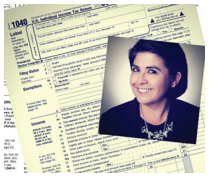
Written by By Joey Peters NM Political Report
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SANTA FE–An investigation into the state Taxation and Revenue Department is implicating cabinet Secretary Demesia Padilla for alleged illegal behavior.

State Auditor Tim Keller recently revealed ***(http://nmpoliticalreport.com/6182/auditor-finds-possible-abuse-of-power-in-tax-and-rev/)*** that his office received a complaint in February that senior TRD officials gave a certain politically connected taxpayer preferential treatment. Part of the reason for the alleged preferential treatment centered around
how a cabinet level TRD official previously worked for this taxpayer.

A letter sent yesterday from State Auditor Tim Keller to Gov. Susana Martinez says that the allegations surround Padilla, the highest-level employee in the department. According to the letter, Padilla allegedly “improperly influenced, or attempted to influence, the TRD tax audit of a former client.”

A preliminary report by an independent auditing firm found reason for a deeper investigation into the allegations. It also concluded that “actions were taken to protect the Secretary from possible individual liability stemming from her previous work for the taxpayer” as an accountant.

From the letter:

The [Office of the State Auditor], based on the predicate report discussed below, has determined that there is a reasonable basis to open an investigation into the allegations concerning the Secretary, as well as other senior TRD employees.

Keller's office referred the investigation to Attorney General Hector Balderas, who yesterday said through a spokesman that the "matter is under review."

Keller's letter to Martinez also says that his office may conduct a special audit "regarding the fiscal impact of these allegations to the State of New Mexico."

Previously, State Auditor spokeswomen Justine Freeman told New Mexico Political Report that the alleged preferential treatment may have cost the state money and led to retaliation against other TRD employees. Keller's letter further states that "two senior TRD employees who refused to support the Secretary's efforts may have experienced retaliation."

Padilla, a certified public accountant, unsuccessfully ran as a Republican for state treasurer in 2006. Martinez appointed her cabinet secretary in 2011.

More from Keller's letter to Martinez:

Since this complaint involves appointees from your Administration who serve at your pleasure, we are notifying you of this matter so you can take any action you deem appropriate and prevent any possible further retaliatory actions from being taken against TRD employees.

A TRD spokesman yesterday dismissed the allegations, stating "we believe these are nothing more than unsubstantiated claims that are being driven by disgruntled former employees, who either work for the State Auditor or were fired for sexual harassment."