, and strengthen local government capacity statewide.

c. If available and applicable, provide a benefit-to-cost ratio for this program (the total monetized benefits divided by total costs).

The current program has generated an estimated 5.9:1 return on investment, unlocking approximately $14.8 million from a $2.5 million appropriation. Expanding the program presents an opportunity to multiply that impact by helping entities with substantially larger funding portfolios. Many local governments face delays in accessing grant awards, capital outlay appropriations, and other funding sources because they cannot meet reporting requirements on time. These entities frequently incur high costs for fiscal agents and outside consultants simply to initiate or maintain projects. By investing in proactive compliance support and capacity-building efforts, the State can reduce these barriers, accelerate the deployment of public funds, and minimize administrative costs, allowing more resources to be directed toward community needs rather than compliance remediation

d. Does the agency anticipate additional increases above the FY28 request will be needed in future years to continue to operate the program? If so, please describe these additional expenses and projections of future financial needs.

OSA does not anticipate significant growth in the program's budget beyond its original expansion request. Other than normal inflationary adjustments, employee compensation increases, and rising benefit costs.

5. Research and Evidence Categorization

In this section, provide information regarding the evidence and research supporting your request.

a. As defined in New Mexico's Accountability in Government Act, specify whether your program is evidence-based, research-based, a promising program or practice, or none of the above. The program is research based

The proposed program is classified as research-based. The program is grounded in established research and professional standards demonstrating that training, technical assistance, financial management support, and effective internal controls improve compliance, financial reporting, accountability, and stewardship of public resources. The program design draws upon guidance from the U.S. Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book), Government Finance Officers Association best practices, and research regarding financial management capacity-building and organizational performance.

Dedicated Staffing Improves Program Stability and Compliance The Green Book | U.S. GAO; Research and professional standards demonstrate that targeted training, technical assistance, and compliance support increase knowledge of financial reporting requirements and improve the ability of local governments to meet audit and reporting obligations

Strong Internal Controls Reduce Risk and Improve Accountability. Effective accountability systems strengthen public trust, improve stewardship of public funds, and enhance government performance through better oversight and decision-making. [gao.gov],

Research-Based

b. Please provide any references or links to relevant research supporting your categorization. For example, sources may include published research or categorization provided by clearinghouse databases.

Empowering rural communities: the role of financial literacy and management in sustainable development **https://www.frontiersin.org/journals/human-dynamics/articles/10.3389/fhumd.2024.1424126/full**

City receives GFOA Award for Outstanding Financial Reporting - City of Columbia Missouri

Columbia illustrates how a long-term commitment to financial management practices, reporting quality, and public communication can improve transparency and public understanding of government finances. These are the same underlying objectives supported by training, educational resources, and compliance assistance.

Numerous state and local governments that have invested in financial management capacity, staff training, internal controls, and transparent reporting practices have achieved national recognition through Government Finance Officers Association excellence programs. These recognitions are associated with strong internal control environments, reliable financial reporting, enhanced transparency, and improved stewardship of public resources. The proposed program seeks to help smaller New Mexico local governments build similar foundational capacities by providing education, outreach, compliance resources, and access to qualified technical assistance.

c. How will you evaluate the program to confirm your categorization?

The Office of the State Auditor (OSA) will track program outputs, including the number of entities served, training sessions delivered, educational materials distributed, technical assistance referrals provided, and resource utilization rates. In addition, OSA will monitor key outcome measures to determine whether participating entities demonstrate improvements in compliance and financial reporting practices. Evaluation measures may include: Reduction in late audit report submissions among participating entities. Reduction in repeat audit findings and significant deficiencies. Improvement in the timeliness and completeness of required financial reporting. Number and percentage of entities returning to compliance after receiving program support. Number of entities successfully completing audit and reporting requirements following participation in training or use of program resources. Participant feedback and satisfaction with training, educational materials, and technical assistance resources. Utilization rates of templates, guidance documents, checklists, and other self-service tools. OSA will compare compliance outcomes over time and analyze statewide trends to identify whether program participants demonstrate improved performance relative to prior years. Findings will be used to refine training curricula, develop targeted educational resources, and direct outreach efforts toward areas of greatest need.

6. Implementation Plan

In this section, describe all activities related to implementation of your proposal (What, when, where, who, and how) by addressing the following items:

a. What are the training and startup requirements for the proposed program?

To support program expansion, OSA would leverage existing standardized training materials and compliance concepts already used within the Small Local Public Body Assistance Program. Because the training content is already developed and based on established financial reporting, compliance, governance, and fiscal management requirements, no significant new training development would be required. Instead, OSA would focus on scaling delivery to regional partnerships and following the phase approach.

b. Provide an estimated timeline for implementation of activities. Include planned benchmarks, milestones, and a target date for full implementation. If the request includes new FTE, provide your current vacancy rate and plan for recruitment.

Phase 1 – Program Realignment (0–6 months)

- Upgrade the current Program Manager position to a supervisory role and establish additional positions;
- Formalize the expanded program scope and service model; and
- Conduct a comprehensive statewide needs assessment to identify priority areas.

Phase 2 – Training Infrastructure Development (3-12 months)

- Hire an additional Program Manager to support expanded service delivery;
- Hire a Training Coordinator to lead training initiatives; and
- Develop a core curriculum aligned with statewide needs and audit requirements.

Phase 3 – Full Program Rollout (6-12 months)

- Launch a statewide training calendar with regular offerings;
- Implement pilot training sessions and refine delivery based on feedback;
- Expand technical assistance capacity to serve a broader range of entities; and
- Evaluate program outcomes and make adjustments to improve effectiveness and sustainability.

7. Fidelity Plan

In this section, provide information regarding how you will ensure your proposal is delivered as intended.

a. Describe key components critical to the success of your program.

The successful expansion of the SLPB program depends on maintaining adequate staffing levels to support increased program participation, timely service delivery, and effective administration. Additional capacity will enable the program to conduct long-term planning, strengthen agency outreach and support, manage growing workloads, and ensure the program remains sustainable and effective as it expands.

b. Provide a checklist or specific process metrics you will use to ensure component parts are implemented, including equity if applicable.

Preliminary Checklist and Process Metrics
Program Delivery

☐ Annual training plan developed and implemented
☐ Training curriculum updated to reflect current audit, reporting, and compliance requirements
☐ Educational materials developed and reviewed annually
☐ Compliance guidance documents, templates, and checklists maintained and updated

Process Metrics

- Number of trainings delivered annually
- Number of training participants

Technical Assistance and Outreach

☐ Process established for identifying entities needing additional support

- Average response time to assistance requests
- Number of entities receiving individualized support

Compliance Monitoring

☐ Statewide audit and reporting trends reviewed annually
☐ Common findings and compliance barriers identified
☐ High-risk entities monitored and offered support resources
☐ Recurring issues incorporated into future training and guidance materials

Process Metrics

- Number of recurring compliance issues identified
- Number of targeted interventions implemented

Equity and Access

☐ Training offered through multiple delivery methods (in-person, virtual, recorded)
☐ Resources available at no cost to participating entities
☐ Outreach conducted to rural and small local governments
☐ Program participation monitored by entity type, size, and geographic location
☐ Technical assistance prioritized for entities with limited administrative and financial capacity

Process Metrics

- Percentage of training resources available virtually or on demand

Continuous Improvement

☐ Participant feedback collected after trainings and assistance activities
☐ Educational resources revised based on participant needs and audit trends
☐ Results reported to OSA leadership and stakeholders

Process Metrics

- Participant satisfaction rate
- Percentage of recommendations incorporated into program improvements
- Number of resources revised based on feedback
- Annual program evaluation completed

8. Measurement and Evaluation Plan

In this section, provide information about measuring outcomes and the impact of your proposal.

a. What measurable outcome is the agency trying to achieve with the requested expansion?

- Increased access to state funds
- Decrease in audit findings
- Increase in on-time reporting

b. Will the requested program affect any existing performance measures?

Yes

If yes, which performance measures will be affected?

- Number of attendees participating in training sessions
- Number of training sessions performed
- Number of outreach events in counties
- Amount of public funding made available for non-compliant small local public bodies with public funds withheld and brought into compliance

c. What program outputs will the agency measure?

- Percentage reduction in late audit reports.
- Percentage reduction in repeat audit findings.
- Number of entities returning to compliance after receiving assistance.
- Dollar amount of capital outlay funding released or accessed following compliance improvements.
- Number of entities receiving training and technical assistance.
- Percentage of assisted entities maintaining compliance for two consecutive years.

d. What efficiency metrics will the agency monitor?

The agency will monitor efficiency by measuring the cost, timeliness, and reach of program activities. Key efficiency metrics will include cost per entity served, cost per training participant, cost per technical assistance engagement, response times for assistance requests, and the number of entities served per staff member. The agency will also track utilization of educational resources, geographic distribution of services, and participation among rural and small local governments. These measures will help ensure that program resources are used effectively, services are delivered in a timely manner, and assistance reaches the entities with the greatest needs.

e. Does the agency have baseline data for the proposed measures?

No

i. If yes, please provide baseline data.

Click or tap here to enter text.

ii. If no, when and how does the agency anticipate collecting baseline data?

The agency will assess program expansion outcomes through annual reporting on agency participation, fund distribution, and program activity. Performance measures will include the number of agencies registered, the number of agencies actively participating, the total amount of funds released, and the number of reports and completed program activities. Changes in these measures from pre-expansion baseline levels will help determine the extent to which the expansion has increased program access, utilization, and service delivery.

f. How often will the agency collect and report on these performance metrics?

Annual reporting has been the established reporting framework for the program and will remain in place throughout the program's expansion and as part of the performance metrics for OSA.

g. How do you plan to share the results of your program with the public and the Legislature?

The SLPB program already shares results through annual reports and legislative presentations and incorporates them into OSA's overall agency performance metrics.

State of New Mexico

F4 PCode Detail
(Dollars in Thousands)

BU	PCode
30800	P628

Fund	Account		2025-26 Actuals	2026-27 Opbud	2027-28 PCF Proj	FY 2028 Agency Request GF	OSF	ISF/IAT	FF	Total	Justification
00000	520300	Classified Perm Positions F/T	0.0	0.0	385.39	0.0	0.0	0.0	0.0	0.0	
00000	521100	Group Insurance Premium	0.0	0.0	33.15	0.0	0.0	0.0	0.0	0.0	
00000	521200	Retirement Contributions	0.0	0.0	73.58	0.0	0.0	0.0	0.0	0.0	
00000	521300	F I C A	0.0	0.0	23.71	0.0	0.0	0.0	0.0	0.0	
00000	521700	RHC Act Contributions	0.0	0.0	9.56	0.0	0.0	0.0	0.0	0.0	
11100	520100	Exempt Perm Positions P/T&F/T	796.0	908.9	905.63	958.4	0.0	0.0	0.0	958.4	Increase to cover State Auditor's Salary - unfunded difference (2023 rate to current 2024 rate per statute)
11100	520300	Classified Perm Positions F/T	2,369.3	2,112.6	2,918.06	3,219.2	0.0	850.0	0.0	4,069.2	9 current FTE vacant positions due to budget w/appropriate placement and longevity pay + 8 new staff positions needed to respond to growing demand upon the Agency, & sLPB expansion for 3 positions (1 FTE currently approved paid from special appropropriations & two new FTE support staff + Appropriate Placement per new HR certs conducted 8.27.26 & 8.31.26
11100	520500	Temporary Positions F/T & P/T	65.6	100.0	0.44	137.4	0.0	0.0	0.0	137.4	Continuation of internship program 3 .75 FTE positions (1 undergraduate intern, 2 graduate school interns)
11100	520600	Paid Unused Sick Leave	3.9	3.4	0	3.4	0.0	0.0	0.0	3.4	
11100	520700	Overtime & Other Premium Pay	22.0	0.0	0	0.0	0.0	0.0	0.0	0.0	
11100	520710	Longevity Pay	0.0	0.0	0	23.6	0.0	0.0	0.0	23.6	Longevity Pay for eligible staff per FY27 rates
11100	520800	Annl & Comp Paid At Separation	17.1	12.1	0	12.1	0.0	0.0	0.0	12.1	
11100	521100	Group Insurance Premium	373.9	438.4	478.41	550.2	0.0	0.0	0.0	550.2	Current Insurance rates + 10% per DFA, plus base rate x 9 vacant FTE + 8 new FTE
11100	521200	Retirement Contributions	619.8	716.9	730.15	967.3	0.0	0.0	0.0	967.3	PERA for positions above -base salary x 19.24%
11100	521300	F I C A	243.3	290.2	235.29	384.6	0.0	0.0	0.0	384.6	FICA for positions noted above - salary x 7.65%
11100	521400	Workers' Comp Assessment Fee	0.3	0.4	0	0.4	0.0	0.0	0.0	0.4	Per DFA consolidated rate sheet
11100	521410	GSD Work Comp Insur Premium	2.8	2.5	0	2.1	0.0	0.0	0.0	2.1	Per DFA consolidated rate sheet
11100	521500	Unemployment Comp Premium	12.1	12.1	0	0.0	0.0	0.0	0.0	0.0	Per DFA consolidated rate sheet
11100	521600	Employee Liability Ins Premium	36.9	50.2	0	75.4	0.0	0.0	0.0	75.4	Per DFA consolidated rate sheet
11100	521700	RHC Act Contributions	64.4	74.5	78.41	100.6	0.0	0.0	0.0	100.6	RHC contributions for positions noted above - base salaries x 2%
11200	520300	Classified Perm Positions F/T	0.0	0.0	86.77	0.0	0.0	0.0	0.0	0.0	
11200	521100	Group Insurance Premium	0.0	0.0	6.14	0.0	0.0	0.0	0.0	0.0	

State of New Mexico

E4 PCode Detail

(Dollars in Thousands)

Fund	Account		2025-26 Actuals	2026-27 Opbud	2027-28 PCF Proj	FY 2028 Agency Request GF	OSF	ISF/IAT	FF	Total	Justification
11200	521200	Retirement Contributions	0.0	0.0	16.57	0.0	0.0	0.0	0.0	0.0	
11200	521300	F I C A	0.0	0.0	5.34	0.0	0.0	0.0	0.0	0.0	
11200	521700	RHC Act Contributions	0.0	0.0	2.15	0.0	0.0	0.0	0.0	0.0	
	200	Personal services and employee benef	4,627.5	4,722.2	5,988.74	6,434.7	0.0	850.0	0.0	7,284.7	
11100	542100	Employee I/S Mileage & Fares	1.8	5.0	0	5.0	0.0	0.0	0.0	5.0	Instate audits, outreach events, trainings per performance measures
11100	542200	Employee I/S Meals & Lodging	3.1	5.0	0	5.0	0.0	0.0	0.0	5.0	Instate audits, outreach events, trainings per performance measures
11100	542500	Transp - Fuel & Oil	1.0	3.0	0	3.0	0.0	0.0	0.0	3.0	
11100	542600	Transp - Parts & Supplies	3.4	1.0	0	1.0	0.0	0.0	0.0	1.0	
11100	542800	State Transp Pool Charges	16.8	17.1	0	17.6	0.0	0.0	0.0	17.6	2024 Nissan Rogue & 2025 Honda Accord per FY28 Consolidated Rate Sheet
11100	543200	Maint - Furn, Fixt, Equipment	0.5	5.0	0	5.0	0.0	0.0	0.0	5.0	Aging office furniture will require upgrading in FY28 &, includes HR accommodations
11100	543830	IT HW/SW Agreements	119.5	50.0	0	119.9	0.0	0.0	0.0	119.9	CCH - ProFX $19,850, Thomson Reuters PPC/CheckPoint subscriptions $ 10K,Carahsoft Data Snipper $55K, Ardham Meraki Lic & Barracuda backup $35K - consistent with FY26 Actuals
11100	544000	Supply Inventory IT	32.1	38.0	0	38.0	0.0	0.0	0.0	38.0	Ongoing updating of aging IT equipment (under $5K) that are no longer under warranty, per IT replacement schedule
11100	544100	Supplies-Office Supplies	4.5	3.5	0	4.5	0.0	0.0	0.0	4.5	Based on FY26 actuals - pricing increases on standard office supplies required for daily operations
11100	544800	Supplies-Education&Recreation	0.0	1.0	0	1.0	0.0	0.0	0.0	1.0	Educational/promotional materials for outreach events
11100	544900	Supplies-Inventory Exempt	1.5	3.0	0	3.0	0.0	0.0	0.0	3.0	
11100	545600	Reporting & Recording	3.4	6.0	0	6.0	0.0	0.0	0.0	6.0	Required reporting/recording for proposed Audit Rule and Act changes
11100	545609	Report/Record Inter St Agency	0.0	0.2	0	0.2	0.0	0.0	0.0	0.2	
11100	545700	ISD Services	27.5	10.9	0	100.3	0.0	0.0	0.0	100.3	$30,336 per FY28 Consolidated Rate Sheet + $70k increase for the AI hosting fees per DoIT's estimate
11100	545710	DOIT HCM Assessment Fees	14.7	15.8	0	15.0	0.0	0.0	0.0	15.0	per FY28 Consolidated Rate Sheet $365/ FTE
11100	545900	Printing & Photo Services	3.5	3.0	0	3.0	0.0	0.0	0.0	3.0	
11100	545909	Printing & Photo - Interagency	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	
11100	546100	Postage & Mail Services	0.3	0.3	0	0.3	0.0	0.0	0.0	0.3	
11100	546400	Rent Of Land & Buildings	224.5	229.0	0	233.6	0.0	0.0	0.0	233.6	Office Lease agrmt increases 2% in FY 28

State of New Mexico

E4 PCode Detail
(Dollars in Thousands)

Fund	Account		2025-26 Actuals	2026-27 Opbud	2027-28 PCF Proj	FY 2028 Agency Request GF	OSF	ISF/IAT	FF	Total	Justification
11100	546500	Rent Of Equipment	4.3	3.5	0	8.2	0.0	0.0	0.0	8.2	Copiers' leases x 2($7800), postage machine lease ($360)
11100	546610	DOIT Telecommunications	39.0	44.6	0	41.3	0.0	0.0	0.0	41.3	per FY28 Consolidated Rate Sheet
11100	546700	Subscriptions/Dues/License Fee	29.3	30.0	0	30.0	0.0	0.0	0.0	30.0	Amt. based on FY26 actuals, incr. for CFE and CPA memberships for CPA & professional staff
11100	546709	Subscription & Due Interagency	0.0	1.2	0	1.2	0.0	0.0	0.0	1.2	
11100	546800	Employee Training & Education	41.6	55.0	0	55.0	0.0	0.0	0.0	55.0	CPE/CPU requirement for auditors per GAGAS, as well as those for professional CPA, CFE and Legal staff, additional CFE trainings/certifications and CGFM trainings/certifications for staff auditors to maintain/grow expertise per quality control requirements
11100	546900	Advertising	0.9	10.0	0	10.0	0.0	0.0	0.0	10.0	Radio, print, online media ads for Audit trainings/outreach events to increase participation/attendance
11100	547000	Legal Settlements	0.0	50.0	0	50.0	0.0	0.0	0.0	50.0	Pending Litigation
11100	547900	Miscellaneous Expense	0.5	1.0	0	1.0	0.0	0.0	0.0	1.0	
11100	547999	Request to Pay Prior Year	0.5	1.0	0	1.0	0.0	0.0	0.0	1.0	
11100	548200	Furniture & Fixtures	0.0	5.0	0	5.0	0.0	0.0	0.0	5.0	
11100	548300	Information Tech Equipment	0.0	20.0	0	20.0	0.0	0.0	0.0	20.0	Backup solution hardware subscription/ support (20K) necessary to safeguard data and for disaster recovery
11100	549600	Employee O/S Mileage & Fares	1.8	12.0	0	12.0	0.0	0.0	0.0	12.0	Travel for professional national conferences for CPE, certifications, etc. x 5 staff.
11100	549700	Employee O/S Meals & Lodging	1.9	12.0	0	12.0	0.0	0.0	0.0	12.0	Travel for professional national conferences for CPE, certifications, etc. x 5 staff.
	400	Other	577.9	642.1	0	808.1	0.0	0.0	0.0	808.1	
11200	555106	OFU - INTRA-Agency	0.0	858.1	0	0.0	0.0	0.0	0.0	0.0	
	500	Other financing uses	0.0	858.1	0	0.0	0.0	0.0	0.0	0.0	
	TOTAL EXPENSE		5,205.4	6,222.4		7,242.8	0.0	850.0	0.0	8,092.8	

State of New Mexico

Contract by PCode Detail

(Dollars in Thousands)

Fund	Account		#	Contract Purpose	Actuals	GF	OSF	ISF/IAT	FF	Total	Justification
						FY 2028 Agency Request					
11100	535200	Professional Services	1000		0.0	46.1	0.0	0.0	0.0	46.1	Professional service contracts for impact studies, strategic planning and stakeholder engagement for Audit Rule & Audit Act changes/ implementation.
11100	535209	Professional Svcs - Interagen	1000		16.3	0.0	0.0	0.0	0.0	0.0	
11100	535300	Other Services	1000		33.9	41.0	0.0	0.0	0.0	41.0	Horizons-650 ($1k), Consulting, Case IQ Fraud Reporting and Case Mgmt System ($40K - ongoing fees and mtn)
11100	535400	Audit Services	1000		17.2	18.3	0.0	0.0	0.0	18.3	External financial audit for agency - per FY28 DFA Consolidated Rate Sheet
11100	535500	Attorney Services	1000		8.4	25.0	0.0	0.0	0.0	25.0	Legal consultation for pending litigation
11100	535600	IT Services	1000		70.2	147.5	0.0	0.0	0.0	147.5	RTS Web hosting & annual maintenance ($15k), RTS OSA Connect enhancements for reporting entities ($60K), RS21 maintenance/ support for new AI software for report review objectives & related data analytics ($72.5k)
	TOTAL EXPENSE				**146.0**	**277.9**	**0.0**	**0.0**	**0.0**	**277.9**	

State of New Mexico

SPECIALS, SUPPLEMENTALS AND DEFICIENCIES DFA

(Prepare separate forms for each request)

BU: 30800

Agency: State Auditor

Program:

Analyst: Manuel Luna

Phone: 505-394-1600

Request Type: Special (FY 28)

Rank: 1

TOTAL SOURCES MUST EQUAL TOTAL USES

(Dollars in Thousands)

Sources		Uses	
Revenue Account	**Amount**	**Uses Account**	**Amount**
General Fund Transfers	1,000.0	Contractual Services	1,000.0
Total Sources	**1,000.0**	**Total Uses**	**1,000.0**

Full Time Equivalents (FTE)	
Type	**Amount of FTE**
	0.00
Total FTE	**0.00**

Request is related to a recurring expense	**No**
Request is related to a capital request	**No**
Request is related to proposed legislation	**No**

Language requested for inclusion in General Appropriations Act (Please Follow Legislative Bill Drafting Conventions - See Instructions)

For technical assistance for the small local public bodies' compliance program.

Justification Quantitative Data (Description)

The Office of the State Auditor (OSA) currently operates the Small Local Public Bodies Assistance Program (sLPB), which provides targeted support to small, resource-limited local governments. In recent years, demand for technical assistance, training, and compliance support has grown significantly across all types of local governments—including municipalities, counties, school districts, and special districts. This increasing demand now exceeds the program's current capacity, and the state lacks a permanent, scalable framework to support local governments before compliance issues arise.

To maintain recent compliance gains and address increasing demand for technical assistance across local governments, the Office of the State Auditor seeks continued funding for the existing Small Local Public Bodies Assistance Program and support for its expansion into a permanent Local Government Support Program, building on the success of the sLPB program, which was initially funded in FY 2023.

Local governments across the state face growing complexity in financial reporting, procurement compliance, internal controls, and audit readiness. For Small Local Public Bodies (sLPBs), limited staffing, resource constraints, and turnover in key positions create ongoing challenges that require continued technical assistance and support. As of June 30, 2024, the OSA Findings Report (https://www.osa.nm.gov/accountability-office/findings-reports/) noted that the 82 SLPBs that required an annual financial statement audit had a combined total of 80 findings. In addition,136 sLPBs required a lower tier of review known as an Agreed Upon Procedures (AUP) report. These reports identified 298 findings across the population. The impacts of these findings extend beyond compliance. Delayed audits and unresolved findings can hinder access to grant funding, delay reimbursement requests, and jeopardize eligibility for state and federal financial assistance programs.

The OSA has thus far received a total of $2.5 million in annual special appropriation to manage the program and provide direct assistance. The main focus for the OSA sLPB program has been entities receiving $500,000 or less in revenue. As of fiscal Year 2026, the program demonstrated measurable success by bringing 375 entities into compliance, completing 1220 financial certifications, and facilitating the release of more than $14.8 million in previously withheld capital outlay funding. The program's popularity has also attracted 84 new agencies that have requested assistance. These outcomes directly enabled critical infrastructure improvements, strengthened community services, and enhanced local governance in rural areas.

A $1,000,000 special appropriation to the Office of the State Auditor (OSA) will help the Agency eliminate the backlog of delinquent financial certifications required under the Audit Act for sLPBs such as acequias, land grants, soil and water conservation districts, mutual domestic water consumer associations, and other small political subdivisions of the state. Unless these entities file mandated financial reports, they cannot access the capital outlay appropriations and other public funding already allocated by the Legislature for their communities, nor can they apply for new sources of funding.

The OSA proposes contracting with Independent Public Accountants (IPAs) and expanding its direct technical assistance program to help these entities come into compliance quickly and efficiently, clearing the bottleneck that currently blocks millions of dollars from flowing to critical local projects across New Mexico.

The following are key areas of need:
• Compliance with State Regulations: Assist sLPBs in meeting the requirements of the Audit Act by completing agreed-upon procedures (AUPs) or certifications, depending on size and revenue.
• Market Access to Accountants: Secure qualified IPAs to complete certifications and provide direct OSA support when sLPBs cannot secure or afford accounting services.
• Workload and Staffing Levels: Scale technical assistance to address a backlog of almost 2,000 noncompliant certifications, some delinquent for over a decade.
• Capital Outlay and Public Funding Access: Enable sLPBs to comply with financial reporting so they can access appropriated funding in a timely manner.
• Alignment with Legislative Goals: Fulfill the Legislature's intent by ensuring appropriations for ditches, land, water, and infrastructure improvement projects reach their intended communities.
• Equity for Rural Entities: Level the playing field for small, volunteer-driven public bodies that lack the administrative capacity of larger municipalities or state agencies.
• Transparency and Accountability: Ensure that legislative dollars allocated to local projects are spent transparently and accounted for under state law.
• Regular Review and Adjustment: Establish sustainable compliance processes so that once the backlog is cleared, sLPBs can remain current in future years.
The updated sLPB compliance program will strike a balance between accountability, transparency, and accessibility to public funding across the state, supporting rural communities while protecting taxpayer dollars.

Request: Provide a brief description of what the request does, how the dollars will be spent and explain why it is a nonrecurring need.

A $1,000,000 special appropriation to the Office of the State Auditor (OSA) will help the Agency eliminate the backlog of delinquent financial certifications required under the Audit Act for Small Local Public Bodies (sLPBs) such as acequias, land grants, soil and water conservation districts, mutual domestic water consumer associations, and other small political subdivisions of the state. Unless these entities file mandated financial reports, they cannot access the capital outlay appropriations and other public funding already allocated by the Legislature for their communities, nor can they apply for new sources of funding.

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The updated sLPB compliance program will strike a balance between accountability, transparency, and accessibility to public funding across the state, supporting rural communities while protecting taxpayer dollars.

Request: How the dollars will be spent.

The OSA will:
• Issue a Request for Proposals (RFP) to contract Independent Public Accountants (IPAs) for completion of certifications.
• Provide direct technical assistance when sLPBs cannot secure IPA services.
• Strengthen statewide compliance systems for small local governments.
• Increase service capacity, manage a growing workload, and ensure the agency can effectively provide the expanded services and support anticipated under this transition, as well as maintain statistical information to assist in decision-making as the program grows.
• Develop, coordinate, and deliver training and professional development programs that strengthen stakeholder understanding, promote consistent implementation of requirements, and support ongoing program success.
• Track, monitor, and report results to the Legislature to ensure transparency, fairness, and accountability.

Request: Explain why request is nonrecurring need.

This is a nonrecurring request because the goal is to address a decades-long backlog of delinquent certifications. Once current, sLPBs can maintain compliance through the established tiered reporting system at a sustainable scale. The proposed FY '28 budget includes all operational costs associated with this program and its expansion.

Consequences: Provide a brief description of consequences of not funding a performance and accountability task.

Without the appropriation:
1. Capital Outlay and Other Project Delays: Millions in appropriated dollars for acequias, land grants, and water systems will remain frozen, and new funding cannot be accessed.
2. Equity Barrier: Small, rural, volunteer-led entities will continue to lack access to support enjoyed by larger governments.
3. Transparency Failure: Legislators' appropriations will remain unspent, undermining accountability.
4. Community Harm: Needed water, infrastructure, and conservation projects will remain stalled.

Performance: How will agency performance be affected.

With this appropriation:
o OSA will continue reducing the backlog of delinquent certifications.
o Legislators' appropriated capital outlay and other public funding for urgent local needs will finally reach constituents.
o Transparency and accountability at the smallest units of government will be restored.

Without this appropriation:
o Millions of dollars in capital outlay and other public funds will remain inaccessible.
o Communities statewide will remain frustrated as appropriated projects stall and cannot request new sources of funding.
o Public trust in government accountability will erode

Performance: How will agency performance will be improved.

The sLPB Compliance Program is not just an administrative fix — it is a strategic initiative with direct impact on local communities. Once certifications are addressed:
• Capital projects will move forward in rural communities.
• Efficiency gains will allow OSA staff to focus on oversight and accountability.
• Legislative intent in capital outlay allocations will be fulfilled.
• Public trust will increase as residents see their tax dollars funding local improvements.

Brief description of problem agency is addressing.

Hundreds of small public entities across New Mexico remain out of compliance with the Audit Act, which bars them from accessing millions of dollars in capital outlay and other appropriations by the Legislature.
At the start of this administration, OSA identified well over 2,000 delinquent certifications, with some entities more than a decade behind. A 2019 grant-based program provided only $20,000–$35,000 annually with grants averaging $2000 per awarded entity which was not appreciably reducing the growing backlog of delinquent certifications. These sLPBs are often small, volunteer-run associations that lack financial management capacity, creating a systemic barrier to compliance and preventing appropriations from being used as intended.

OSA is uniquely positioned to administer this program and its expansion as it receives financial reporting information from local governments statewide, monitors compliance trends, reviews audit findings, and regularly interacts with governing bodies, administrators, and financial personnel. This statewide perspective allows OSA to identify risks early and target assistance where it can have the greatest impact. The results of the Small Local Public Body Assistance Program clearly demonstrate the impact of targeted state support. The program has improved compliance outcomes, restored access to critical funding, and strengthened rural communities. This investment will not only improve compliance but also strengthen local capacity, safeguard public resources, and ensure that even the smallest and most rural communities have the tools, knowledge, and support needed to succeed.

DFA Performance Based Budgeting Data System
Annual Performance Report

Agency: 30800 State Auditor

Program: P628 State Auditor

The purpose of the state auditor program is to audit the financial affairs of every agency annually so they can improve accountability and performance and to assure New Mexicans that funds are expended properly.

Performance Measures:		2025-26 Target	2025-26 Result	Met Target	Year End Result Narrative
Explanatory	Amount of public funding made available for noncompliant small local public bodies with public funds withheld and brought into compliance	N/A	$4,274,530	N/A	During FY26, OSA continued to help small local public bodies achieve compliance and access available public funds. The program has proven to be a valuable resource in helping these entities meet eligibility requirements and use state grant funds allocated to their communities. Through ongoing support and guidance, we have strengthened participation and improved access to critical funding opportunities for local governments and organizations.
Explanatory	Number of allegations of fraud, waste and abuse examined by the special investigations division	N/A	452	N/A	OSA's FY 2026 intake of fraud, waste, and abuse allegations increased 78% year over year, with FY 2027 intake trending an additional 40% higher, resulting in an active caseload exceeding 330 investigations. This growth, combined with current staffing challenges, has significantly impacted investigative capacity and extended case resolution timelines.
Explanatory	Number of conservatorship reports reviewed	N/A	1,187	N/A	
Explanatory	Number of small local public bodies newly registered with the office of the state auditor	N/A	31	N/A	
Explanatory	Percent of audits submitted by regulatory due date	N/A	60%	N/A	
Outcome	Number of small local public body annual financial compliance certifications submitted	150	509	Yes	During FY26, delayed federal guidance for federal single audits postponed the start of contract IPA support for the assistance program. As a result, OSA prioritized Tier Certification support during that period. Additionally, 15 new agencies enrolled with the OSA that had never previously reported to the OSA and required multiple years of Tier Certifications, significantly increasing workload and the number of certifications completed.

DFA Performance Based Budgeting Data System

Annual Performance Report

Program: P628 State Auditor

Performance Measures:		2025-26 Target	2025-26 Result	Met Target	Year End Result Narrative
Outcome	Percent of audit reports reviewed and approved within thirty business days of receipt	50%	66%	Yes	Sixty-six percent is unusually high and should be regarded as an anomaly. Due to federal delays in issuing final guidance for federal single audits, report submission deadlines were extended. This increased OSA's overall review workload but decreased the typical volume of reports under review at one time and extended OSA's overall review season. We anticipate this percentage being lower in FY 2027.
Outcome	Percent of draft audit reports for which initial review notes are provided to the independent public accountant within thirty business days of receipt	New	0%	No	
Output	Amount of audit fees generated	$350,000	$47,014	No	Audit income is no longer an effective measure of success given OSA's role as the auditor of last resort for entities that are unable to obtain independent audit services due to financial constraints, auditor independence requirements, or limited financial expertise. These engagements often involve financially distressed, high-risk, or significantly delinquent entities and require substantially more time, oversight, and resources than a standard audit engagement. In FY 2026, OSA worked on three audits and ten agreed-upon procedures (AUP) engagements; however, the revenue associated with these engagements will not materialize timely and, in many cases, is not sufficient to reflect the level of effort required. Their extended completion timelines further reduce OSA's capacity to perform additional audits and generate earnings, making audit income an increasingly unreliable measure of the division's performance.
Output	Number of attendees participating in training sessions	1,250	2,399	Yes	OSA trainings were consistently well attended and addressed understanding, preventing, and reporting fraud, waste, and abuse, audit finding trends and best practices, and internal controls. OSA also hosted highly attended Audit Rule trainings in Santa Fe, Albuquerque, and Las Cruses focused on requirements and updates. OSA provided training in-person and virtually at conferences, professional associations, and other venues to maximize reach.
Output	Number of outreach events in counties	12	20	Yes	

Program: P628 State Auditor

Performance Measures:		2025-26 Target	2025-26 Result	Met Target	Year End Result Narrative
Output	Number of training sessions performed	15	23	Yes	
Output	Number of working paper reviews of independent public accountants	10	18	Yes	OSA selects workpaper reviews based on a variety of factors, including but not limited to, report reviews, peer review results, and number and complexity of audits performed by the firm which adds time to the review process. These factors vary each year. Additionally, 8 of the 18 completed reviews were originally from the 2025 review cycle but were completed in FY 2026 due to delays in IPAs providing documentation. Completing ten workpaper reviews is a realistic benchmark for FY 2027.

Performance Measures Summary

P628 **State Auditor**

Purpose: The purpose of the state auditor program is to audit the financial affairs of every agency annually so they can improve accountability and performance and to assure New Mexicans that funds are expended properly.

Performance Measures:		2024-25 Actual	2025-26 Actual	2026-27 Budget	2027-28 Request	2027-28 Recomm
Output	Amount of audit fees generated	$381,291	$47,014	$350,000	$350,000	
Output	Number of training sessions performed	28	23	15	15	
Output	Number of working paper reviews of independent public accountants	11	18	10	10	
Output	Number of attendees participating in training sessions	1,210	2,399	1,557	1,250	
Output	Number of outreach events in counties	12	20	12	12	
Outcome	Percent of audit reports reviewed and approved within thirty business days of receipt	52%	66%	50%	50%	
Outcome	Number of small local public body annual financial compliance certifications submitted	355	509	150	250	
Outcome	Percent of draft audit reports for which initial review notes are provided to the independent public accountant within thirty business days of receipt	New	0%	New	New	
Explanatory	Percent of audits submitted by regulatory due date	90%	60%	N/A	N/A	
Explanatory	Number of conservatorship reports reviewed	1,363	1,187	N/A	N/A	
Explanatory	Number of allegations of fraud, waste and abuse examined by the special investigations division	254	452	N/A	N/A	
Explanatory	Number of small local public bodies newly registered with the office of the state auditor	27	31	N/A	N/A	
Explanatory	Amount of public funding made available for noncompliant small local public bodies with public funds withheld and brought into compliance	$7,500,000	$4,274,530	N/A	N/A	

NEW MEXICO OFFICE OF THE STATE AUDITOR FISCAL YEAR 2028 STRATEGIC PLAN

MISSION: Deliver independent oversight to safeguard taxpayer dollars, protect the finances of vulnerable adults under conservatorship, expose waste, prevent fraud, and promote integrity and efficiency in government.

VISION: Public trust in government through accountability, transparency, and responsible stewardship of taxpayer resources.

CORE VALUES:

- **Integrity:** We conduct all OSA activities with honesty, ethical judgment, consistency, and professionalism.
- **Independence:** We maintain objective judgment based on facts, evidence, and professional standards.
- **Accountability:** We deliver timely, high-quality work, address challenges, and seek continuous improvement.
- **Transparency:** We communicate clearly and accurately about our activities, decisions, and results.
- **Excellence:** We pursue the highest standards of quality, professionalism, and performance in all OSA operations.
- **Efficiency:** We focus on maximizing results while minimizing wasted resources, effort, or expense.
- **Innovation:** We embrace new ideas, technologies, and approaches that improve OSA's effectiveness, efficiency, and impact.

Current State and Strategic Challenges

- OSA's current funding provides limited flexibility to address emerging risks, respond to legislative requests, modernize operations, and sustain long-term capacity.
- OSA's budget has not kept pace with the rapid increase in the state and federal budgets in recent years.
- New Mexico's general fund budget has grown from $8.3 billion in FY 2023 to 11 billion in FY 2027, and its Federal Funds budget has grown from $10 billion to $13.4 billion over the same period. OSA is responsible for oversight and accountability in the use of these funds, yet its FY 2027 budget was $6.45 million, or 0.058% and 0.048% of the state's FY 2027 general and federal budgets, respectively. OSA's disproportionate funding level means that transparency and accountability are at risk.
- Nine of 41 approved FTE positions (22%) are vacant, and OSA lacks budget flexibility to address critical staffing needs.
- Approximately 50% of OSA's staff are compensated below appropriate placement levels, creating recruitment, retention, and succession challenges.

- OSA processed 254 fraud, waste, and abuse complaints in FY 2025 and 452 in FY 2026 (a 78% increase) and maintains an active caseload of approximately 350, straining staff capacity while increasing investigative referrals and demand for special audit services.
- Conservatorship oversight responsibilities now consume approximately $800,000 (12%) of the agency's base budget despite no dedicated funding accompanying this mandate.
- OSA typically reviews more than 1,300 conservatorship reports annually but only has the capacity to perform a full financial examination on less than one percent of those reports. New Mexico's population aged 65 and older is expected to increase by more than 200,000 over the next 20 years, which will likely correlate with an increased need for robust conservatorship oversight.
- OSA's ability to leverage audit, financial, and fraud, waste, and abuse complaint data and to produce products that analyze trends, preemptively identify high-risk areas, and make recommendations is severely constrained.
- Rising numbers of public entities are unable to secure independent audit services, increasing OSA's "auditor-of-last-resort" obligations.
- Small local public bodies face significant compliance and financial management challenges, and many need technical assistance and training.
- Aging technology systems and limited data analytics capacity constrain efficiency and reduce OSA's ability to proactively identify and respond to risks.
- Agency supplemental and deficiency appropriation requests have grown significantly in the last four years ($90 to $230 million), highlighting the importance of strong independent oversight and early identification of financial risks.

Strategic Goals, Initiatives, and Performance Measures

1. Strengthen Government Accountability and Public Trust

1.1 Deliver Timely and High-Quality Oversight

- Conduct risk-based audits and oversight activities.
- Improve timeliness and quality of audit reports.
- Focus resources on areas of greatest public interest and risk.
- Assert authority and expand use of Service Organization Controls (SOC) audits.

1.2 Increase Transparency and Stakeholder Engagement

- Improve accessibility and usability of audit reports and public information.
- Expand use of public reporting tools and dashboards.
- Increase engagement with legislators, public entities, and citizens.
- Conduct high-quality education and outreach efforts.

Performance Measures

- Required: Generate $350,000 annually in audit fees.

- Required: Conduct 15 workpaper reviews of CPA-performed audit engagements annually.
- Required: Hold 15 training sessions.
- Required: Training events reach 1,250 participants.
- Required Hold outreach events in 12 counties.
- Required: Percent of OSA audit report review notes sent to IPA firms within 30 business days of receipt of the draft report.
- Required: 50 percent of audit reports are reviewed and approved within 30 business days of receipt.

2. Protect Public Resources and Vulnerable Adults from Fraud, Waste, Abuse, and Exploitation

2.1 Improve Investigative Efficiency

- Increase capacity to respond to emerging fraud, waste, and abuse issues through fact finding and special audit services.
- Improve case management and referral processes.
- Reduce active caseload.
- Improve and formalize risk-based case prioritization.
- Improve case triage processes.

2.2 Strengthen Conservatorship Oversight

- Identify and address financial exploitation risks.
- Increase financial examinations of high-risk conservatorships.
- Apply technology to increase report review efficiency.

2.3 Strengthen Fraud Detection and Prevention

- Expand use of forensic auditing and data analytics.
- Enhance fraud awareness education.
- Develop proactive risk identification practices.

Performance Measures

- Required: Number of conservatorship reports reviewed.
- Required: Number of allegations of fraud, waste, and abuse examined.
- Internal: Case closure rate exceeds intake rate.
- Internal: Number of fraud prevention and awareness outreach activities conducted.
- Internal: Number of referrals to other agencies by Special Investigation Division.
- Internal: Number of conservatorship letters to the Court.

3. Advance Fiscal Stewardship and Local Government Resilience

3.1 Strengthen Small Local Public Bodies Through Expanded Proactive Support

- Expand technical assistance, training, and audit preparation services.

- Increase proactive engagement before compliance issues arise.
- Provide tools and resources that strengthen local financial management capacity.

3.2 Identify and Respond to Emerging Fiscal Risks

- Enhance risk monitoring and trend analysis.
- Focus oversight on high-risk areas.
- Provide early warning information to stakeholders.

3.3 Support Long-Term Financial Health

- Promote best practices in financial governance.
- Share lessons learned and successful practices across entities.
- Assist Small Local Public Bodies to access withheld capital outlay and new funding opportunities.
- Streamline statutory financial reporting requirements for Small Local Public Bodies.

Performance Measures

- Required: Number of small local public body annual financial compliance certifications submitted.
- Required: Number of small local public bodies newly registered with OSA.
- Required: Percent of audits submitted by regulatory due date.
- Required: Amount of public funding made available for non-compliant small local public bodies with public funds withheld and brought into compliance
- Internal: Reduction in year-over-year late audit submittals among local governments.

4. Modernize Operations and Organizational Performance

4.1 Modernize Oversight Through Advanced Technology

- Implement AI, analytics, and automation tools that reduce manual effort office-wide.
- Establish a baseline to understand the impact of AI tools on audit operations.
- Improve case, audit, and workflow management systems.

4.2 Build and Retain a High-Performing Workforce

- Recruit and retain qualified staff.
- Expand professional development opportunities.
- Reform compensation for auditor positions.
- Engage with higher educational institutions to develop accounting talent pipeline.

Performance Measures

- Internal: Percentage of audits and special investigation cases using data analytics/AI.
- Internal: Reductions in audit report review duration.
- Internal: Employee retention rate.

- Internal: Vacancy rate.
- Internal: 100% of applicable staff meet CPE requirements.
- Internal: Number of outreach engagements with higher educational institutions.

Strategic Investment Priorities

- Fill critical staffing vacancies
- Expand Small Local Public Bodies Program
- Align compensation to prevailing industry levels
- Strengthen conservatorship oversight capacity
- Modernize investigative and audit technology
- Enhance risk analysis, monitoring, and communication
- Expand fraud prevention and detection capabilities

Fiscal Year 2028

New Mexico Office of the State Auditor

IT STRATEGIC PLAN

September 1, 2026

Nicholas Martinez
Chief Information Officer

Table of Contents

I. EXECUTIVE SUMMARY

The New Mexico Office of the State Auditor (OSA) serves as the State's financial watchdog by promoting accountability, transparency, and public trust in the use of public funds. Information technology is essential to this mission because the agency relies on secure, available, and efficient systems to receive audit information, manage audit and contract workflows, support investigations and case management, communicate with public entities, and provide statewide access to financial oversight information.

For FY28, OSA's technology strategy shifts from major modernization and implementation activity toward long-term sustainability, continuous improvement, cybersecurity, and responsible operation of the systems that were modernized in prior fiscal years. OSA Connect remains the agency's primary enterprise application and will require recurring enhancement, reporting, hosting, and maintenance resources as business requirements change. OSA also completed the first nine-week engagement of the Artificial Intelligence (AI) Audit Review System with Resilient Solutions 21 (RS21), and is procuring the second nine-week engagement during FY27. Upon completion, the certified project will transition into production operations and require recurring hosting, maintenance, and support funding. RS21 estimates annual support and maintenance at $72,500 including tax.

Other key improvements include a complete redesign of the agency website with an AI-enabled chatbot, migration of Microsoft 365 licensing to the NMDoIT statewide pricing agreement while maintaining OSA's separate tenant as required, migration to Barracuda Cloud-to-Cloud Backup for Microsoft 365 data, and re-implementation of Barracuda cybersecurity awareness training. OSA also completed its annual penetration test in March 2026.

The agency continues to operate a broad technology portfolio with a small two-person permanent IT workforce. FY28 priorities focus on sustaining mission-critical systems, maintaining secure cloud and backup services, continuing OSA Connect enhancements, supporting production of the AI Audit Review System, improving reporting and analytics, maintaining accessible public-facing digital services, and ensuring the Agency has sufficient recurring funding to protect prior technology investments.

II. AGENCY OVERVIEW

A. Agency Mission

The mission of OSA is rooted in establishing and maintaining public trust in the use of public funds through independent oversight of state and local governmental entities. OSA carries out this mission by auditing and reviewing the government's use of public funds, providing guidance to public entities, promoting financial compliance, and identifying fraud, waste, and abuse. The FY28 IT Strategic Plan supports this mission by maintaining secure and reliable systems, automating repetitive work, improving access to information, and enabling staff to devote more time to professional analysis and oversight.

B. Agency Goals

OSA's business goals are to improve financial management and internal controls through purpose-driven auditing; provide accessible and responsive service to public, governmental entities, and Independent Public Accountants; provide meaningful statewide financial information; assist at-risk entities with compliance and corrective action; demonstrate professional excellence; set the standard for transparency and accountability in state government; and strengthen efforts to combat fraud, waste, and abuse. IT supports these goals through OSA Connect, secure collaboration and productivity services, data and reporting capabilities, the agency website, cybersecurity controls, and responsible automation of labor-intensive processes.

C. Vision and Priorities

OSA's technology vision is to provide secure, resilient, accessible, and increasingly automated digital services that strengthen oversight while preserving human judgment and accountability. FY28 priorities are: (1) sustain and operationalize the AI Audit Review System after project completion; (2) continuously enhance OSA Connect as the agency's mission-critical enterprise platform; (3) maintain and strengthen cybersecurity, backup, and resilience; (4) improve reporting, analytics, and digital customer service; and (5) manage recurring technology costs responsibly through statewide agreements and appropriately funded vendor support.

D. Agency Description and IT Organization Structure

OSA is a statewide agency led by a Constitutionally created, statewide elected State Auditor. The agency is organized across executive leadership, legal, policy and public affairs, government accountability, financial audit, special investigations, conservatorship, compliance and quality management, administrative services, small local public body oversight, and information technology functions. The current agency organization chart is included as Appendix I. Information Technology (IT) is led by the IT Director / Senior Manager, Information Technology, and includes one filled Associate IT Systems Administrator position; a graduate student intern position is currently vacant. The IT organization chart is included as Appendix II. [Confirm total agency employee count for final submission.]

III. IT ENVIRONMENT

A. Major Applications

OSA relies on a combination of cloud-hosted, software as a service (SaaS), and internally administered systems to support audit oversight, case management, collaboration, public access, and agency operations. The systems below represent the primary mission-critical or business-critical applications within the current environment.

TABLE 1.1: Major Applications

Application Name	Purpose / What It Does	Mission Critical? (Yes/No)	Data Types Handled	Hosting Type (On-Prem / Cloud / SaaS)	Vendor or Internal
OSA Connect	Primary enterprise portal	Yes	Audit, entity, contract, user	Cloud	Real Time Solutions (RTS)

	for audit contracts, submissions, workflows, e-signatures, reporting, and interactions with governmental entities and IPAs.		account, workflow and reporting data		
Microsoft 365	Agency email, productivity, collaboration, SharePoint and OneDrive services. OSA maintains its own tenant while using NMDoIT statewide pricing.	Yes	Agency email, documents, collaboration data and business records	SaaS / Cloud	Microsoft / NMDoIT; OSA administered tenant
AI Audit Review System	AI-assisted review of independent audit submissions against OSA standards using citation-backed outputs and human auditor validation.	Yes	Independent audit reports, OSA standards, review findings and analytics	Cloud (AWS)	RS21 / AWS within NMDoIT environment
CaseIQ	Fraud reporting and case management support used for complaint and case-related workflows.	Yes	Complaint, case, investigative and supporting documentation	SaaS	CaseIQ
OSA Public Website & AI Chatbot	Public-facing website, guidance, resources, agency information, and AI-enabled conversational assistance.	Yes	Public content and user-submitted chatbot interactions	Cloud	Real Time Solutions (RTS)

B. Security

OSA maintains a layered security program covering technology, information, personnel awareness, access controls, backup, and continuity. The agency completed its annual penetration test in March 2026. Security policies and procedures are reviewed and updated as needed, with NMDoIT guidance incorporated into agency practices. OSA migrated to Barracuda Cloud-to-Cloud Backup to protect

Microsoft 365 services including Exchange email, SharePoint, OneDrive, and related directory data, improving recoverability of cloud-hosted agency information. The agency also re-implemented Barracuda Security Awareness Training as a mandatory recurring cybersecurity awareness program for employees. These controls complement the agency's existing firewall/VPN, endpoint, identity, Microsoft 365, and backup protections and support continued improvement of OSA's cybersecurity posture.

C. Agency IT Certified Projects

OSA's certified AI Audit Review System directly supports the agency's statutory oversight mission by reducing repetitive audit-review work, improving consistency, and providing citation-backed analysis for auditor validation while preserving human professional judgment. Phase 1 has been completed. Phase 2 is in procurement during FY27 and is expected to complete the certified implementation project before FY28 operations begin.

TABLE 1.2: Current Certified IT Projects

AI AUDIT REVIEW SYSTEM	
Project Description	Secure, AWS-based AI-assisted audit review capability using Retrieval-Augmented Generation (RAG) to evaluate independent audits against OSA standards, generate citation-backed findings, support workflow and trend analysis, and preserve auditor oversight.
Estimated Project Costs	Full project total: $339,708.75 Engagement 2 proposal: $147,784.13 including NMGRT.
Current Funding	FY27 project funding; Engagement 2 currently in procurement.
Certified Project Phase	Phase 1 completed; Phase 2 procurement / implementation.
Estimated Completion	FY27 - Engagement 2 is scheduled for 9 weeks after contract award.
Strategic Priority	High

D. Workforce

i. Full Time Internal IT Employees

OSA has two filled permanent internal IT FTEs: the IT Director / Senior Manager, Information Technology and one Associate IT Systems Administrator. Both permanent IT employees work 100% in the office. The current organization chart also includes a vacant graduate student intern position. Given the Agency's small internal IT workforce and expanding cloud, cybersecurity, web, enterprise application, and AI responsibilities, vendor support is an important component of service continuity and specialized technical capacity.

ii. IT Professional Services Contractors

OSA uses professional IT contractors to supplement its small internal workforce. Real Time Solutions (RTS) provides application development, hosting, maintenance, and enhancement services for OSA Connect and the agency website. Resilient Solutions 21 (RS21) is the implementation and support contractor for the AI Audit Review System. Following completion of the certified project in FY27, RS21 is expected to provide recurring support and maintenance for production of the AI system at an estimated annual cost of $72,500 including tax.

E. Challenges

OSA's primary FY28 IT challenges are sustaining adequate recurring funding for mission-critical technology; supporting an expanding technology portfolio with a two-person permanent IT workforce; maintaining secure and resilient cloud services and backups; ensuring continuity of specialized contractor support; continuously adapting OSA Connect to changing statutory and operational requirements; managing recurring licensing and statewide service costs; and maintaining cybersecurity, accessibility, and data governance as digital and AI-enabled services expand.

IV. FY26 KEY ACCOMPLISHMENTS

During FY26 and the transition into FY27, OSA continued a multi-year modernization effort focused on enterprise applications, automation, public-facing digital services, and cybersecurity resilience. The accomplishments below demonstrate progress toward replacing manual processes with secure, scalable technology while maintaining continuity of core agency operations.

A. FY26 Strategic IT Accomplishments

TABLE 1.3a: Priority 1

STRATEGIC PRIORITY 1 - ENTERPRISE MODERNIZATION AND AUTOMATION	
Modernize mission-critical systems and automate repetitive work to improve efficiency, consistency, reporting, and service delivery.	
FY26 Strategy 1	OSA Connect modernization and enhancement
Accomplishments	Completed a major OSA Connect rewrite and continued annual enhancements, including workflow, reporting, e-signature, and usability improvements.
Outcomes/Metrics	Improved interoperability, reliability, reporting capability, scalability, and user experience for the agency's primary enterprise system.
FY26 Strategy 2	AI Audit Review System - Phase 1
Accomplishments	Completed the first nine-week engagement, establishing the core technical foundation, AWS Bedrock knowledge base, structured review queries, orchestration, and citation-backed findings capability.
Outcomes/Metrics	Established a secure production foundation for automating repetitive audit-review tasks while preserving auditor validation and professional judgment.

FY26 Strategy 3	Public website modernization
Accomplishments	Completed a full redesign of the OSA public website and added an AI-enabled chatbot.
Outcomes/Metrics	Improved public access to agency information and created a new digital channel for user assistance while establishing an ongoing hosting and support requirement.
FY26 Strategy 4	Microsoft 365 statewide pricing migration
Accomplishments	Migrated Microsoft 365 licensing to the NMDoIT statewide pricing agreement while retaining OSA's separately administered tenant as required.
Outcomes/Metrics	Improved alignment with statewide procurement and pricing while preserving agency-specific tenant administration and statutory requirements.

TABLE 1.3b: Priority 2

STRATEGIC PRIORITY 2 - CYBERSECURITY AND RESILIENCE	
Strengthen protection, recoverability, and employee security awareness across the agency technology environment.	
FY26 Strategy 1	Barracuda Cloud-to-Cloud Backup
Accomplishments	Migrated cloud productivity data protection to Barracuda Cloud-to-Cloud Backup for Exchange email, SharePoint, OneDrive, and related Microsoft 365 data.
Outcomes/Metrics	Expanded recoverability and resilience for cloud-hosted business records and collaboration data.
FY26 Strategy 2	Annual penetration testing
Accomplishments	Completed the annual penetration test in March 2026.
Outcomes/Metrics	Provided an independent assessment of the agency's security posture and supported risk identification and remediation planning.
FY26 Strategy 3	Cybersecurity awareness training
Accomplishments	Re-implemented Barracuda Security Awareness Training as a recurring mandatory employee cybersecurity program.

Outcomes/Metrics	Strengthened employee awareness of phishing, social engineering, and other common cyber threats.
FY26 Strategy 4	Continuity of core infrastructure
Accomplishments	Maintained the existing firewall, VPN, server, directory, backup, and network environment without a major hardware refresh.
Outcomes/Metrics	Preserved operational continuity while directing modernization resources toward cloud resilience, applications, and security services.

B. FY26 Other Key IT Accomplishments

Additional FY26 accomplishments supported application reliability, data protection, customer access, workforce continuity, and security across the OSA technology environment.

TABLE 1.4: Other FY26 Key IT Accomplishments

APPLICATION	
Accomplishment	OSA Connect rewrite and ongoing feature enhancements; complete redesign of the public website with AI chatbot.
Value or Impact	Improved usability, availability, digital service delivery, and capacity for future enhancements.
DATA	
Accomplishment	Expanded reporting and analytics capabilities through OSA Connect modernization and established the data foundation for AI-assisted audit review.
Value or Impact	Improved access to operational information and created a scalable foundation for future cross-audit analytics.
PROCESS IMPROVEMENT	
Accomplishment	Introduced AI-assisted audit review foundations and expanded electronic workflows and automation in mission-critical systems.
Value or Impact	Reduces repetitive manual work, standardizes workflows, and allows staff to focus on higher-value analysis and judgment.
WORKFORCE	
Accomplishments	Maintained a two-person permanent IT team while expanding cloud, web, cybersecurity, enterprise application, and AI responsibilities.

Value or Impact	Maintained service continuity with focused use of specialized contractors for application and AI expertise.
CUSTOMER SERVICE	
Accomplishments	Modernized the public website and added an AI chatbot; continued OSA Connect usability and reporting enhancements.
Value or Impact	Improved public and constituent access to information and reduced friction in digital interactions.
TELEWORK	
Accomplishments	IT staff remained 100% in-office.
Value or Impact	Maintained direct on-site support and immediate operational coverage for agency systems and users.
SECURITY	
Accomplishments	Completed March 2026 penetration testing, migrated to Barracuda Cloud-to-Cloud Backup, and re-implemented Barracuda Security Awareness Training.
Value or Impact	Strengthened detection, recoverability, employee awareness, and overall cybersecurity resilience.

V. FY28 IT STRATEGIC GOALS AND STRATEGIES

FY28 technology goals focus on operating and sustaining recently modernized systems, continuously improving mission-critical applications, strengthening security and resilience, and ensuring OSA can responsibly scale digital and AI-enabled services within a small-agency operating model.

TABLE 1.5a: Strategic Goals Priority 1

STRATEGIC PRIORITY 1 - AI OPERATIONS AND INTELLIGENT AUTOMATION	
Transition the completed AI Audit Review System into a secure, supported, measurable production capability that improves audit-review efficiency while preserving human oversight.	
FY28 Strategy 1	Sustain the production AI Audit Review System through recurring hosting, RS21 maintenance, and technical support.

Outcomes/Metrics	Maintain system availability and vendor support throughout FY28; budget for RS21 support and maintenance at approximately $72,500 annually including tax.
FY28 Strategy 2	Operate the AI system as an auditor-assist tool with human validation and citation-backed outputs.
Outcomes/Metrics	Maintain human review of AI-generated findings and preserve traceability to submitted audits and OSA standards.
FY28 Strategy 3	Refine review checks, knowledge-base content, and workflows as standards and operational needs evolve.
Outcomes/Metrics	Document and implement approved updates without reducing audit quality, explainability, or oversight.
FY28 Strategy 4	Develop useful trend and workload analytics from AI-assisted reviews.
Outcomes/Metrics	Provide management and audit staff with actionable trend information across audit submissions while maintaining appropriate data governance.

TABLE 1.5b: Strategic Goals Priority 2

STRATEGIC PRIORITY 2 - MISSION-CRITICAL APPLICATIONS AND DIGITAL SERVICES	
Continuously improve and sustain the applications and digital services that support audit operations, public access, collaboration, and agency administration.	
FY28 Strategy 1	Continue annual OSA Connect enhancements, reporting improvements, and workflow modernization.
Outcomes/Metrics	Deliver prioritized enhancements during FY28 and maintain reliable operation of the agency's primary enterprise platform.
FY28 Strategy 2	Maintain the redesigned public website and AI chatbot as supported production services.
Outcomes/Metrics	Maintain availability, content accuracy, vendor support, and appropriate chatbot governance throughout FY28.

FY28 Strategy 3	Maintain Microsoft 365 under the NMDoIT statewide pricing agreement while administering OSA's separate tenant.
Outcomes/Metrics	Maintain licensing continuity, tenant security, and availability of email, SharePoint, OneDrive, and productivity services.
FY28 Strategy 4	Improve reporting and data access across core operational systems.
Outcomes/Metrics	Expand useful reports and analytics while maintaining data quality, access controls, and appropriate stewardship.

TABLE 1.5c: Strategic Goals Priority 3

STRATEGIC PRIORITY 3 - CYBERSECURITY, RESILIENCE, AND ACCESSIBILITY	
Protect agency information and services, improve recoverability, sustain employee security awareness, and ensure public-facing technology remains accessible and resilient.	
FY28 Strategy 1	Perform a web presence assessment against WCAG 2.1 AA accessibility standards.
Outcomes/Metrics	Identify accessibility gaps and establish a prioritized remediation plan for public-facing web content and services.
FY28 Strategy 2	Maintain Barracuda Cloud-to-Cloud Backup and regularly validate backup coverage and recoverability.
Outcomes/Metrics	Ensure designated Microsoft 365 workloads remain protected and that recovery procedures are periodically validated.
FY28 Strategy 3	Continue recurring cybersecurity awareness training and annual security testing.
Outcomes/Metrics	Maintain employee participation in Barracuda awareness training and complete the next annual penetration/security assessment during the fiscal cycle.
FY28 Strategy 4	Maintain core network, identity, firewall/VPN, endpoint, and disaster recovery services within available resources.

Outcomes/Metrics	Sustain service availability, address identified risks and replace aging or out-of-warranty equipment based on operational priority and available funding.

VI. IT FISCAL AND BUDGET MANAGEMENT

OSA's FY28 IT operating request reflects the recurring cost of sustaining mission-critical applications, cybersecurity services, statewide technology services, and recently implemented modernization investments. The most significant operational change is the transition of the AI Audit Review System from a certified implementation project to a production service requiring ongoing hosting, maintenance, and technical support. RS21 estimates annual AI system support and maintenance at $72,500 including tax. OSA Connect and the redesigned public website also require recurring hosting, maintenance, enhancement, and reporting support.

The FY28 request also supports software and security agreements, backup and disaster recovery, replacement of aging IT equipment, and NMDoIT-provided services such as Microsoft 365, connectivity, cellular and telephone services, hosting, and related statewide technology services. These costs should be viewed as operational requirements necessary to maintain service continuity, cybersecurity, and the value of prior technology investments rather than as one-time expansion projects.

Account	Category	FY27 Budget	FY28 Request	Change	Primary FY28 Purpose
535300	Contractual / General Services	$41,000.00	$41,000.00	$0.00	CaseIQ fraud reporting/case management.
535600	IT Services	$90,800.00	$147,500.00	+$56,700.00	RTS web hosting/maintenance, OSA Connect enhancements/reporting, and RS21 AI support/maintenance.
543830	IT HW/SW Agreements	$50,000.00	$119,850.00	+$69,850.00	ProfX, Thomson Reuters PPC/Checkpoint, Carahsoft Data Snipper, Meraki licensing and Barracuda backup/security services.
544000	Supply Inventory / Exempt IT	$38,000.00	$38,000.00	$0.00	Ongoing replacement of aging or out-of-warranty IT equipment under applicable thresholds.
545700	NMDoIT ISD Services	$10,900.00	$100,336.10	+$89,436.10	NMDoIT consolidated technology services, including Microsoft 365, connectivity, cellular/telephone, hosting and related shared services.
545710	NMDoIT HCM Assessment	$15,800.00	$14,965.00	-$835.00	FY28 consolidated rate sheet assessment.
546610	NMDoIT Telecom	$44,600.00	$41,318.75	-$3,281.25	FY28 consolidated telecommunications rate sheet.

548300	IT Equipment	$20,000.00	$20,000.00	$0.00	Backup/disaster-recovery hardware subscription and support.

VII. C2 COMPUTER SYSTEM ENHANCEMENT FUNDING (CSEF) REAUTHORIZATION

A. Previously Issued Supplemental Funding

OSA is not requesting reauthorization of previously issued supplemental funding through this FY28 IT Strategic Plan.

B. List of C2 Funding Requests

OSA is not requesting C2 Computer System Enhancement Funding (CSEF) for FY28 at this time.

C. Requested Reauthorizations

OSA is not requesting reauthorization of prior C2 appropriations for FY28 at this time.

TABLE 1.7: Request for Reauthorization of C2 Appropriations

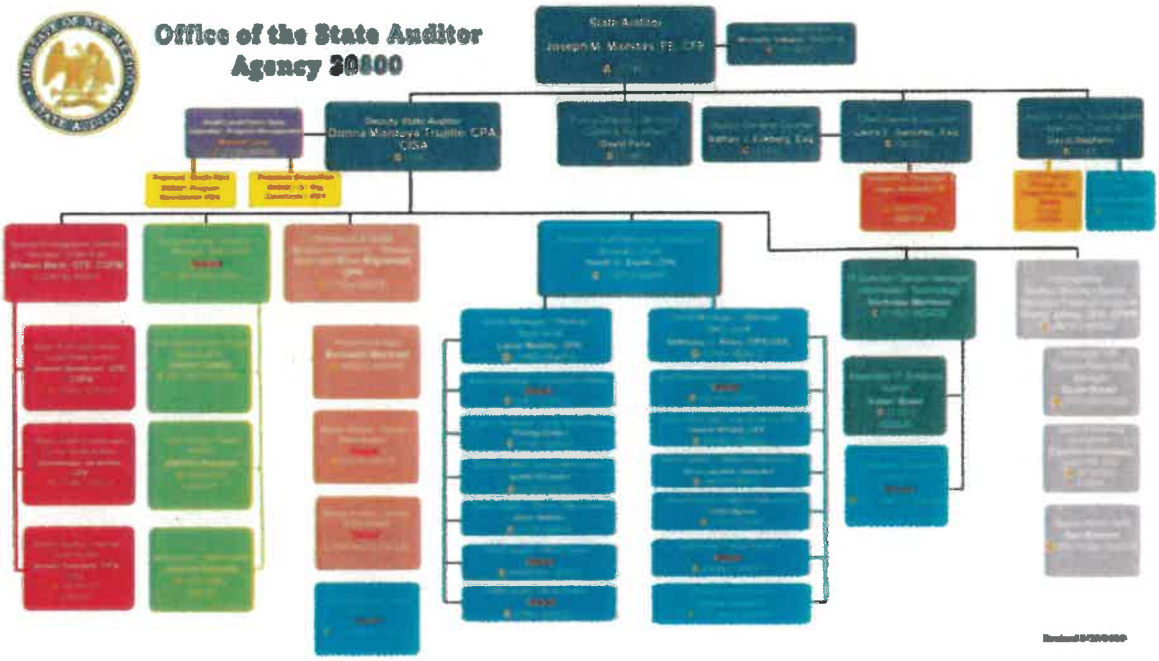
Information Technology Request for Reauthorization of C2 Appropriations			
Agency Name	New Mexico Office of the State Auditor	**Agency Code**	30800
Lead Agency Name Listed on Appropriation	N/A	**Project Name**	N/A
		# of Reauthorization Requests	0
Source of Authorization (e.g. Laws 2022, Chapter 54, Section 7 (12) or Grant/Federal Fund #)		**Appropriation Amount (in thousands)**	**Remaining Balance (in thousands)**
N/A		0.0	0.0
N/A		0.0	0.0
N/A		0.0	0.0
N/A		0.0	0.0
N/A		0.0	0.0

N/A		0.0	0.0
Total amount appropriated for project life (in thousands)		**Will the project be completed within the next fiscal year?**	☐ Yes ☐ No
Reason for Requesting Reauthorization	No C2 reauthorization requested for FY28.		

APPENDICES

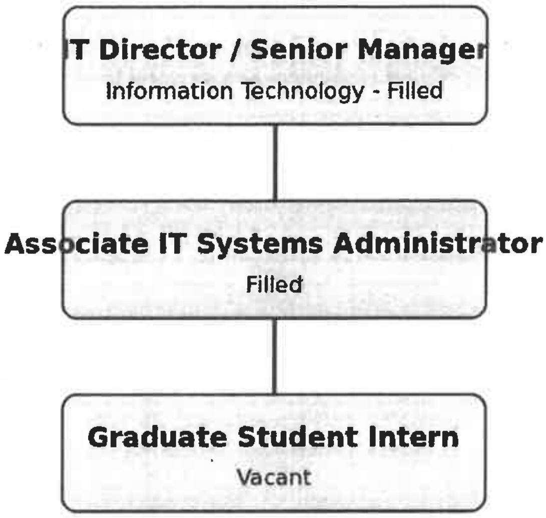
APPENDIX I: AGENCY ORGANIZATION CHART

Current OSA Agency Organization Chart (revised August 2026)



APPENDIX II: IT ORGANIZATION CHART

OSA Information Technology Organization Chart



APPENDIX III: C2 IT DATA PROCESSING CSEF

Not applicable for FY28. OSA is not requesting C2 Computer System Enhancement Funding (CSEF) or C2 reauthorization at this time.

C2: Information Technology
Data Processing - Computer Systems Enhancement Fund (CSEF)

Agency Name	Agency Code	Project Name		
If Multi-Agency Project, please list the Participating Agencies.		Priority	Projected Start Date	Projected End Date

Revenue Project Cost *(dollars in thousands)*				
Category or Account Description	FY26 & Prev Actual	FY27 Budget	FY28 Request	Total
General Fund (CSEF)	0.0	0.0	0.0	0.0
Other State Funds *(*specify funds below)*	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0
Internal Svc Funds/Interagency Transfer	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0
*If Other State Funds, Specify Funding Source/Fund Name				

Expenditure Categories *(dollars in thousands)*				
	FY26 & Prev Actual	FY27 Budget	FY28 Request	Total
Personal Services & Employee Benefits	0.0	0.0	0.0	0.0
Professional Services	0.0	0.0	0.0	0.0
Travel/Lodging	0.0	0.0	0.0	0.0
IT Hardware	0.0	0.0	0.0	0.0
IT Software	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0

Strategic Plan Approval

	Print Name	Date
Agency Cabinet Secretary/ Director	Joseph M. Maestas, PE, CFE Joseph M. Maestas	9/1/26
Agency Chief Information Officer or IT Lead	Nicholas Martinez	9/1/26
Agency Chief Finance Officer	Cheryl James Cheryl James	8/31/26

FY28 APPROPRIATION REQUEST
FORM E-6B LEASED PASSENGER-RELATED VEHICLES
Account code 542800

LEASED VEHICLE INFORMATION @ 7/1/26

Agency Name: Office of the State Auditor

Program Name:

Business Unit: 30800

Program Code: P628

	LONG TERM LEASES ONLY							Long Term Only			SHORT TERM ONLY			
							Lease Type	A	B	A x B = C	D	E	D x E = F	
Item No.	Year	Make/Model	Vehicle Type	A** R C	License Plate Number	Mileage As of 7/1/26	Operational (O) or Standard (S)	FY28 Monthly Rate S= Rate Schedule	Number of months to lease	Total cost Rate FY28	Daily Rate Based On Vehicle Type	No. of Days	Total Lease Rate	Put (x) if Fed $
1	2024	Nissan Rogue	02B	C	010435SG	11,698	Standard (S)	704	12	8,448.0			-	
2	2025	Honda Accord	02B	C	011217SG	996	Standard (S)	766	12	9,192.0			-	
3										-			-	
4										-			-	
5										-			-	
6										-			-	
7										-			-	
8										-			-	
9										-			-	
10										-			-	
11										-			-	
12										-			-	
13										-	-		-	
14										-			-	
15										-			-	
16										-			-	
17										-			-	
18										-			-	
19										-			-	
								TOTAL LONG TERM:		17,640.0	TOTAL SHORT TERM:		-	

Operational(O) rate for FY28 will be

** Code A = additional leased vehicle request C = vehicle currently leased R = request to replace previously purchased vehicle