

**Timothy M. Keller**  
State Auditor



**Sanjay Bhakta, CPA, CGFM, CFE, CGMA**  
Deputy State Auditor

**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

July 14, 2016

Ryan Flynn, Secretary  
New Mexico Environment Department  
PO Box 5469  
Santa Fe, NM 87502-5469

Re: New Mexico Environment Department – Internal Control

Dear Mr. Flynn:

The Office of the State Auditor (OSA) received anonymous allegations stating that classified staff turnover, documented in each of the FY 2015 audit findings, is indicative of managerial problems related to procurement and other processes at the New Mexico Environment Department (NMED).

The complaint raises concerns that finance staff with professional training and ethical obligations report to an Administrative Services Division (ASD) Director who may not have received, or be fully conversant with, the same training and obligations and therefore may not be able to adequately supervise more highly trained personnel. Such a structure may set up unnecessary conflicts, creating incentives, pressures and opportunities for fraud, waste and abuse.

Specifically, the allegations are that the underlying causes of staff turnover in the Finance Bureau and elsewhere have not been addressed and that there are about twenty former employees who may have relevant information. The allegations continue by stating that procurement processes are in disarray, that there are even "gifts and bribes" from contractors, with a potential for procurement code violations. The OSA is aware that published Requests for Proposals in FY 2016 do not appear to identify the Chief Procurement Officer (CPO) as may be required by Section 13-1-95.2E NMSA 1978.

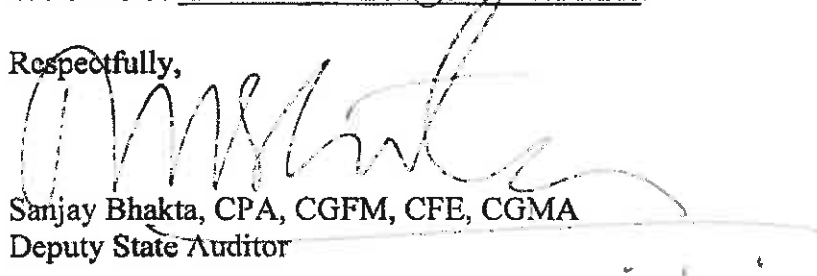
The allegations state that the ASD director, who oversees the Chief Financial Officer and the CPO, is unable to address the issues. NMED's financial statements for FY 2015 contain seven findings each of which references staff turnover, including finance staff as contributing factors. While the OSA appreciates NMED's management for responding to these findings the OSA is bringing these concerns to your attention in order for management to assess whether or not there are underlying unresolved issues.

Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations and comply with applicable laws and regulations. The OSA has not reviewed, assessed or otherwise evaluated your internal controls as they currently exist.

We bring this matter to your attention in order for you to consider the adequacy of your internal controls related to compliance with the Personnel Act and Procurement Code. The U.S. Government Accountability Office's Green Book, issued in 2014, establishes principles relevant to the five components of internal control and can be found at <http://www.gao.gov/products/gao-14-704G>. These principles include a commitment to ensure individuals uphold their internal control responsibilities.

Thank you for your attention to these matters. If you have additional information, or have any questions, please do not hesitate to contact me directly at 505-476-3820 or at [Kevin.Sourisseau@osa.state.nm.us](mailto:Kevin.Sourisseau@osa.state.nm.us). If I am not available please contact Hamish Thomson at 505-476-3818 or [Hamish.Thomson@osa.state.nm.us](mailto:Hamish.Thomson@osa.state.nm.us).

Respectfully,

A handwritten signature in black ink, appearing to read "Sanjay Bhakta", is written over a horizontal line. The signature is cursive and somewhat stylized.

Sanjay Bhakta, CPA, CGFM, CFE, CGMA  
Deputy State Auditor