



New Mexico

Department of Finance  
and Administration

Michelle Lujan Grisham  
Governor

Wayne Propst  
Cabinet Secretary

Date: June 22, 2026

To: Dona Ana County  
845 N. Motel Blvd., Las Cruces, New Mexico 88007  
Attn: Christopher Schaljo-Hernandez, Chair, Board of County Commissioners  
Re: Notice of Imposition of Special Conditions and Fiscal Agent Requirement

Dear Chair Schaljo-Hernandez and Members of the Board:

Please accept this letter as formal notice that the New Mexico Department of Finance and Administration, acting through its Local Government Division (“DFA”), pursuant to § 6-3B-3, NMSA 1978, and MAPS FIN 9.2, is imposing special conditions on Dona Ana County’s administration of state grant funds and requiring the County to hire and use a fiscal agent, as set forth below.

**Background and Basis:**

On or about May 12, 2026, the Office of State Auditor (“OSA”) sent DFA a referral letter regarding the Special Audit (Consulting Procedures) Report dated April 16, 2026. In the letter, OSA highlighted significant concerns about Dona Ana County, as identified in the Special Audit Report. Specifically, the Report found systemic, pervasive, and long-standing failures in Dona Ana County’s management of public funds between July 1, 2020, and May 1, 2025. Accordingly, the County was issued nineteen (19) findings, all of which are material weaknesses. OSA determined that this created “a high-risk environment in which fraud, waste, abuse, and misuse of public funds could occur and remain undetected.”

Therefore, in compliance with § 6-3B-3, NMSA 1978 and MAPs FIN 9.2, and in light of the forty-two (42) total findings identified in the Special Audit Report—including findings related to procurement controls, financial management, grant administration, conflicts of interest, and internal controls—DFA is required to impose the following conditions on any state capital outlay or special appropriation grants awarded to the County.

**Fiscal Agent Requirement:**

Effective immediately, the County must designate a DFA-approved fiscal agent before requesting any capital outlay or special appropriation funds. This agent will handle reviewing compliance, submitting notices of obligation (NOOs), processing and submitting payment and reimbursement requests, and preparing all necessary reports for current and future grants related to capital outlay or special appropriations awarded to the County. Additionally, they will support the County in establishing and overseeing internal controls and compliant business procedures, as well as offering training and capacity-building assistance to County staff and governance.

**Special Conditions to Be Included In All Grant Agreements:**

Effective immediately, all capital outlay or special appropriation grant agreements issued by a state entity to the County must contain the following special conditions:

1. The County must identify and engage a qualified fiscal agent acceptable to the Department before proceeding with any active or new project covered by this Agreement. The County must provide the DFA with a copy of the executed fiscal agent agreement within five (5) business days of execution.
2. All NOOs, payment requests, and financial reports must be submitted via the engaged fiscal agent.
3. The County must submit to DFA a Corrective Action Plan (CAP), developed in coordination with the DFA's Bureau of Finance and Budget, that, at a minimum, (1) establishes a centralized grant file for each project; (2) establishes an auditable process requiring a pre-draw packet with PO/contract, invoice, proof of procurement, proof of payment (or pay-when-paid), and GL posting; (3) establishes a protocol and procedure for quarterly performance and financial reports; and (4) establishes a protocol and accounting procedure for a separate GL string for each grant in the County's book of record.
4. The County must fully comply with all activities, milestones, and deadlines outlined in the CAP. The County must demonstrate satisfactory progress in implementing the CAP as a condition precedent to receiving approval for any NOO for active or project costs.
5. The County is ineligible for any disbursement or advance funding for active or new project costs.
6. The County is required to submit for approval and follow documented month-end and year-end grant close procedures that reconcile grant summary schedules to the modified-accrual trial balance, including recording unearned revenue, receivables, and revenue cutoffs for both disbursed and reimbursement grants. The County shall enforce mandatory segregation of duties among grant administration, accrual preparation, and review and approval of close entries, and shall designate a lead grant accountant to coordinate input from grant administrators and finance. The County shall use standardized support packets for each grant period close, including grant agreements, draw and claim logs, expenditure reconciliations, accounts receivable aging for reimbursements, disbursement schedules, and revenue recognition memos.
7. The County is required to submit for approval and follow a standardized procurement checklist, approval workflow, and contract review process aligned to the State Procurement Code. The County's procurement procedures must prohibit purchases without pre-approval and funding verification; require conflict-of-interest disclosure and screening before award and annually for contract managers; enforce segregation of duties in requisitioning, approval, receiving, and payment; and establish and maintain a centralized contract repository with key terms, deliverables, and monitoring schedules.
8. The County shall conduct monthly reconciliations and submit quarterly consolidated grant status reports to DFA, certifying completion of reconciliations and identifying any outstanding items, in accordance with approved month-end and year-end grant close procedures.
9. The County shall conduct and certify completion of training for its grant administrators on compliance and grant close requirements, including accountability for timely and accurate submissions to DFA.

**Implementation Timeline:**

1. Within ten (10) business days of this notice, the County must:


- a. Submit to DFA a fiscal agent engagement plan identifying the procurement strategy, scope, budget, and, if applicable, the prospective firm/entity.
2. Within thirty (30) calendar days of this notice, the County must:
  - a. Execute a fiscal agent contract and commence services.
  - b. Submit an initial CAP and execute amendments to all existing capital outlay or special appropriation agreements to incorporate the special conditions above.

**Duration of Special Conditions and Release:** The special conditions and fiscal agent requirement will remain in place until OSA issues a written determination that the forty-two (42) findings identified in the Special Audit Report have been remediated and that the County has demonstrated sustained corrective action sufficient to address the governance, financial management, procurement, and internal control deficiencies identified therein.

**Consequences for Noncompliance:** Failure to comply may result in suspension or termination of grant agreements, withholding of reimbursements, additional oversight measures, or other remedies available to DFA.

**Point of Contact:** Please direct all communications regarding this notice to Hallie Brown, MPP, Deputy Director, New Mexico Department of Finance and Administration, Local Government Division. Phone: 505.500.9355 Email: hallie.brown@dfa.nm.gov

Regards,

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Hallie Brown

Deputy Division Director

cc: Wayne Propst, Cabinet Secretary  
Dona Ana County Board of County Commissioners  
Dona Ana County Attorney