

State Auditor Tim Keller identifies millions in uncollected revenue

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Audit reveals state potentially failed to collect at least \$193M from insurance companies

SANTA FE – On Sept. 20, State Auditor Tim Keller released a special audit of premium taxes collected by the state of New Mexico. New Mexico’s Office of the Superintendent of Insurance is responsible for accurate and timely collection of premium taxes from insurance providers that do business in the state.

A sample of one-quarter of the total premium tax collected from 2010 to 2015 revealed that the state may have been underpaid at least \$193 million just for those transactions. The total amount due to the state for all transactions is likely to be more.

“Given New Mexico’s budget shortfalls, it is critical for the state to competently collect the taxes it’s owed,” Keller stated. “Unfortunately, this is another driver of our state’s budget woes. As time goes on, our state stands to lose out on even more money, adding to the millions that should be collected from insurance companies. We are overdue for the administration to seal these cracks that allowed millions of dollars in much needed revenue to slip through.”

The audit, conducted in conjunction with OSI at the request of the Legislative Finance Committee, was completed by the independent audit firm Clifton Larson Allen, LLP. It notes that OSI relied on the insurance companies to self-report but did not have a process for tracking which companies should have been reporting or for adequate verification of amounts paid.

“With such significant amounts of revenue involved, the honor system is a wholly inadequate

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approach to tax administration,” Keller said.

In the cover letter to the audit, Keller outlined recommendations to address the concerns raised.

First, the Keller urges OSI to pursue all past underpayments to make the state whole. The State Auditor has required OSI to provide a monthly timetable for specific dollar amounts recovered and outstanding.

Second, the state auditor urges OSI to take swift, specific and measurable corrective actions to avoid further underpayments. These measures should include transparency and accountability to the Legislature and the public.

In 2014, the New Mexico legislature appropriated funds to OSI to conduct a premium tax audit. When the audit was not completed in a timely manner, the Legislature made the audit subject to oversight by the State Auditor. The complete audit report is available here: osanm.org/audit_reports/detail/10327

The Office of the State Auditor helps government work better by providing transparency and accountability for government spending; informing policy choices; and tackling fraud, waste and abuse. OSA is an independently elected executive agency responsible for examining the use of public dollars in New Mexico.