



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



September 30, 2026

Attorney General Raul Torrez
Office of the Attorney General
201 Third Street NW, Suite 300
Albuquerque, NM 87102

Director Jessica Randall
Medicaid Fraud Control Unit
Office of the Attorney General
201 Third Street NW, Suite 300
Albuquerque, NM 87102

Dear Attorney General Torrez and Director Randall:

American taxpayers provide nearly half a billion dollars every year to State governments to fund State Medicaid Fraud Control Units (MFCUs or Units), which are obligated by Federal law to use that money to effectively fight Medicaid fraud and protect patients from abuse or neglect. New Mexico receives approximately \$4.3 million per year from American taxpayers for these purposes. Given this substantial investment in the New Mexico MFCU, American taxpayers and the Federal Government expect the Unit and the New Mexico Attorney General to use the millions of Federal dollars to effectively fight Medicaid fraud and protect Medicaid patients from abuse or neglect.

The Department of Health and Human Services, Office of Inspector General (OIG) is conditionally recertifying the New Mexico MFCU, subject to special conditions. This action reflects OIG's recognition of the Unit's potential and its obligation to ensure that every MFCU operates effectively, uses Federal funds appropriately, and consistently delivers results that protect the integrity of the Medicaid program. Although the New Mexico MFCU has taken steps to address challenges that may impede its effectiveness, the Unit must take additional action to improve its performance across key operational and investigative areas. Additional improvement is necessary to ensure compliance with Federal requirements and to ensure that the Unit operates at the standard taxpayers expect. Certain weaknesses persist, particularly in areas essential to the Unit's statutory responsibilities, such as referrals and cooperation with Federal partners.

OIG conducted an onsite inspection of the New Mexico MFCU in September 2020 ([*New Mexico Medicaid Fraud Control Unit: 2020 Review*](#), OEI-06-20-00550) (hereafter referred to as the "2020 onsite inspection report"). OIG's inspection covered the 3-year period of fiscal years (FYs) 2017–2019. In that review, OIG identified certain weaknesses involving staff and management turnover, quality and quantity of referrals, cooperation with Federal partners, and the completion of investigations and reporting of convictions and adverse actions in a timely manner. Two of OIG's recommendations remain open, as noted in the Enclosure.

OIG takes seriously its responsibility to ensure that Units receiving these Federal funds are fulfilling the MFCU mission effectively. As part of that responsibility, OIG evaluates each Unit's performance, operational capacity, investigative outcomes, and overall adherence to statutory and regulatory requirements. This oversight is essential to maintaining public trust and ensuring that every MFCU contributes meaningfully to the broader fight against fraud, waste, and abuse within the Medicaid program.

OIG is conditionally recertifying the New Mexico MFCU beginning on October 1, 2026, subject to special conditions. This letter serves as written notice and explanation of OIG's determination to conditionally recertify the Unit with special conditions (42 CFR § 1007.17(d)(1); 2 CFR § 200.208(d)).

Statutory and Regulatory Background

The Social Security Act (SSA) requires each State to demonstrate that it operates a MFCU that effectively carries out its statutory functions and responsibilities (SSA §§ 1902(a)(61) and 1903(q)). OIG, through delegations from the Secretary of Health and Human Services, is responsible for annually recertifying and funding each Unit (SSA §§ 1903(a)(6), (b)(3), and (q); 44 Fed. Reg. 47809, 47811 (Aug. 15, 1979)). To continue receiving Federal funding, a Unit must be certified. Under SSA §§ 1903(a)(6) and (q) and 42 CFR § 1007.19(d)(1), Federal funding is allowable only if a Unit has been certified and recertified annually by OIG.

OIG may approve or deny a Unit's annual recertification application and must provide written explanation for denials (42 CFR § 1007.17(d)(2)). When making recertification determinations, OIG evaluates whether the Unit has demonstrated that it effectively carries out the functions and requirements described in SSA § 1903(q), as implemented by 42 CFR part 1007. In making these determinations, OIG reviews the information described in 42 CFR §§ 1007.17(a) and (b) and considers the factors in 42 CFR § 1007.17(c).

OIG may impose special conditions or restrictions and may require corrective action, as provided in 2 CFR § 200.208, before approving a reapplication for recertification (42 CFR § 1007.17(d)(1)).

Basis for Conditionally Recertifying With Special Conditions

OIG conditionally recertifies the Unit subject to special conditions. OIG evaluated whether the Unit demonstrated that it effectively carries out its statutory functions and responsibilities as required by SSA §§ 1902(a)(61) and 1903(q) and implemented in 42 CFR part 1007. OIG considered the following factors and information and determined that the Unit is not always effectively carrying out its statutory functions and requirements.

Findings Under Each of the Five Certification Factors in 1007.17(c)(1)-(5)

1. Compliance With Regulations (42 CFR § 1007.17(c)(1)): The New Mexico MFCU generally complied with applicable laws and regulations.

2. Compliance With Policy Transmittals (42 CFR § 1007.17(c)(2)): The New Mexico MFCU generally complied with OIG policy transmittals.

3. Adherence to Performance Standards (42 CFR § 1007.17(c)(3)): OIG has determined that the New Mexico MFCU is not always adhering to the MFCU Performance Standards as published in the *Federal Register* (89 Fed. Reg. 76431, September 2024). OIG assessed the Unit's adherence to all performance standards based on the MFCU's recertification materials that cover July 1, 2025, through June 30, 2026 (the full year immediately before the quarter in which the Unit's recertification date falls) and annual statistical reporting covering Federal FYs 2023–2025.

- Performance Standard 2—Staffing:

The New Mexico MFCU employed 28 staff, commensurate with the State's Medicaid program expenditures of more than \$10.4 billion. In its FY 2025 annual statistical report, the Unit reported that it had 28 approved staff positions and that all of them were filled as of the end of the FY 2025. However, the MFCU has struggled to hire and retain a director for the last 3 years. After having an acting director from March 2024 to August 2025, the MFCU hired a permanent director in August 2025; however, that director left just 1 month later. The MFCU had an acting director again from September to November 2025, when the MFCU hired its current director. In the 2020 onsite inspection report, OIG found that the Unit struggled with management and staff turnover. The report noted that management turnover led to inconsistency in leadership styles, which disrupted Unit operations.

- Performance Standard 4—Referrals:

The New Mexico MFCU receives an inadequate quantity and quality (e.g., nonactionable) of fraud referrals from the State Medicaid Program Integrity Unit (PIU), a division within the State's Office of Inspector General (State OIG). In FY 2025, the Unit reported that it received one referral from the PIU and did not open the referral as an investigation.

The memorandum of understanding between the MFCU and the PIU instructs the PIU to promptly refer suspected fraud to the MFCU, in accordance with 42 CFR 455.21(a). However, in its FY 2026 recertification information, the MFCU reported that the PIU has taken the position that a State law requires that the PIU only makes a referral to the Unit after the PIU and the State OIG's Investigations Bureau determines that the referral is a "credible allegation of fraud," which is a higher threshold than suspected fraud. According to the Unit, the State OIG's investigation and administrative process to make a "credible allegation of fraud" determination could take years to resolve.

Although the Unit saw an increase in referrals from managed care organizations (MCOs) in FY 2025, the quality of these referrals needs improvement. The MFCU reported that it received 30 MCO referrals in FY 2025, a notable increase from past years: 10 in FY 2024, 9 in FY 2023, and 1 in FY 2022. However, out of these 50 total MCO referrals, the Unit only opened 1 of them as an investigation because of the quality of the referrals. In July 2026, the Unit met with the PIU to discuss how to improve the quantity and quality of both the PIU and MCO referrals.

- Performance Standard 5—Case Progression:

The New Mexico MFCU is effectively managing its case progression. During the 2026 review period, New Mexico MFCU supervisors began conducting case file reviews every 60 days rather than following the previous 90-day review cycle. Approximately 15 percent of the Unit's open cases are more than 3 years old.

- Performance Standard 8—Cooperation:

Cooperation between the MFCU and OIG's Office of Investigations (OI) is not effective. The New Mexico MFCU must improve its relationship with OI. OI reported that the New Mexico PIU's position that State law requires that the PIU only make referrals to the Unit upon the State OIG's determination of a "credible allegation of fraud," limits the joint cases OI investigates with the MFCU. OI noted that, during the 2026 review period, the Unit and OI investigated three joint cases together.

4. Effectiveness Investigating and Prosecuting Fraud (42 CFR § 1007.17(c)(4)): The New Mexico MFCU is not always using its resources effectively to investigate cases of possible fraud in the administration of the Medicaid program, the provision of medical assistance, or the activities of providers of medical assistance under the State Medicaid plan, or to prosecute cases or cooperate with the prosecuting authorities. Among the factors that OIG has considered in assessing the Unit's effectiveness in investigating and prosecuting fraud are the Unit's case outcomes as reported in the annual statistical report and how the Unit compares with similar-sized peers.

For the last 3 fiscal years, the New Mexico MFCU reported a total of 8 fraud convictions and ranked last out of 15 similarly sized Units. The New Mexico MFCU also reported 331 fraud investigations, 7 additional fraud indictments, 10 civil settlements and judgments, and total monetary recoveries of approximately \$4.9 million in FY 2025.

5. Effectiveness Investigating and Prosecuting Patient Abuse or Neglect (42 CFR § 1007.17(c)(5)): The New Mexico MFCU is not always using its resources effectively to review and investigate, refer for investigation or prosecution, or criminally prosecute complaints alleging abuse or neglect of patients or residents in health care facilities receiving payments under the State Medicaid plan and, at the Unit's option, in board and care facilities. Among the factors that OIG has considered in assessing the Unit's effectiveness in investigating and prosecuting patient abuse or neglect are the Unit's case outcomes as reported in the annual statistical report and how the Unit compares with similar-sized MFCUs.

For the last 3 fiscal years, the New Mexico MFCU reported six convictions related to patient abuse or neglect, with all six of the convictions occurring in FY 2025. The New Mexico MFCU ranked 11th out of 15 similarly sized Units. Additionally, in FY 2025, the New Mexico MFCU reported 23 investigations and 8 indictments related to patient abuse or neglect.

Effect of Conditional Recertification With Special Conditions

OIG is granting conditional recertification subject to special conditions. To remove these special conditions and be recertified, the Unit must take the corrective actions detailed in the Enclosure.

Upon successful completion of the corrective actions, OIG will remove the special conditions. If the New Mexico MFCU fails to take the required action, OIG may pursue additional certification actions or financial remedies, as necessary (see 42 CFR § 1007.17 and 2 CFR § 200.339).

If you have any questions regarding your Unit's conditional recertification, please call me at (202) 619-3148.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. March Bell". The signature is fluid and cursive, with a large loop at the end.

T. March Bell
Inspector General

Enclosure

Enclosure: Special Conditions for Corrective Action

OIG imposes the following special conditions on the New Mexico MFCU Federal grant. The New Mexico MFCU must take corrective actions to come into compliance with the MFCU performance standards (42 CFR § 1007.17(c)(3)). The New Mexico MFCU must also demonstrate effectiveness in using its resources to investigate and prosecute criminal Medicaid fraud cases and Medicaid patient abuse or neglect cases (42 CFR § 1007.17(c)(4)-(5)). Upon OIG's determination that the Unit has taken the actions necessary to comply with its regulatory requirements and made sufficient progress for the corrective actions listed below, OIG will remove the special conditions and recertify the Unit.

1. Staffing:

The Unit must take the following steps to address the staffing deficiencies described in this letter. Specifically, within 30 days of the date of this letter, the Unit must provide to OIG an analysis of the cause of ongoing staff turnover and a staffing plan that details how the Unit will work to retain its staff to effectively carry out its statutory responsibilities to fight fraud and patient abuse or neglect. The staffing plan must specify the steps the Unit will take to ensure retention of qualified staff, including the Unit Director. The plan should include targeted timeframes for these actions and the actions the Unit will take to meet its targeted timeframes. In addition, within 6 months of the date of this letter, the Unit must provide to OIG a progress report that details the steps the Unit has taken in accordance with its staffing plan. OIG may provide feedback to the Unit on the staffing plan and progress report, as necessary. To obtain recertification, the Unit has to do more than merely submit a plan for improvement and a progress report; it must also demonstrate significant progress toward addressing the staffing deficiencies described in this letter.

2. Referrals:

The Unit must take steps to address the referral deficiencies described in this letter. Specifically, within 30 days of the date of this letter, the Unit must provide to OIG an analysis of what is causing the low referrals and an action plan that details the steps the Unit will take to address the quantity and quality of its referrals. The action plan must specify the referral entities with which the Unit will schedule regular meetings (at least monthly) and a description and targeted timeline for providing training or other information to the specified referral entities to encourage referrals. In addition, within 6 months of the date of this letter, the Unit must provide to OIG a progress report that details the steps the Unit has taken in accordance with its action plan and the number or percentage increase in referrals from each referral source over the last 6 months. OIG may provide feedback to the Unit on the action plan and progress report, as necessary. To obtain recertification, the Unit must do more than merely submit a plan for improvement and a progress report; it must also demonstrate significant progress toward addressing the referral deficiencies described in this letter.

3. Cooperation With the Office of Investigations:

The Unit must take steps to improve cooperation with OI. Specifically, within 30 days of the date of this letter, the Unit must provide to OIG a plan that details the steps the Unit will take to

improve cooperation with OI. The plan must include a schedule of regular meetings with OI to occur at least monthly, and the Unit must include coordination procedures (e.g., joint cases, deconfliction) in the Unit's policies and procedures manual. In addition, within 6 months of the date of this letter, the Unit must provide to OIG a progress report that details the steps the Unit has taken in accordance with its cooperation plan. OIG may provide feedback to the Unit on the cooperation plan and progress report, as necessary. To obtain recertification, the Unit must do more than merely submit a plan for improvement and a progress report; it must also demonstrate significant progress toward addressing the deficiencies related to cooperating with OI described in this letter.