



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



Department of Finance and Administration
And
General Services Department
Review of Selected Capital Outlay Projects
January 16, 2009

Report # 09-04

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January 16, 2009

Katherine Miller, Secretary
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Arturo L. Jaramillo, Cabinet Secretary
General Services Department
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Dear Secretaries Miller and Jaramillo,

On behalf of the Legislative Finance Committee (committee), I am pleased to transmit the Review of Selected Capital Outlay Projects for the Department of Finance and Administration, the General Services Department and the Department of Game and Fish.

The purpose of the review was to examine the planning, implementation and management of each project as well as developing a standard audit methodology for future capital projects. The following projects were selected for this review:

- *Tri-Services Laboratory project*
- *Belen Multipurpose Community Center*
- *Eagle Nest Dam Repairs*
- *Water Innovation Funds*

The report will be presented to the committee on January 16, 2009. Discussions were held with each agency to address any concerns before the exit conferences, which were conducted during the first week of January.

The committee expects a corrective action plan from the departments within 30-days from the date of the hearing. Staff will continuously monitor your progress.

I believe that this report addresses issues the committee asked us to review. Thank you for your cooperation and assistance.

Sincerely,

A handwritten signature in blue ink that reads "David Abbey".

David Abbey, Director

DA:MP/svb

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The following steps include the minimum standard procedures for future capital project evaluations:

- *Review applicable statutes, rules and pertinent information project.*
- *Interview the oversight agency and project manager.*
- *Tour the facility or project site.*
- *Review agency and grant agreements.*
- *Determine if appropriated funds were used efficiently and effectively.*
- *Review contracts to ensure compliance with laws, rules and regulations.*
- *Evaluate project completion and obtain safety, maintenance and occupancy documents.*
- *Determine if the project's benefit to the state is evident.*

Tri-Services Lab received \$86 million in funding of which approximately \$4 million is unencumbered.

A State Agency Auditing process presentation was made to the Capital Outlay Subcommittee on September 2, 2008 by the State Auditor and the Deputy Director of the Legislative Finance Committee (LFC) to review how capital outlays appropriations are audited. Key observation included:

- Annual financial statement audits may not provide sufficient audit coverage of the capital outlay appropriations.
- Separate audits of major capital outlay projects have not been conducted.
- An agreed upon procedures audit or reviews of major capital outlay projects may be warranted to ensure compliance with laws and provide project accountabilities.

The Legislative Finance Committee reviewed four capital outlay projects during the 2008 interim as requested by the Capital Outlay Subcommittee. The purpose of the review was to examine the planning, implementation and management of each project as well as developing a standard evaluation tool (see **Appendix A**) for future reviews of capital outlay projects. The following projects were selected for this review:

- Tri-Services Laboratory project
- Belen Multipurpose Community Center
- Eagle Nest Dam Repairs
- Water Innovation Fund (WIF)

Some of the projects were successful and possessed verifiable project management and monitoring. For example, since breaking ground, the Tri-Services Laboratory project has bi-monthly status meetings at the construction site with all key partners and the contractor management team. The project is ahead of schedule and working towards a March 2010 completion date.

Key Findings

Tri-Services Laboratory. Piecemeal funding of planning and construction monies resulted in lost savings and expertise for the state. Tri-Services Laboratory's cumbersome project development can be attributed to State gubernatorial and UNM presidential administration changes, attitudes about the "worthiness" of the project and piecemeal appropriation of planning and construction monies.

The Office the Medical Investigator (OMI) is concerned about whether funds will be available to adequately equip and furnish the laboratory after the construction is complete especially if the \$7 million budget request for FY2010 is not approved for the Department of Health

Belen Multipurpose Community Center received \$5.6 million in funding from federal, state and local sources.

Eagle Nest Dam Repairs Project was appropriated \$3.0 million of which approximately \$1.7 million is unexpended.

After five years, spending \$1.3 million and receiving the results from the engineering reports and analysis, DGF still has not made a decision on the path forward or determined the cost to repair the dam.

Water Innovation Fund has an \$8 million balance as of December 2008.

Grant award documentation is insufficient and unverifiable.

(DOH). The need for legislation to be introduced that would require all capital outlay projects under the jurisdiction of the Property Control Division (PCD) to submit a maintenance plan and an annual maintenance report.

Belen Multipurpose Community Center. The Belen Multipurpose Community Center (MPCC) project along with the surrounding recreational parks and roads has received many appropriations and grants dating back to 1993 through 2008. Project management appears to have been constant. The project was monitored consistently and the project manager readily available to City of Belen personnel.

Maintenance of the drainage area around the Belen MPCC was not conducted consistently. As a contributing factor, flooding in 2006 caused structural damage to the facility. The Drainage Plan for the Belen MPCC has been drafted but not finalized and approved by the City Council. A Drainage Maintenance Plan for Belen MPCC area does not exist as of the writing of this report.

Eagle Nest Dam Repairs. A cost estimate detailing the planned use of the three million dollar appropriation does not exist. The operating transfers from the Department of Game and Fish (DGF) to the Interstate Stream Commission (ISC) for the contractor invoices do not reconcile with ISC's records. As a result, the reauthorized appropriation amount may be overstated. There was turnover in project management at the ISC. As a result, the ISC did not maintain current project data and documentation efficiently. The turnover also may have contributed to the limited documentation made available to the LFC. DGF relies on ISC expertise because the Department does not have an engineer with dam expertise on staff.

Water Innovation Fund. WIF funding through the capital outlay appropriation process has totaled \$25 million from laws of 2004 through 2008. According to the Department of Finance and Administration's (DFA) Capital Outlay Bureau (COB), there have been 49 grant awards from 2004 to 2008 for approximately \$17 million. Review of WIF appropriations indicates that payments are processed by COB on a timely basis; however, financial data needs to be reconciled with the Administrative Services Division's accounting records.

Adequate documentation is lacking in the majority of project files. Documentation ranging from missing progress reports to letters of recommendation from oversight agencies was consistently missing from projects. Four of six contract files, excluding Rio Rancho, did not contain the required progress reports that were outlined as deliverables within the contracts.

DFA has not established a tracking system for project performance and outcomes.

Approximately 457.3 million gallons of water per year may be saved.

The wastewater treatment system has not been used since the research was completed in late 2005.

COB could not provide inventory details for the equipment obtained from this project.

The New Mexico Corrections Department (NMCD) indicated that they are currently not using the system as verified by LFC's site visit.

Project management by DFA is minimal. Instead the bulk of the responsibility resides with the technical oversight agencies such as New Mexico Environment Department (NMED), and Office of State Engineer (OSE). Based on COB's documentation, project management is reduced to deliverables that must be met in order for payment remittance.

Albuquerque Bernalillo County Water Utility Authority (ABCWUA) - Leak Detection Pilot Project - Award Amount \$577,000. ABCWUA's proposal indicates that 1,250 leak detection loggers (Leak noise sensors) would be placed to monitor about 250 miles of pipe. ABCWUA's pilot project was a complete success. Upon completion, the pilot project demonstrated exceptional results. Over a four month period 52 leaks were identified at a rate of 870 gallons per minute which translates to 457.3 million Gallons Per Year (GPY).

Marine Environmental Partners, Inc. (MEP) - TerraSan™ T-WWTP Waste Water Treatment Plant – Award Amount \$545,000. The objectives of the project were to treat wastewater from municipal sewage and industrial sites, or contaminated water. DFA considers the project successful and 100 percent complete. DFA has not approved the transfer of the equipment to New Mexico State University for similar subsequent project, as the paperwork is still in process.

N.A. Water Systems - Advanced Solution Demonstration Pilot Study – Pecos River, New Mexico – Award Amount \$700,000. During the life of the contract, February 2005 through February 2006, there was verified receipt of three (including the final report) of the seven required reports. The final report concluded that the Advanced Solution Demonstration Pilot Study proved that it is possible to treat produced water to the level stated in the project goals (less than 3,000 mg/l TDS). OPUS technology was clearly capable of meeting the produced water quality requirement (less than 120 mg/l). Despite the favorable results, the project was discontinued after the project completion date.

Gordon Construction Co. - Santa Fe County Lagoon Wastewater Improvements – Award Amount \$599,024. Gordon Construction's Lagoon Filtration System indicated that it would use a proprietary waste water filtration system to process lagoon wastewater and produce Class 1A reuse water. NMED indicated that soon after prototype testing, a formal memorandum regarding this project was sent to DFA recommending the termination of this project because the filtration system would not achieve its objectives. It was also indicated that approximately half of the \$599 thousand grant was spent. The remainder could have been reverted to fund other projects. LFC requested this memorandum from Ron Curry, Secretary, NMED and DFA. However, DFA has deemed this documentation confidential

under “Executive privilege” and has not provided the requested information. DFA entered into a final “settlement agreement and general release” with the NMED and the contractor on April 8, 2008 and processed final payment totaling \$82.6 thousand. According to DFA, this project was a success and is producing reuse water on a daily basis. NMCD is not planning on using this system because it is not cost effective and up to 90 percent of the pumped water is rejected and remains unfiltered.

Key Recommendations

Tri-Services Laboratory. LFC staff concurs with GSD’s suggestion that the Legislature should institute a two-phase funding approach for all major capital outlay projects. First phase to fund project design through programming and schematic. Second phase to fund full construction, furnishing, and equipment costs based on completed design and up dated cost estimates.

Continue to work on proposed legislation requiring the inclusion of maintenance planning and submission of periodic maintenance reports on new construction projects to PCD. PCD has already begun this process by inserting more specific maintenance-focused language in rule 1.5.24 NMAC covering Conduct On and Use of State Property. Continue using automated project and maintenance management systems, like FacilityMAX, for large capital outlay projects.

Belen Multipurpose Community Center. Finalize the Drainage Plan for the Belen MPCC and surrounding area and obtain City Council approval by March 2009. Draft, approve and implement a Drainage Maintenance Plan for the Belen MPCC and surrounding area by March 2009.

Eagle Nest Dam Repairs. Determine which recommendations in the dam inspection reports can be implemented with available information and resources. A risk assessment should be conducted based upon the results from the engineering reports and analysis to determine what risk the state is willing to assume. Take action to complete the Operations and Maintenance Manual and the Emergency Action Plan to meet the applicable requirements of the dam safety rules and regulations. Reconcile the DGF expenses/payment transfers with ISC payment records to ensure the appropriation balance is correct. ISC should establish a protocol when project managers leave or reassigned to other projects to ensure project data is consistent and current.

Water Innovation Fund. Consider legislation to establish Water Innovation Act to provide necessary program guidance, requirements, limitations, oversight responsibilities, etc.

Ensure the equipment, furniture and moving costs are included in the requested funding for each major capital outlay project.

Determine how much it will cost to repair the Eagle Nest dam.

Create centralized project documentation guidelines.

Establish a tracking system to measure project performance and outcomes.

Transfer unused equipment to other WIF projects that could benefit from such transfers.

Additional Capital Outlay Projects need to be evaluated.

Create WIF administrative guidelines to ensure proper oversight, fiscal responsibility and project management. Complete funding reconciliations and ensure that balances in SHARE are aligned to reflect all outstanding adjustments. Ensure that all fund recipients adhere to contract deliverables, especially progress reports.

As practical, contract language should include a clause requiring periodic site visits by technical oversight agencies. A written report should result from site visits, and if necessary the project budget should include funding for these activities. Independent of the grantee's final report, DFA or the oversight agency should provide a summary or assessment report from its perspective. It should include lessons learned, State of New Mexico benefits, key statistics, successes, weaknesses and other relevant data that might be beneficial for future WIF projects. Compile an inventory of equipment purchased, location of equipment, custodian, and current usage of equipment.

Future Project Evaluations. The legislative and executive branches of government have improved accountability for capital outlay appropriations but much more needs to be done from initial planning, prioritization of projects, funding, and management to actual execution of many projects. It is recommended that the legislature consider including requirements in the Capital Appropriation Act for the State Auditor and LFC to conduct special agreed upon procedures audits of major capital outlay project appropriations in consultation with DFA. Also, LFC may want to require evaluations of additional capital outlay projects using agreed upon procedures in the program evaluation annual work plan in coordination with the State Auditor and DFA.

BACKGROUND INFORMATION

Background. The most recent review on capital outlay projects was presented to the Legislative Finance Committee (committee) on January 12, 2008. The review sought to complement previous evaluations, by assessing the planning and implementation of selected capital outlay projects and review any progress made to improve the overall systems. There were two significant findings identified during this review: (1) Nearly all sampled projects met their intended purposes; but improvements are needed to complete many on time and within budget; (2) New Mexico has taken some steps to improve its capital outlay process, but more is needed to ensure efficient and effective use of state resources.

On January 16, 2006, the committee issued a report entitled *Review of Capital Outlay Planning and Monitoring Process And Follow Up of June 19, 2003 Review*. The objective of this review was to determine if there are policies and procedures in place to ensure proper planning and prioritization of capital projects and effective and efficient use of state resources. The results of this review identified that the state used an inadequate and often fragmented planning process, and that DFA could improve its administration of the capital projects unit's (unit) responsibilities.

In 2003, the Office of the State Auditor and the committee's program evaluators issued a joint report titled *Capital Outlay Oversight Review*. As a result of this review, capital outlay appropriation language was changed and \$700 thousand was appropriated to the Department of Finance and Administration (DFA) for the purpose of improving administration of the state's capital outlay program. DFA established the unit in April 2004, and it has been fully staffed with seven full-time equivalent (FTE) positions since October 2004. The unit reports directly to the secretary.

The unit monitors capital outlay projects for state agencies, public schools, local governmental entities and higher education on the capital projects monitoring system (CPMS), which is populated once the capital outlay appropriation bill is signed by the governor. The unit has general update authority for all of the fields in the CPMS database. Oversight agency update authority is limited to the expenditure, encumbrance and status fields. Information in selected CPMS fields is available on the DFA/unit web site.

The following data depicts the total original capital appropriation amounts, funds expended, funds reverted and the balance for appropriations awarded from 1998 through 2008 for capital projects.

Table 1. Summary of Capital Outlay Appropriations 1998 through 2008
(in thousands)

Year	Original Appropriation	Expended Amount	Reverted Amount	Balance
1998	\$336,548.2	\$300,546.2	\$5,188.5	\$107.7
1999	\$251,485.5	\$91,975.8	\$3,033.4	\$588.8
2000	\$222,655.5	\$189,366.5	\$5,475.6	\$4,913.5
2001	\$1,577,809.5	\$1,125,759.3	\$5,332.5	\$445,696.7
2002	\$360,446.9	\$319,898.1	\$7,701.3	\$7,924.7
2003	\$162,281.4	\$134,550.4	\$4,216.6	\$4,898.0
2004	\$482,795.4	\$394,880.3	\$2,994.3	\$79,561.5
2005	\$483,343.6	\$331,790.8	\$3,244.4	\$128,898.5
2006	\$867,339.7	\$293,987.5	\$65,285.9	\$463,148.1
2007	\$908,844.7	\$166,762.3	\$4,133.2	\$693,647.7
2008	\$606,731.7	\$4,448.6	\$-0-	\$601,640.0
Total	\$6,260,282.3	\$3,354,005.8	\$106,621.4	\$2,431,025.2

Source: DFA CPMS

Generally, language in appropriation bills and consequently in law specifies funding amounts and funding purposes. However, the Water Innovation Fund does not have enabling legislation. Grants may also provide restrictive language on how funds may be used. Any funding remaining at the end of a capital outlay project revert. In subsequent legislative sessions, the legislature often reauthorizes or extends the time to use unexpended balances.

A State Agency Auditing process presentation was made to the Capital Outlay Subcommittee on September 2, 2008 by the State Auditor and the Deputy Director of the Legislative Finance Committee (LFC) to review how capital outlays appropriations are audited. Key observations included:

- Annual financial statement audits may not provide sufficient audit coverage of the capital outlay appropriations.
- Separate audits of major capital outlay projects have not been conducted.
- An agreed upon procedures audit or reviews of major capital outlay projects may be warranted to ensure compliance with laws and provide project accountabilities.

Objectives.

- Identify the funding sources and determine if the project was appropriately planned according to legislative intent.
- Evaluate the oversight by sponsoring agencies as well as the project manager's implementation of the plan.
- Determine what New Mexico gained from this project and if the state received a return on its investment.
- Verify that applicable state laws, rules and regulations, including any federal requirements (if federal funds were expended) were followed.

Projects for review were selected based upon the following criteria:

- Appropriation amount; large, multi-year appropriations; and, large unspent amounts.
- Ranked "red" in quarterly status report.

- Completed or near-completed projects.
- Legislative interest, request and/or known risk.
- Representative mix of agencies and sponsorships.

Scope and Methodology.

- Review applicable laws, rules, regulations,
- Tour facilities and visit project sites,
- Review memos of understanding (MOU), joint power agreements (JPA) and grants/contracts
- Evaluate funding, project expenses and payments,
- Assess project management, outcomes and progress,
- Review reports and deliverables, and
- Interview oversight agencies’ staff and project managers.

Authority for Review. The committee is authorized under the provisions of Section 2-5-3 NMSA1978 to examine the laws governing the finances and operation of departments, agencies and institutions of New Mexico and all of its political subdivisions, the effect of laws on the proper functioning of these governmental units, and the policies and costs of governmental units as related to the laws. Pursuant to its statutory authority, the committee may conduct performance reviews and inquiries into specific transactions affecting operating policies and costs of governmental units and their compliance with state laws.

Review Team.

Manu Patel, Deputy Director for Program Evaluation
 Donna K. Hill-Todd, Program Evaluation Manager
 Lawrence Davis, Program Evaluator
 Brenda D. Fresquez, Program Evaluator
 John Ketchens, Program Evaluator

Exit Conference. The contents of this report were discussed with each agency and its management team at separate exit conferences on the following dates:

January 2, 2009	Department of Game and Fish
January 5, 2009	General Services Department
January 6, 2009	Department of Finance and Administration
January 6, 2009	City of Belen

Report Distribution. This report is intended for the information of the Office of the Governor, the Department of Finance and Administration, the General Services Department, the Department of Game and Fish, the City of Belen, the Department of Health, the University of New Mexico, the Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Manu Patel, CPA
 Deputy Director for Program Evaluation

FINDINGS AND RECOMMENDATIONS

GENERAL SERVICES DEPARTMENT TRI-SERVICES LABORATORY

Background. The Tri-Services Laboratory project is managed by the Property Control Division of the General Services Department (GSD). The initiative for this endeavor is partnered by GSD, the Department of Health, the New Mexico Department of Agriculture, and the New Mexico Office of the Medical Investigator. The Tri-Services Lab is owned by the State of New Mexico and is located on the University of New Mexico's (UNM) Health Sciences Center campus in Albuquerque. The facility was constructed in the 1970s and houses the New Mexico Department of Agriculture Veterinary Diagnostics Services (VDS), New Mexico Department of Health (DOH) Scientific Laboratory Division (SLD), and New Mexico Office of the Medical Investigator (OMI). With the increase in New Mexico's population came the increased demand for the services provided by these organizations, in terms of public health surveillance, outbreak control, livestock and wildlife outbreak investigation, environmental monitoring and hazard remediation, death investigation, and quality assurance activities. This led to the need for more personnel and equipment, thus the laboratory complex had become structurally inadequate, and the design no longer efficient. The Infrastructure Capital Improvement Plan states that in the current building, construction materials and degrading heating, cooling and ventilation systems interfered with specimen analysis causing contamination and exposed employees to risk from airborne and chemical hazards. In addition, changes in federal and state laws, the new and re-emerging infectious diseases, and mounting concerns about the use of biological and chemical weaponry, necessitated the proposal to construct a new facility. It was deemed not cost effective to remediate the existing complex.

Current Project. The inception of the current project occurred between 1999 and 2000. Since then, the project has had gone through two administrations and several GSD cabinet secretaries. Over approximately a ten year period this project has cost the state \$86 million, primarily as a result of various cost increases. In 2002, the State of New Mexico hired DCSW, Inc. to find a new site for the laboratory complex on the UNM campus, then plan and design the facility. Initially, VDS, SLD, OMI, the Department of Public Safety (DPS) Crime Laboratory Bureau and the UNM Center of Emerging Infectious Diseases (CEID) were the proposed occupants of the new facility and the project was referred to as the Quad-Services Lab. In 2003, the DPS Cabinet Secretary made the decision to build a new Santa Fe Crime Lab, pursuing separate funding, and to establish a new lab in Las Cruces. Also in the same year, the CEID program was withdrawn from the project because UNM decided to fund it independently using federal grants.

The proposed complex will be approximately 201,000 square feet which will increase the space of each occupant by 60 percent. It will contain general analytical laboratory space, specialized areas to perform molecular diagnosis, human autopsy, and animal necropsy as well as office and conference areas. The facility's design will comply with federal and state Occupational Health and Safety requirements and security guidelines. The project will also employ the Leadership in Energy and Environmental Design (LEED) approach for environmental "friendliness." A Commissioning Agent will serve as the independent third party verification. It assures that all building functionality and equipment are performing as designed and as expected by GSD's Property Control Division (PCD). In addition, it will allow for the use of state of the art

analytical and electronic information technologies. The total contract cost for the Commissioning Agent is \$298.5 thousand.

Five acres of land have been purchased from UNM on which Tri-Services Laboratory is being constructed. PCD is overseeing the general construction; the design and architectural planning are under the oversight of Studio Southwest Architects, Inc.; and the general construction contractor is Jaynes Corporation. The construction component is 20 percent complete and ahead of schedule. The anticipated completion date of the Tri-Services Laboratory is March 2010.

Fiscal Impact. According to the Administrative Services Division of GSD cash is reconciled on a regular basis. Funding for the Tri-Services Laboratory has been channeled through four sources and three agencies. The Tri-Services Laboratory funding sources are summarized in the below table.

Table 2. Tri-Services Laboratory Funding Sources
(in thousands)

Funding Sources	Department of Health	New Mexico Finance Authority	Property Control Division	Total Funding
Cigarette Tax Revenue Bonds	\$6,500.0	\$13,700.0		\$20,200.0
Severance Tax Bonds	\$4,100.0		\$28,000.0	\$32,100.0
Capital Projects Fund	\$7,000.0			\$7,000.0
SOBTRB (State Office Building Tax Revenue Bonds)		\$26,700.0		\$26,700.0
Total Funding	\$17,600.0	\$40,400.0	\$28,000.0	\$86,000.0
Total Expensed				\$26,117.2
Total Encumbered				\$55,836.3
Balance				\$4,046.5

Source: PCD and NMFA

The majority of cash draw downs have been conducted on a timely basis. PCD must follow three different approaches for cash drawdowns:

1. Internal guidelines for funding appropriated directly to PCD.
2. Reimbursement requests for appropriations granted to DOH for Tri-Services Lab use.
3. State Office Building Tax Revenue Bonds funding resides with the New Mexico Finance Authority (NMFA) trustee (Bank of Albuquerque). Therefore, payments are received, reviewed, and remitted by PCD. PCD then requests reimbursement from NMFA. In turn, NMFA will withdraw the necessary funding and reimburse PCD.

It appears project funding is being used for its intended purpose. Funding has been encumbered and expended according to statutory intent. However, PCD has five outstanding reimbursements, totaling \$13.5 million that need to be requested from DOH. During the review, the OMI communicated a different funding issue. There is concern that if the supplemental funding package, approximately \$7 million, for the three partners (OMI, SLD, and VSD) being submitted by DOH is not funded during the 2009 legislative session, the partners will not be able to move into or function in the new laboratory. The supplemental request covers equipment and furnishings.

Project Management. PCD's Project Manager for the Tri-Services Laboratory is highly qualified to handle a project of this magnitude. The project manager has managed the Tri-Services Lab project for approximately 14 months (in addition to other projects) and has utilized innovative, organized, and effective management skills. The project manager has formed a group of reliable and competent onsite and internal project team members. Partners and team members demonstrate respect and cooperation with project leadership.

A few innovative measures were undertaken to improve project budget management and validate the "suitability" of the completed construction project. With the purchase of FacilityMAX in May 2006, PCD has a "total facilities asset management" system which is automated and enables them to integrate facilities management, asset management, and maintenance operations. Tri-Services Laboratory project is the pilot for using this system. At this time, PCD is using the following financial modules:

- Accounts Payable – contains purchase order invoice, service contract invoice and project contract invoice items and adjustments.
- Finance – manages the organization's financial account structure, maintaining costs categorized into four sub-ledgers (labor, materials, equipment, and contracts).
- Project Management – manages the project as a group of work orders. Project milestones can be tracked on a regular basis. Costs roll-up into the project from the work orders for reporting purposes.

The Building Services Division (BSD) is also using the Asset Management system to track inventory building equipment, setting up user interfaces and managing system functions (Systems Administration), and the Preventive Maintenance model which manages all preventive maintenance and inspection work that can be set up using a template on a scheduled basis. The system automatically generates the work order based on the criteria in the template. Presently, all maintenance issues are turned over to the agencies after PCD has completed the construction phase of a project. If maintenance plans are not complied with, there is the likelihood of facilities deteriorating significantly before their life spans or the requirement of extensive maintenance because preventive measures were not taken.

PCD has taken the initiative, via Conduct On and Use of State Property, 1.5.24 NMAC, to outline requirements for lead agencies with regard to facility maintenance standards. This includes a provision to have the lead agency budget for and use the services of BSD, if the agency is unable to provide adequate maintenance and oversight. In addition, it requires that the lead agency submit to the PCD, using PCD's prescribed format, a maintenance report by July 1 of each calendar year.

Another valuable module is the Facility Condition Assessment. It can plan a work order out to 20 years, and alert the user for preventive maintenance throughout the lifetime of the work order. This maintenance component is still being explored, but has the potential of becoming a "staple" part of the BSD and PCD building maintenance management suite.

In addition, the project employed the services of a Commissioning Agent (Agent) that possessed a background in LEED. The Agent monitors the facility throughout the planning and construction phases. At the completion of the project, the Agent inspects the facility and equipment to ensure that all aspects function to the client's expectation. The LEED certification is in accordance with the governor's strategy to create more "green" facilities.

Contract Review. The Request for Proposal (RFP) process for the General Contractor and Commissioning Agent that resulted in contracts for Jaynes Corporation and Working Building, LLC respectively, were advertised and administered fairly. It appears that the contracts and subsequent amendments/change orders entered into by Studio Southwest Architects (formerly DCSW, Inc), Jaynes Corporation, and Working Building, LLC, as well as the Tri-Services Lab property acquisition were conducted in the best interest of the State. The cost and terms appear reasonable and in accordance with State contracting protocol (i.e., appropriately signed and dated, clear definition of services and deliverables, reimbursements, and language for termination of contract).

Impact of Delays. The initial programming and schematic design for the project were completed in early 2003. During the 2004 session, GSD requested \$40 million for the project; however, the Legislature appropriated \$7 million, Chapter 126. In 2005, the state had secured approximately \$35 million in state funding (\$17 million, Chapter 347, Laws 2005 and \$18 million, Chapter 320, Laws 2005) but could not fully fund the project. As a result, the project lost one of the nations best laboratory designers which delayed the project's progress and the groundbreaking for construction did not take place until May 2008. The initial cost estimate for the Tri-Services Lab was \$56.8 million. The estimated cost has risen to \$86 million.

The New Mexico Finance Authority (NMFA) is responsible for issuing bonds necessary for the project. NMFA reported that the cost of the project would have been substantially less if the project had sufficient funding in 2005.

Key Issues.

1. Tri-Services Laboratory's cumbersome project development can be attributed to State gubernatorial and UNM presidential administration changes, attitudes about the "worthiness" of the project; and piecemeal appropriation of planning and construction monies.
2. The OMI is concerned about whether funds will be available to adequately equip and furnish the laboratory after the construction is complete especially if the \$7 million budget request for FY2010 is not approved for DOH.
3. There is a need for legislation to be introduced that would require all capital outlay projects under the jurisdiction of the PCD to submit a maintenance plan and an annual maintenance report, similar to the master planning, maintenance and utilization model implemented by the Public School Facility Administration.

Recommendations.

Legislative

1. LFC staff concurs with GSD's recommendation that the Legislature should institute a two-phase funding approach for all major capital outlay projects. First phase to fund project design through programming and schematic. Second phase to fund full construction, furnishing, and equipment costs based on complete design and up dated cost estimates.

State Agencies

1. Ensure equipment, furniture and moving costs are included in the requested funding for each major capital outlay project.
2. Encourage GSD to continue to work on proposed legislation requiring the inclusion of maintenance planning and submission of periodic maintenance reports on new

construction projects to PCD. PCD has already begun this process by including additional specific maintenance-focused language in Conduct On and Use of State Property, 1.5.24 NMAC. The Division is in the process of drafting legislation to further this effort.

3. Continue using automated project and maintenance management systems, like FacilityMAX, for large capital outlay projects.

CITY OF BELEN
BELEN MULTI-PURPOSE COMMUNITY CENTER

Background. In 1993, the City of Belen (City) first sought assistance from the State Legislature to fund land acquisition, design and construction of a multi-purpose community center (MPCC). The City is developing a park that will provide recreational opportunities for people of all ages, especially for school age children. With a 1993 State Legislature appropriation of \$100 thousand, and a City contribution of \$163 thousand, the City purchased 47 acres of vacant land within the city limits. The City contributed \$241.4 thousand of in-kind services, which included trash removal and rough grading. The site is located immediately north of Belen High School, between Interstate 25 and the Belen Highline Canal. The proximity to the high school continues to provide additional athletic venues for the school as well as the community. The project continues funding through the Legislature and U.S. Department of Housing & Urban Development (HUD).

Fiscal Impact. The Belen MPCC funding sources summarized in the following table reflect several phases of the project including the ball fields, community center, structure shading, gymnasium, etc. (See **Appendix B** for a detailed listing of project funding).

Table 3. Belen Multi-Purpose Community Center and Park Funding
(in thousands)

Laws of:	Type of Funding	Award or Appropriation Amount	Remaining Balance	Project Number	Funding Source
1993	City of Belen Contribution	\$163.0	\$0	N/A	Account: General Fund-Cash
1994 through 2008	Grant Agreements or JPAs: DFA & City of Belen	\$4,013.5	\$277.3	Various	STB or GF
Fiscal Years 2000, 2001 and 2006	EDI Special Project Grant: HUD & City of Belen	\$1,476.6	\$ 0	Various	Federal
Total		\$5,653.1	\$277.3		

Source: DFA and City of Belen Records

It appears that the City has accounted for and spent all appropriated funding. The remaining balance is related to final completion of the gymnasium, equipment and park amenities.

Project Transaction Testing. The Finance Director requested funds from DFA as prescribed in the grant agreement for construction projects upon receipt of an Application and Certification for Payment from the project manager/engineer/architect, Molzen-Corbin and Associates, and the contractor. The transactions list in Table 4 were selected for review:

Table 4. Belen MPCC Transaction Testing

Date	Account	Transaction	Amount	Accurate?
4/13/2004	Architect/Engineering	Ck#1024 Molzen-Corbin & Assoc	45,376.71	Yes
7/23/2004	Construction/Park Improvement	Ck#1028 First Mesa Construction	233,717.92	(1)
5/16/2005	Construction/Park Improvement	Ck#7954 Contract Associates	18,204.24	Yes
3/1/2007	Construction/Park Improvement	Ck#12058 Albuquerque Asphalt	131,200.65	Yes

Source: City of Belen Detail General Ledger

Notes:

(1) Invoices attached to the Application and Certification for Payment document does not tie to the schedule of value amounts. Per Sally Garley, the Architect does the review of all invoices submitted by the Contractor's subcontractors. They also hire an Observer to walk through the project and determine the percent of completion for each category of Description of Work. The Scheduled Values listed on the AIA Document G703 typically represent subcontracted work. The invoices are just examples of some of the work completed – all of the subcontractor invoices to support this amount are not provided to the City because those contracts are between the Contractor and their various Subcontractors.

It appears that the City of Belen typically retains supporting documentation for construction transactions that were reviewed and approved by the Project Engineer/Architect who served in the role of Project Manager.

Project Management. Molzen-Corbin and Associates' John Q. Pate, Vice President of Architecture, served as the Project Manager for the Belen MPCC project and served in the role of Architect/Engineer of Record for the project. Pre-construction and field meetings were held on a regular basis with documented meeting minutes maintained in the records. The project was advertised, bids received and a selection process exercised with the approval of the City Council. All contracts were valid, properly authorized and approved, adequately documented and monitored. The required closeout documents (i.e., Certificate of Occupancy, Release of Liens, etc.) were obtained by the City upon completion of work performed by the contractor. Overall, the project was efficiently monitored and managed throughout the construction phase.

Project Flood Damages and Repairs. In August 2006, flood waters from heavy rains extensively damaged the park by eroding and enlarging the unprotected drainage channel, undermining the concrete slabs around the recreational facilities, washing out sidewalks and depositing siltation in the construction retention basin. The flood damage site was evaluated by Federal Emergency Management Agency (FEMA) for possible funding of the Hazard Mitigation project.

FEMA paid \$192.8 thousand for the Multi Purpose Park Drainage Restoration portion of the project. The City was responsible for the remaining balance. The project was advertised for bid on August 29 and September 1, 2007. Three bids were received and the contract was awarded to the lowest bidder, Star Paving, Inc. Star Paving's bid and original contract amount was \$257.2 thousand and the contract date was October 22, 2007. In February 2008, final payment of \$250.4 thousand was made to Star Paving.

Inadequate maintenance contributed to the structural damage caused by the flood. The following was obtained from one of the Construction Industries Division (CID) General Building Inspector's report dated July 2008:

The purpose of the investigation was to determine causal factors of the settlement and cracking that has occurred in the west and north building walls and north courtyard wall of the Belen Multi-Purpose Community Center which was constructed in 2004.

There were two significant surface flooding events in which the building was inundated with water that were likely the major causal factors in the movement / cracking of the building. Drainage was a factor in that the water was not adequately diverted away from the building, but apparently diverted the runoff into the building. Site / Civil drawings show an adequate drainage plan, however due to soil, site and weather conditions, maintaining that drainage may have been difficult. The road on the north side of the site was until recently dirt / gravel with barrow ditches for drainage, the drainage plan also utilized swales / ditches to facilitate water diversion around the building. Soil type in the area does not allow ditches and swales to hold their shape. Wind blown sand and debris washed in from light rains had a tendency to “silt in” those ditches / swales greatly reducing, if not eliminating their effectiveness. Due to the sheer amount of water which ran onto the site, soils below the structural fill likely collapsed and shifted causing the building movement.

Insurance. The city of Belen did not qualify for insurance money to repair the damaged building. The city manager also discussed why the insurance claim was filed late with the insurance company, Mountain States. When the damage was identified, the City manager notified the project engineer to evaluate it. The project engineer never recommended the city to file an insurance claim. By the time the claim was filed, the damage had been repaired and there was no damage for the insurance adjuster to evaluate. Basically, the insurance company provided two communications that identified the damage from flood waters was excluded from the policy and if there were any damages, claims had to be filed on a timely basis. The facility is not in a flood plain as identified by FEMA.

The original contractor, First Mesa Construction, Inc. was not responsible for the damages caused by the flood waters. FEMA completed a hazard mitigation project to prevent future flooding of the area around the facility. Janstar completed the repairs to facility while constructing the gym and included more in-ground drainage as part of the contract. The City completed a draft of the City’s Drainage Plan for the MPCC; however, management has not drafted a written Maintenance Plan for the drainage area surrounding the MPCC to ensure future flooding will not occur. In addition, management has not tracked the total dollar amount spent from various resources to complete the repairs to the facility and surrounding drainage area; however, the architect/engineer firm stated in a later telephone call that if necessary, they could develop a detailed listing of the repairs to the facility.

The Parks and Recreation Department’s Director maintains a schedule of who uses the facility on a calendar. Based upon the file of rental agreements, the facility is consistently used by community, civic and high school organizations as well as individual residents. The Belen MPCC appears to be meeting legislative intent.

Key Issues.

1. Based upon the history of grants received from state appropriations, the Belen MPCC project along with the surrounding recreational parks and roads has been continuously funded throughout the years. Project management appears to have been constant, the project is monitored consistently and the project manager readily available to City of Belen personnel.

2. Maintenance of the drainage area around the Belen MPCC was not conducted consistently which contributed to structural damage to the facility caused by the flooding event.
3. The Drainage Plan for the Belen MPCC has been drafted but not finalized and approved by the City Council.
4. A Drainage Maintenance Plan for Belen MPCC area does not exist as of the writing of this report.

Recommendations.

1. Finalize the Drainage Plan for the Belen MPCC and surrounding area and obtain approval by the City Council by March 2009.
2. Draft, approve and implement a Drainage Maintenance Plan for the Belen MPCC and surrounding area by March 2009.

DEPARTMENT OF GAME AND FISH EAGLE NEST DAM REPAIRS

Background. Eagle Nest Dam Repair project is managed by the Office of the State Engineer (OSE) Interstate Stream Commission based on a October 2003 Joint Powers Agreement (JPA) between the Department of Game and Fish and OSE. Eagle Nest Dam is a 140 foot high, concrete arch structure, constructed between 1916 and 1918. The dam is located in Colfax County 2.4 miles southeast of Eagle Nest, New Mexico at the headwaters of the Cimarron River in north central New Mexico. The dam stores water in Eagle Nest Lake, and regulates stream flow for downstream irrigation and municipal water supplies.

With the State's purchase of the dam in 2002, the State Game Commission owns Eagle Nest Dam. The Department of Game and Fish (DGF) administers the Dam for the State Game Commission. The current DGF strategic plan states that by 2012 all dams on State Game Commission property are deemed safe, operational, and in compliance with OSE, Dam Safety Bureau regulations. DGF intends to ensure the three owned dams in high hazard locations meet the applicable and budgeted requirements of the dam safety rules and regulations by December 31, 2010. Eagle Nest Dam is one of the three rated as a high hazard dam. According to Dam Design, Construction and Dam Safety, 19.25.12.10 NMAC, the hazard potential classification is a rating for a dam based on the potential consequences of failure. The rating is based on loss of life, damage to property and environmental damages likely to occur in the event of dam failure. The hazard potential classification is not a reflection of the condition of the dam.

Preliminary assessments and inspections completed prior to acquisition by the State indicated dam rehabilitation and design was considered necessary to comply with the Dam Safety Regulations for high hazard dams and to maintain the structure and outlet works.

Joint Powers Agreement. In October 2003, the DGF and the ISC entered into a JPA to establish responsibilities, to include financial obligations and administrative processes regarding the maintenance and operation of facilities and services at Eagle Nest Lake. The agreement expires on June 30, 2027. The ISC has the financial responsibility for the oversight, management, and maintenance of the Eagle Nest Dam. The ISC is responsible for procuring the services of a qualified professional engineer to study and report on the condition of Eagle Nest Dam and provide engineering cost estimates for dam refurbishing. ISC submitted invoices for cost incurred associated with: (1) the dam safety inspections, (2) contracts for engineering surveys and design studies, and (3) dam outlet works refurbishment.

Interstate Stream Commission. The ISC is charged with protecting New Mexico's right to water under eight interstate stream Basins, ensuring the state complies with each of those Basins, as well as water planning. To ensure basin compliance, ISC staff analyzes and implements projects in New Mexico as well as analyzes stream flow, reservoir, and other data on the stream systems.

Dam Safety Bureau. The OSE Dam Safety Bureau ensures that dams in New Mexico are designed, constructed, operated, and maintained safely to prevent dam failures. Dams greater than 10 feet in height or store more than 10 acre-feet of water are under the jurisdiction of the OSE. The responsibilities of the Dam Safety Bureau include inspecting existing dams to verify they are operated and maintained in a safe condition. The bureau reviews plans and

specifications for new dams and modifications and repairs to existing dams to ensure compliance with OSE design criteria. The bureau also inspects construction to verify the dams are built or repaired in accordance with the plans on file with the State Engineer.

Fiscal Impact. The Laws of 2003, Chapter 429, Section 41 (HB200), appropriated three million dollars (\$3,000,000) from the game protection fund to the DGF for expenditure in fiscal years 2003 through 2008 to refurbish and repair Eagle Nest dam. Laws of 2008, Chapter 83, Section 169 (SB352) reauthorized the appropriation of \$1.7 million through fiscal year 2010. The following table provides a summary of funding and expended amounts by fiscal year:

Table 5. Summary of Funding
(in thousands)

Appropriation:		\$3,000.0
Fiscal Year	Expended Amount	
2004	\$222.0	
2005	\$116.2	
2006	\$310.2	
2007	\$561.1	
2008	\$122.1	
Total	\$1,332.4	
Remaining Balance:		\$1,667.6

Source: DGF

The original cost estimate of \$6.2 million for the Eagle Nest Dam Repairs was prepared prior to the state purchase of the dam in 2002. Eagle Nest State Park was created in July 2004. Neither ISC nor DGF could provide a revised cost estimate detailing the planned use of the three million dollar appropriation.

The ISC issued three contracts appropriately through a request for proposal (RFP) process for engineering services for different types of water projects, not specific to dam expertise. Each contractor performed services on a work order basis that included a statement of work (SOW), estimated costs, and due dates for deliverables. A contract award summary is shown in the table below.

Table 6. Summary of Contract Awards
(in thousands)

Contractor	Deliverables	Contract Value
Bohannon Huston, Inc. (BHI)	Aerial and Bathymetric surveys; and Topographic Mapping & Orthophotography	\$67.5
	"Sunny Day" Generalized Breach Analysis	\$11.2
Turner Collie Braden (TCB) (formerly ECI)	Outlet Tower Underwater Gate & Tunnel Inspection	\$234.5
	Condition Assessment Report	
	Concrete Condition Assessment and Structural Analysis Report	\$1,080.0
URS Corporation (URS)	Dam Rehabilitation and Design (1)	\$0.8
	Independent Technical Review of Access Road Design	\$172.1
Total		\$1,566.1

Source: ISC

(1) This was "Phase II" and the associated work orders included tasks for access road design specifications, outlet works alternative analysis, design of overtopping measures, inspection and cleaning of gates, and bulkhead installation. It appears TCB made partial delivery of Phase II tasks including the access road technical specifications and partial bulkhead installation prior to the termination settlement, as discussed below.

Funding and Expenditures. The appropriation for the Eagle Nest Dam Repairs project originated in the Game Protection Fund (198) and then transferred to the Game and Fish Capital Improvement Fund (887). Once the funds are transferred to fund 887, a purchase document or encumbrance is generated, allowing the services to be paid through an invoice.

DGF payment transfer information included the encumbrance documents and contractor invoices sent by ISC. The invoices (100 percent) agreed with DGF's spreadsheet except for one error; it appears in 2006 that DGF reimbursed ISC twice for the same invoice. DGF confirmed and stated they would seek reimbursement of \$3 thousand from the ISC. ISC detail payment voucher data and payments did not agree with the expenses booked by DGF as shown in the table below.

Table 7. Summary of Contract Payments

	FY2004	FY2005	FY2006	FY2007	FY2008	TOTAL
ISC Payments						
BHI	\$0	\$7,028	\$77,310	\$0	\$0	\$84,338
TCB	222,800	100,319	294,082	534,351	0	\$1,151,552
URS	0	0	0	26,719	122,106	\$148,825
Total	\$222,800	\$107,347	\$371,392	\$561,070	\$122,106	\$1,384,715
DGF Expenses and Payment Transfers						
Total	\$222,800	\$116,252	\$310,202	\$561,070	\$122,106	\$1,332,430
Difference	0	(\$8,905)	\$61,190	\$0	\$0	\$52,285
				DGF duplicate identified by LFC		\$3,012
Total difference						\$55,297

Source: ISC and DGF

Project Management. ISC was responsible for procuring engineering services for the project and managing contractors based on issued work orders. Each work order identified/included an ISC project manager. During initial meetings with DGF as well as the ISC, it was noted that ISC had turnover in the Project Manager position at least four times, averaging one per year. The ISC monitored the project using Excel spreadsheets. With the changes in project managers, the information was not current or complete.

The DGF does not have an engineer with dam expertise on staff and has relied on ISC expertise. DGF project management was limited to reviewing contractor invoices (sent from ISC), project meetings, and email correspondence from ISC.

Of the \$1.1 million paid to TCB, \$506 thousand was for a termination settlement agreement. According to ISC, there were problems with TCB's performance in part due to change in staff and key personnel when TCB purchased ECI, and TCB was behind schedule and delayed deliverables. In December 2006, the ISC notified DGF that it would not continue the contract with TCB and that ISC would obtain deliverables for outstanding work orders and possibly decrease compensation for not completing the work. Based on February 2007 correspondence, ISC was to discuss with TCB outstanding Phase II invoices, settlement of the amount due for bulkhead work order and the next steps. TCB provided an updated and modified invoice for \$480.7 thousand, indicating there was some work completed under the tasks in the Phase II work orders. The negotiation of the settlement was based on the modified invoice, taking into consideration the value of avoiding litigation with TCB. ISC made a verbal settlement offer to TCB in March 2007 and finalized the termination settlement agreement in June 2007.

Additionally, as part of the settlement agreement, TCB charged the state six thousand dollars to store a hydraulic model until the contract with URS was finalized. URS was able to use the model that TCB completed prior to the termination for the Hydraulic Model Study.

Dam Safety Inspections. The Dam Safety Bureau inspected the Eagle Nest Dam prior to the state’s purchase in 2002. The past four inspection reports classified Eagle Nest Dam as in ‘fair condition’. According to the Bureau of Reclamation dam safety definitions, ‘fair condition’ classification means no existing dam safety deficiencies are recognized for normal loading condition. Rare or extreme hydrologic and/or seismic events may result in a dam safety deficiency. Risk may be in range to take further action. According to the inspection reports, the dam was classified as in ‘fair condition’ based on uncertainties regarding the performance of the dam during extreme flood events; otherwise, a ‘satisfactory’ rating would have been appropriate. The Dam Safety Bureau has inspected 17 out of 18 state owned dams and rated the condition of the dams; see **Appendix C** for definitions. The results are summarized in the table below.

Table 8. Summary of Inspected State Owned Dams

Condition Classification Rating	Hazard Potential Classification	Number of Dams
Satisfactory	Significant	1
	Low	1
Fair	High	1
	Significant	1
	Low	3
Poor	High	2
	Significant	4
	Low	4

Source: OSE

Since 2005, the inspection reports have consistently recommended repair of the concrete joints and hairline cracks in the dam crest. These repairs have not been made, cost estimates have not been obtained and repairs were deferred to be part of the overall dam rehabilitation strategy. Other than normal maintenance (removing woody vegetation), the recommendations have also included pursuing the rehabilitation of outlet gates, completion of access road improvements, resolving spillway capacity and impingement scour issues, and completion of an Emergency Action Plan (EAP) and Operation and Maintenance Manual (O&M). The OSE adopted new rules and regulations for dams, effective March 31, 2005. Dam Design, Construction and Dam Safety, 19.25.12.21 NMAC establishes the O&M Manual and EAP requirements for existing dams necessary for high hazard structures (i.e., Eagle Nest Dam). The O&M Manual and EAP must be approved and in place by December 31, 2008. However, DGF will not meet the December 31, 2008 deadline. The director has indicated that dam safety is a priority and will move forward with these documents as soon as DGF is able to meet and prioritize the 16 State Game Commission owned dams.

With the change in the director at the DGF and the agency’s lack of dam expertise, decisions regarding the project have been delayed and repairs to the dam have not been made.

The JPA between DGF and ISC support the legislative intent. The project has expended approximately \$1.3 million dollars, and although the contracts were valid, and somewhat necessary, the resulting deliverables have not included any repairs to the dam.

DGF has encumbered and expended the appropriation according to the statutory intent. However, due to differences between DGF and ISC, it appears the funding balance is incorrect and the remaining appropriation of \$1.7 million maybe overstated by approximately \$55 thousand.

Although the available project documentation was incomplete due to project manager turnover, the ISC project management and oversight was adequate and included the DGF in the process and decision-making.

Overall, the benefit of the contractor's reports provided information for the DGF and ISC to determine the condition of the dam from a safety perspective and identify maintenance needs. The analysis identified the deficiencies in the outlet works gates, determined like many other dams in the country, that the spillway capacity was inadequate to safely pass the probable maximum flood without overtopping the dam and cause rock scour (erosion) downstream of the dam. In addition, the access road to the dam does not provide adequate access to perform operations and maintenance activities. Problems associated with rock scour, particularly due to overtopping of existing concrete dams, is a significant concern to all dam safety engineers and regulators.

After five years, spending \$1.3 million and receiving the results from the engineering reports and analysis, DGF still has not made a decision on the path forward or determined the cost to repair the dam.

Key Issues.

1. A cost estimate detailing the planned use of the three million dollar appropriation does not exist.
2. The cost transfers from DGF to ISC for the contractor invoices do not reconcile with the ISC's records. As a result, the reauthorized appropriation amount may be overstated.
3. There was turnover in project management at the ISC. As a result, ISC did not maintain current project data and documentation efficiently. The turnover also may have contributed to the limited documentation made available to the LFC.
4. DGF relies on the ISC expertise because the Department does not have an engineer with dam expertise on staff.

Recommendations.

1. DGF should determine which recommendations in the dam inspection reports can be implemented with available information and resources. A risk assessment should be conducted based upon the results from the engineering reports and analysis to determine what risk the state is willing to assume and how much it will cost to repair the dam.
2. DGF should at a minimum, take action to complete the O&M Manual and the EAP, this would show due diligence as the dam owner to meet the applicable requirements of the dam safety rules and regulations.
3. Reconcile the DGF expenses/payment transfers with ISC payment records to ensure the appropriation balance is correct.
4. ISC should establish a protocol when project managers leave or reassigned to other projects to ensure project data is consistent and current.

**DEPARTMENT OF FINANCE AND ADMINISTRATION
WATER INNOVATION FUND**

Background. Governor Richardson’s Water Innovation Fund (WIF) was established to fund innovative water projects that focus on water or waste water technologies to advance solutions to water supply and quality problems throughout New Mexico. Water is deemed as one of the six investment priorities for New Mexico. WIF is intended to support part of the 2003 Strategic Infrastructure Investment Plan, commonly referred to as “Invest New Mexico.”

In 2004, WIF received its first appropriation for \$10.0 million. Subsequently, the Legislature has appropriated a total of \$25.0 million toward WIF projects. The Governor’s Finance Council and DFA oversee the capital efforts of WIF, but utilize technical expertise for project details and review from several state agencies, including the Office of the State Engineer (OSE), The New Mexico Environment Department (NMED) and the New Mexico Finance Authority (NMFA). According to DFA’s Capital Outlay Bureau (COB), there have been 49 grant awards for approximately \$17 million.

Fiscal Impact. The Capital Outlay Bureau within DFA remits payments for the projects from WIF. It appears that cash draw downs are conducted on a timely basis. The oversight agency (NMED, OSE) will receive the payment request, review the technical deliverables attached to the payment, approve and forward to COB. COB will review the payment for accuracy, approve and forward for processing and remittance. DFA stated that cash is jointly reconciled on a quarterly basis between the DFA’s Administrative Services Division (ASD) and COB. However, COB provided no documentation to support these activities.

WIF funding through the capital outlay appropriation process has totaled \$25 million from 2004 to 2008. The WIF fund is established within the local government division of DFA but there is no enabling legislation that provides guidelines, program requirements, technical oversight, etc., to ensure accountability of WIF appropriations. The table below provides the summary of the WIF appropriation:

Table 9. WIF Appropriations by Year
(in thousands)

Year	Number of Grant Awards	Total Appropriation	Awarded	Expended	Unexpended	Un-awarded Balance
2004	28	\$10,000.0	\$10,000.0	\$9,715.2	\$ 284.8	\$0.0
2004	1	\$500.0	\$500.0	\$500.0	\$0.0	\$00
2005	11	\$5,000.0	\$4,185.6	\$3,232.5	\$953.1	\$814.4
2006	8	\$3,000.0	\$2,218.0	\$30.5	\$2,187.5	\$782.0
2007	1	\$4,000.0	\$68.6	\$0.0	\$68.6	\$3,931.4
2008	0	\$2,500.0	\$0.0	\$0.0	\$0.0	\$2,500.0
Totals	49	\$25,000.0	\$16,972.2	\$13,478.2	\$3,494.0	\$8,027.8

Source: DFA Capital Outlay Bureau (SHARE)

Due to incomplete data, LFC can not validate the number of grant awards applied to 2006 and 2007 appropriations and actual balances in the SHARE system.

It appears that a 2004 appropriation for \$500 thousand was not used for its legislative intent. During the review, LFC informed COB of a \$500 thousand appropriation which COB was unaware of. The 2004 appropriation was intended for “technical assistance and planning grants to assist groups of communities and water systems to develop regional water storage, conveyance, delivery, conservation, recycling, treatment and reuse projects to be eligible for water project fund allocations.” However, this appropriation was granted to NM Tech and supporting documentation for further analysis was not provided.

Summary by Project.

Projects Selected for Review. Seven grants were selected for in depth analysis to ensure WIF contracts are valid, adequately documented and managed. The criteria for selecting WIF grant projects are:

1. Large grant amounts,
2. Selections are to include both private and public grantees,
3. Large unexpended grant balances,
4. Bankrupt entities that have received fund allocations, and
5. Known risk areas.

Contract files, agency oversight files and testimony from involved parties were evaluated to ensure all aspects of the grant process were reviewed. Although DFA considers 92 percent of the initial 38 projects as successful, only one of the sampled five completed projects continues to be used in New Mexico. The seven projects selected for review are summarized below:

Table 10. Projects Selected for Review

Grantee	Award Amount (in thousands)	Contract Length	Successful or Unsuccessful per DFA	Successful or Unsuccessful per Project Oversight Agency	Utilized by New Mexico After Project Completion
WIF I					
Albuquerque Bernalillo County Water Utility Authority	\$577.0	10 Months	Successful	Successful	YES
Marine Environmental Partners, Inc.	\$545.0	11 Months	Successful	Successful	NO
N.A. Water Systems	\$700.0	12 Months	Successful	No Opinion	NO
WIF II					
Gordon Construction Co.	\$599.0	12 Months	Successful	Unsuccessful	NO
Subsurface Technologies Inc.	\$826.1	20 Months	Successful	No Opinion	NO
WIF III					
New Mexico Tech	\$618.00	25 Months	In Process	N/A	N/A
WIF IV					
City of Rio Rancho /Daniel B Stephens & Assoc.	\$500.0	Initiated	N/A	N/A	N/A

Source: DFA, NMED, Project Files and LFC Analysis

It appears that WIF contracts are valid and have been approved by the appropriate representatives from each party. All contract files except the City of Rio Rancho/Daniel B. Stephens and Associates, which is in the signature phase, contain the original contract agreements including amendments. The City of Rio Rancho was one of ten grant award recipients in September 2008.

Adequate documentation is lacking in the majority of project files. Documentation ranging from missing progress reports to letters of recommendation from oversight agencies was consistently missing from projects. Four of six contract files, excluding Rio Rancho, did not contain the required progress reports that were outlined as deliverables within the contracts. The majority of projects were required by contract to deliver monthly progress reports. A memorandum dated April 16, 2007 concerning the Gordon Construction lagoon project was also absent from the contract files. In addition, it is unknown what documents were excluded due to “Executive Privilege.” However, all contract files did contain final reports and supporting documentation for payments.

Project management by DFA is minimal. Rather the bulk of the responsibility resides with the technical oversight agency (NMED, OSE, etc). Based on COB’s documentation, project management is reduced to deliverables that must be met in order for payment remittance. It is unclear how COB or the oversight agency monitors WIF projects; given that the majority of progress reports, which were outlined in the *Scope of Work*, were absent from the contract files. In addition, neither the technical oversight agencies nor COB perform site visits to determine or validate project progress.

Water Innovation Fund I: Albuquerque Bernalillo County Water Utility Authority (ABCWUA) - Leak Detection Pilot Project - Award Amount \$577,000. ABCWUA’s proposal indicates that 1,250 leak detection loggers (Leak noise sensors) would be placed to monitor about 250 miles of pipe or about 10 percent of the water distribution system. The project focused on known problem areas that could result in the heaviest property damage. ABCWUA stated “For the past ten years, the Utility has had an average unaccounted for water rate of over 11 percent or over 4 billion gallons of water per year.” It was estimated that if leak detection was installed system-wide the unaccounted-for-water would decline by half or 2 billion gallons of water per year.

ABCWUA’s pilot project was a complete success. Upon completion, the pilot project demonstrated exceptional results. ABCWUA installed 1,065 loggers and one correlator system that monitored approximately 240 miles of pipe. The loggers were placed in 11 different areas that represented varying water line materials, size, pressure zones and soil types. Over a four month period 52 leaks were identified at a rate of 870 gallons per minute which translates to 457.3 million Gallons Per Year (GPY). In addition, \$252 thousand worth of water was recovered, assuming \$550 per million gallons and a one year run time for identified leaks. ABCWUA also noted that “It should be assumed that more leaks will be found in these areas in the future.”

Monthly progress reports that were outlined as deliverables within the *Scope of Work* were not received. It is unclear how the oversight agency, NMED, monitored the progress of this project. However, a final report was submitted which quantified the above results.

Water Innovation Fund I: Marine Environmental Partners, Inc. (MEP) - TerraSan™ T-WWTP Waste Water Treatment Plant – Award Amount \$545,000. The objectives of the project were to treat wastewater from municipal sewerage and industrial sites, or from contaminated waters for reuse in irrigation and for industrial use in order to reduce the consumption of potable water, lower the cost of use and generate cash flow from resale of water. The primary goal was to determine if an advanced wastewater treatment system (TerraSan™) designed and built by

MEP (later IONZ Bluewater Solutions) could be successfully applied to treat waste water produced from dairy operations.

The TerraSan™ system was used at Milagro Dairy located in Clovis, New Mexico to demonstrate the effectiveness of an advanced wastewater treatment system in dairy applications. IONZ Bluewater Solutions provided a summary report and final payment was made in February 2006. According to IONZ Bluewater Solutions, MEP went through involuntary bankruptcy, venture capitalists purchased its assets, and then IONZ Bluewater took over the project. Based on the Florida Department of State Corporation Filings, MEP dissolved in September 2006.

DFA considers the project successful and 100 percent complete. However, based on the available information, it appears the wastewater treatment system has not been used since the research was completed in late 2005. There was no specific evidence indicating why the use of the technology was discontinued. Prior to April 2008, DFA did not know the status or location of the state owned equipment. Due to a change in dairy ownership, the equipment was moved in February 2008 to the New Mexico State University (NMSU) Ag Science Center in Clovis. The owner did not want the trailer on the property and if it was not moved, the trailer would be taken to the “dump”. The NMSU Dairy Extension provided DFA an approximate inventory of the system and equipment in the trailer (see **Appendix D**). In the spring of 2008, NMSU requested the equipment to be donated to its Dairy Wastewater program, specifically for parts to be utilized in the Green Water Project, currently underway, and similarly funded by the Governor’s Water Innovation Fund. However, as of this writing, DFA has not approved the transfer of the equipment, as the paperwork is still in the Legal Division.

Water Innovation Fund I: N.A. Water Systems - Advanced Solution Demonstration Pilot Study – Pecos River, New Mexico – Award Amount \$700,000. N. A. Water Systems (N.A. WS) has a history of providing engineering, procurement, installation, operation, and reporting for pilot water resource related projects and has extensive experience in the design and building of full scale water treatment facilities.

According to the Request for Proposal (RFP) for the Governor’s Water Innovation Fund, the goal was to develop a system for treating “produced water” (or brackish water) that could be used to increase the flow of the Pecos River. Produced water is defined as “...water that comes to the surface as part of the oil and gas extraction process... and re-injected into the reservoir or area from which it came.” This pilot project would make use of the substantial amounts of “produced water” that could be re-introduced into the Dagger Draw and Indian Basin areas.

N.A.WS’s response to the RFP describes a proposed pilot facility that would treat “produced water” through an eight stage process, so as to “...reduce the feed water total dissolved solids (TDS) concentration from 12,500 mg/l to (less than) 3,000 mg/l. The facility would be hosted at a site capable of providing raw water, utilities, and means for disposing of treated water and the by-products it generates. Also, the site would allow for on-site analysis and operations control.”

N.A.WS was awarded a contract in February 2005. The project was called the “Advanced Solution Demonstration Pilot Study – Pecos River, New Mexico.” The project would enable N.A.WS to demonstrate its trademarked technology, OPUS, which was developed specifically to treat “produced water.” The total amount of the contract was not to exceed \$700 thousand, including expenses and gross receipts tax. Originally, the contract was scheduled to terminate in December 2005; however it was extended to February 2006.

N. A. Water Systems did not comply with the contractual submission of bi-monthly progress reports. During the life of the contract, February 2005 through February 2006, there was verified receipt of three (including the final report) of the seven required reports.

The final report concluded that the Advanced Solution Demonstration Pilot Study proved that it is possible to treat produced water to the level stated in the project goals (less than 3,000 mg/l TDS). OPUS technology was clearly capable of meeting the produced water quality requirement (less than 120 mg/l). Despite the favorable results, the project was discontinued after the project completion date. COB was not able to provide an inventory of project equipment, location of the equipment, explain how the equipment is currently used, identify the custodian of equipment, and explain why the project was discontinued.

There was no specific evidence indicating why the use of the technology was discontinued. DFA indicated that the equipment is housed in state agencies and is working on placing it in the research universities. However, COB could not provide inventory details for the equipment obtained from this project.

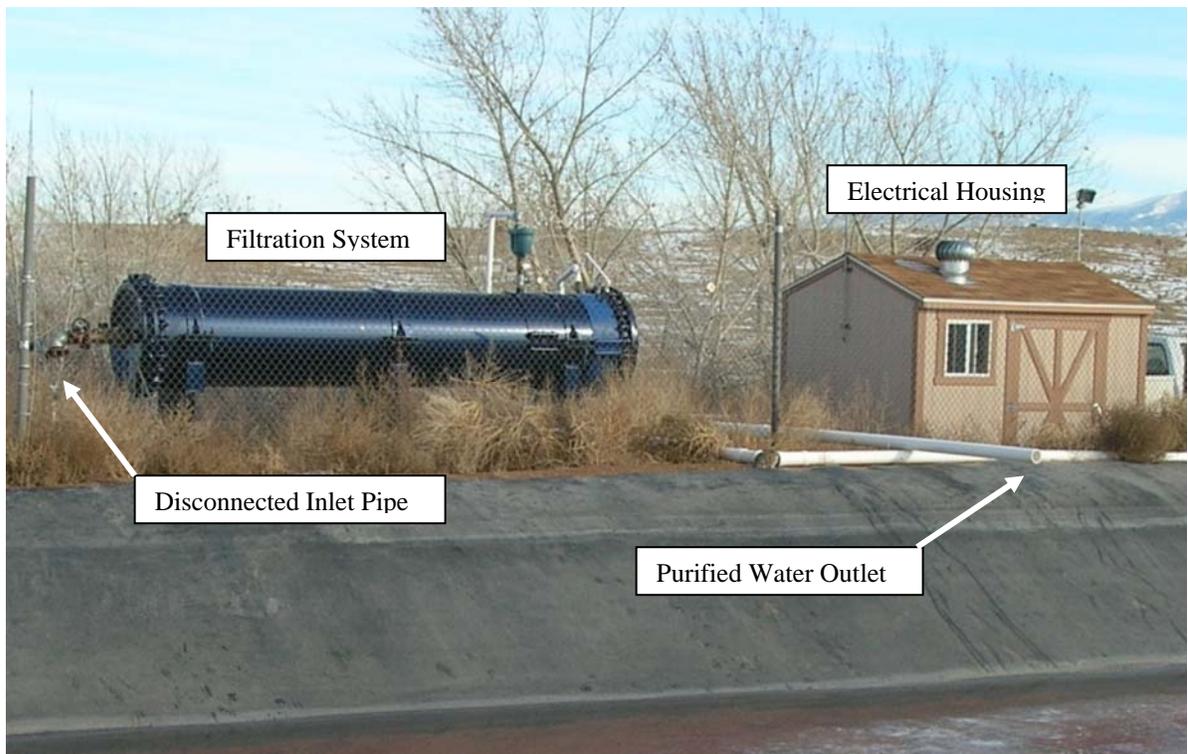
Water Innovation Fund II: Gordon Construction Co. - Santa Fe County Lagoon Wastewater Improvements – Award Amount \$599,024. Gordon Construction's Lagoon Filtration System indicated that it would use a proprietary waste water filtration system to process lagoon wastewater and produce Class 1A reuse water. In turn, the cleansed water would be sold for \$2.00 per 1000 gallons. The test site was located at the Santa Fe County Wastewater Treatment Plant (SFCWWTP) within the State Penitentiary grounds. The contractor indicated that filtration system would produce 821.1 million gallons of water filtered over 15 year life cycle at 140 thousand gallons per day. Filtered lagoon water NMED classified as reclaimed domestic wastewater can be sold at \$2.00 per 1000 gallons to recover project cost and would yield over \$1.1 million in additional revenue after initial investment.

Full-scale testing of the filtration system final report prepared by the New Mexico Institute of Mining and Technology (NM Tech), Department of Civil & Environmental Engineering, indicate that the filter system was able to produce a sustainable permeate flow as high as 32 gpm with turbidity down to 2.2 NTU, which was lower than the 3 NTU standard for the Class 1A reclaimed wastewater in New Mexico. However, it is not known whether the filtration system meets the Biochemical Oxygen Demand (BOD) standards for Class 1A water. BOD is defined as the amount of oxygen required by aerobic microorganisms to decompose the organic matter in a sample of water, such as that polluted by sewage. The filtration system could not demonstrate successful BOD results which are needed for the sale of Class 1A water. Furthermore, the system was able to produce 45,648 gallons per day which is considerably lower than the assumption of 140 thousand gallons per day. The report indicated an estimated operating and maintenance costs of \$2.27 per 1,000 gallons of water which is higher than the recommended water sale price of \$2.00 per 1,000 gallons of water.

NMED indicated that soon after prototype testing, a formal memorandum regarding this project was sent to DFA recommending the termination of this project because the filtration system would not achieve its objectives. It was also indicated that approximately half of the \$599 thousand grant was expensed and the remainder could have been reverted to fund other projects. Furthermore, NMED expressed that the state would gain no benefits from the continuation of

this project. However, the project was not terminated and it was completed with less than desirable results. LFC requested this memorandum from Ron Curry, Secretary, NMED and DFA but DFA has deemed this documentation confidential under “Executive privilege” and has not provided the requested information. DFA entered into a final “settlement agreement and general release” with the NMED and the contractor on April 8, 2008 and processed final payment totaling \$82.6 thousand. The settlement resulted in a \$12.2 thousand deduction from the final bill of \$94.9 thousand submitted by the contractor. According to COB documentation, \$586.7 thousand was paid to contractor and the remaining \$12.2 thousand reverted to the WIF.

According to DFA, this project was a success and is producing reuse water on a daily basis, the filtration system is fully operational and has demonstrated great results. However, the New Mexico Corrections Department (NMCD) indicated that they are currently not using the system. NMCD does not know if it meets applicable NMED or EPA standards and since no water is being filtered, none has been sold. The review team’s site visit of the Lagoon on December 22, 2008 indicated that system is not operational and most of the equipments are abandoned on the ground. The Corrections Department is not planning on using this system because it is not cost effective and up to 90 percent of the pumped water is rejected and remains unfiltered. The following pictures are of the non-operating system (See **Appendix E**):



Floating Pump



**Purified Lagoon Water Level
(12/22/08)**



**Air Compressor within
Electrical Housing**



Water Innovation Fund II: Subsurface Technologies Inc. - Subsurface STAR Treatment for Arsenic Removal – Award Amount \$826,074. Subsurface Technologies, Inc. (STI) is an internationally recognized corporation specializing in using its proprietary technologies and innovative solutions to perform well cleaning operations, and consult and instruct worldwide on well rehabilitation. STI participated in the RFP 50-341-00-00016 under the Governor’s Water Innovation Fund II.

Based on its research, STI proposed to demonstrate its innovative technology to treat arsenic for groundwater supply wells. Its Subsurface Treatment for Arsenic Removal (STAR) technology can produce water that meets arsenic water quality criteria (0.006 mg/L) from an aquifer containing nearly four times the allowable concentration of arsenic in drinking water.

In December 2005, STI was awarded a contract to construct, test and operate a pre-commercial full scale treatment system that demonstrates their STAR technology. Per contract, the project would not exceed \$826.1 thousand (\$782.4 thousand for scope of work and \$43.7 thousand for gross receipt tax). The “community partner” for this venture was the San Antonio Mutual Domestic Water Consumers Association (SAMDWCA). It provided the control and test wells for the project.

Per contract, the project would terminate on June 30, 2007; however an extension was granted, thus terminating the project in August 2007. For the most part, STI complied with the submission of monthly progress reports. A majority of the monthly reports from January 2006 through May 2007 were verified.

Although the STAR system was constructed according to design and specifications, it was not successful in removing arsenic from the groundwater at the project well to below the arsenic drinking water standard (MCL) – 0.0010 mg/L {Maximum Contaminant Levels (MCL) are standards that are set by the United States Environmental Protection Agency (EPA) for drinking water quality. A MCL is the legal threshold limit on the amount of a hazardous substance that is allowed in drinking water under the Safe Drinking Water Act. The limit is usually expressed as a concentration in milligrams or micrograms per liter of water.} The final report indicates that unsatisfactory performance was due to the groundwater chemistry at the well location. It states, “The concentration of dissolved minerals at the well was high enough to compete with and inhibit arsenic removal.”

According to COB documentation, \$825.9 thousand was paid to STI and remaining \$94.4 thousand reverted to the WIF. The implementation and testing of the STAR system resulted in lessons that were beneficial to technical and project management. Since the STAR system is a viable technology, project management was able to collect cost and labor data that allowed them to determine the capital and operational costs for the system. The system constructed at capital cost of \$0.358 per 1000 gallons of treated water and operation and maintenance cost of \$0.14 per 1000 gallons. The performance and cost data support the application of the STAR technology at locations with less restrictive water chemistry conditions.

Based on the available information, it appears that innovative technology to treat arsenic for groundwater supply wells has not been used since the project completion date in August 2007. DFA stated “The equipment that we do have is housed in state agencies and we are working on placing it in the research universities.” In addition, COB could not provide inventory details for the equipment obtained from this project.

Water Innovation Fund III: New Mexico Tech - Monitoring & Recovery of toxic metal in the Environment for the Healthy Water creation through Nano-Technology & Other Methods – Award Amount \$618,000. NM Tech’s project goal for proposed work is to develop an efficient detection and separation system for metal-containing water remediation as well as the enhancement of their basic understanding of issues associated with ion/water detection and separation by nano-technologies. This water purification system is expected to benefit rural New Mexico and other worldwide communities which have limited technical-financial management capacity for conventional high-end/low volume water purification systems.

NMED will serve as DFA’s technical advisor for the project. However, NMED has no working knowledge of the technology within this project. As a result, NMED will consult with a Sandia National Laboratories Scientist who has actively volunteered his time to help NMED evaluate and monitor this project.

Matching funds and quarterly reports are designated within the contract. New Mexico Tech must secure a minimum of twenty percent of the budget for each Phase of the Project from other sources. In addition, the principle investigator will prepare and submit quarterly reports for the duration of the two year contract.

To date NMED has received all quarterly reports from New Mexico Tech. The contract was initiated May 2007 and will extend to June 2010. New Mexico Tech has indicated that good progress has been made in both optical sensor fabrication and non-crystalline membrane development.

Water Innovation Fund IV: City of Rio Rancho/Daniel B Stephens & Assoc - Conservation through Water Reuse – Award Amount \$500,000. Rio Rancho’s grant award is currently in the signature phase. Rio Rancho’s proposal states, “Funding from the Governor’s WIF will allow completion of the engineering design, construction of a demonstration scale advance water treatment system, and the detailed reporting necessary for the second phase of the aquifer recharge project that is currently underway. Information collected during the demonstration will help identify design, operation, and maintenance concerns for permitting of full-scale direct injection recharge systems.”

If successful, approximately 2,000 to 4,000 acre-feet per year of groundwater will be conserved. This water will extend to support approximately 12,000 residents while reducing the City of Rio Rancho's financial burden associated with meeting stringent surface water discharge standards.

Key Issues.

Lack of Information from DFA Has Hampered LFC Staff Efforts To Carry Out Committee Functions. The Legislature intended for all government units to cooperate with the LFC so that it may carry out its intended functions. This cooperation is necessary so that the LFC may properly carry out its statutory duties, which include evaluation, oversight and budgeting responsibilities. State law requires the LFC to “annually review budgets and appropriations requests, and the operation and management of selected state agencies, departments and institutions and shall make recommendations with respect thereto to the legislature” (Section 2-5-4 (A) NMSA 1978). New Mexico Attorney General Opinion 57-118, regarding LFC authority, states, “Whenever the effect of any law is to be determined, there is the necessity for securing information from the parties most concerned with the functioning of such laws” As such Section 2-5-7 NMSA 1978 specifically, state law provides that LFC shall “examine the laws governing the finances and operation of departments, agencies and institutions of New Mexico and all of its political subdivisions, the effect of laws on the proper functioning of these governmental units, the policies and costs of governmental units as related to the laws” and recommend changes in these laws if any are deemed desirable (Section 2-5-3 NMSA 1978).

Throughout the evaluation, LFC was denied access to documentation. Information requests to DFA were not under the requests to inspect public records act but under Section 2-5-7 NMSA 1978 which specifically states that “Each agency or institution of the state and its political subdivisions shall, upon request, furnish and make available to the legislative finance committee such documents, material or information as may be requested by members of the committee or its director or staff which are not made confidential by law”. DFA's Legal Division reviewed and determined that certain documentation was confidential and exempt from review under the “Executive Privilege” rule. It can not be determined how much or in what areas information was withheld. However, three essential requests that were deemed or partially deemed confidential are summarized below.

- WIF III evaluation documentation was requested on December 12, 2008 and was deemed confidential on December 23, 2008. DFA remitted evaluation documentation for WIF I II and IV. However, review of limited documents for WIF III provided by DFA and inquiries of technical oversight agencies indicate that no formal process or recommendations were used for WIF III grant awards. COB provided no supporting documentation and technical oversight agency indicating involvement was minimal.
- A memorandum dated April 16, 2007 concerning WIF II contract number 06-341-1213-0043 with the Gordon Construction, Inc. could not demonstrate successful results with a small scale prototype. The oversight agency was initially skeptical of this project and agreed to fund the prototype phase. When the prototype produced unsuccessful results NMED composed a memorandum expressing the agency's professional opinion which called for the termination of the contract. At that time, approximately half of the \$599 thousand grant was expensed. DFA was informed that the state would gain no benefits from the continuation of this project but decided to proceed with the project. At this point, the remaining \$300 thousand would have reverted and could have funded other projects.

- Contract file documentation for seven selected projects was also withheld. In a memo dated December 11, 2008, DFA stated “The public records in the COB project files that are not otherwise made confidential by law are currently available.”

Project Selection and Grant Award Process. Grant award documentation is insufficient, unverifiable and did not contain an audit trail to support technical oversight agency committee activities. However, DFA has proactively changed proposal request language to address prior areas of concern. COB provided evaluation scoring sheets, RFP and Request for Information (RFI) documentation for WIF I, II and IV. However, WIF III documentation was deemed confidential by DFA’s Legal Division. Subsequent to WIF I and II grant award processes remaining consistent, WIF III and IV processes have varied from year to year.

WIF I and II. DFA developed criteria and used a RFP application process to determine fund allocation for WIF I and II. DFA also consulted with technical oversight agencies for both RFP’s. COB provided evaluation score sheets for WIF I and II. However, both score sheets were unverifiable because of varying information obtained from alternative sources. In addition, no documentation was obtained to support final committee evaluations and award processes.

WIF III. DFA stated that technical recommendations were obtained for WIF III fund allocations. Technical Advisor Organizations that submitted recommendations include New Mexico Environment Department (NMED), New Mexico Institute of Mining and Technology (NM Tech), New Mexico State University (NMSU) and Office State Engineer (OSE). NMED recalls brief consultations for potential projects but was not involved in the formal evaluation and award process. According to DFA, recommendations from the technical advisors were evaluated, scored and awarded to viable projects. DFA provided no supporting documentation for these activities and deemed all documentation for WIF III confidential. Therefore, all project award activities for WIF III are unverifiable.

WIF IV. DFA developed criteria and used a RFI and Circuit Rider RFI to obtain project proposals. According to the RFI’s:

- Proposed projects must be able to produce tangible results within the next two years.
- The review panel will review project ideas and make recommendations based on the most viable, deserving, and potentially beneficial projects in New Mexico
- The Agency will enter into Agreements for an acceptable project only with public entities including local governments such as municipalities and counties, state agencies, and colleges/universities.
- Private/non-profit or for-profit entities who wish to submit a proposed project will ultimately be required to partner with a public entity.

In addition, any prospective contractor seeking to enter into a contract with any state agency or local public body must fill out and file a Campaign Contribution Disclosure Form. The review panel (Committee) for WIF IV had representation from the following seven organizations:

- NMED’s Construction Programs Bureau
- NMED’s Drinking Water Bureau
- Department of Finance and Administration
- Office of the State Engineer
- Governor’s Office

- Las Alamos National Laboratories
- Sandia National Laboratories

It appears that neither technical recommendations nor evaluation score sheets were used to evaluate prospective projects. Rather, projects selections were based on an overall vote count from the committee. However, the Village of Cloudcroft had exceptionally low vote count but was included in fund allocations.

Tracking System To Measure Project Performance and Outcome Is Not Established. Neither the COB nor the WIF oversight agencies have comprehensive data to measure contractors' performance, deliverables, project goals, actual results or outcomes and state benefits received from WIF projects. Granted, all projects are different, however the concept remains the same for all projects which is to reuse, clean or conserve water. A system could be set up to track proposed goals of project compared to actual achievement. For example, a projects goal to purify 140,000 gallons of water per day could be compared to actual results at the completion of project, including operating costs per 1,000 gallons of useable water. Whether the project and system is operational or project has been abandoned must be tracked. If the project is abandoned than system should also track final equipment inventory, including who has custody of equipment, its location or if it could be used for any other project, etc. Therefore, continued attention should be directed to project achievements and common performance measurements in order to ensure project viability, adherence and fiscal responsibility.

Project Documentation Organization. Project documentation guidelines do not exist for WIF projects. Post project documentation is located within various agencies. Technical oversight agencies have not received directive concerning project documentation. However, NMED has set internal guidelines for project documentation. NMED will maintain working files while managing each project and remits all documentation including the final report to COB upon completion. Alternatively, OSE will retain each project's working files and remit all payment information and final reports to COB upon completion.

Water innovation funds continue to be a valuable source of funding in support of technologically innovative solutions for water supply and quality problems throughout New Mexico. However, adequate administration, baseline measurements and fiscal responsibility are essential to the fund's success. According to DFA's Capital Outlay Bureau (COB), there have been 49 grant awards from 2004 to 2008 for approximately \$17 million.

Recommendations.

Legislative:

1. Consider legislation to establish Water Innovation Act. Provide necessary program guidance, requirements, limitations, oversight responsibilities, etc.

Executive:

1. Create WIF administrative guidelines to ensure proper oversight, fiscal responsibility and project management.
2. Create project documentation guidelines to ensure that documentation is centralized at all times.
3. Establish a tracking system to measure project performance and outcomes.
4. Complete funding reconciliations and ensure that balances in SHARE are aligned to reflect all outstanding adjustments.

5. Ensure that all fund recipients adhere to contract deliverables, especially progress reports.
6. As practical, contract language should include a clause requiring periodic site visits by technical oversight agencies. A written report should result from site visit, and if necessary the project budget should include funding for these activities.
7. Independent of the grantee's final report, DFA or the oversight agency should provide a summary or assessment report from its perspective. It should include lessons learned, State of New Mexico benefits, key statistics, successes, weaknesses and other relevant data that might be beneficial for future WIF projects.
8. Compile an inventory of equipment purchased, location of equipment, custodian, and current usage of equipment. Transfer unused equipment to other WIF projects that could benefit from such transfers.

January 7, 2009

Donna K. Hill-Todd, CGFM, NCCO
Program Evaluation Manager
Legislative Finance Committee
State Capitol North
325 Don Gaspar – Suite 101
Santa Fe, NM 87501

Re: Property Control Division (PCD) Management Response to the Legislative Finance Committee Capital Outlay Project Review – Tri-Services Laboratory

Dear Ms. Hill-Todd:

The Property Control Division of the General Services Department appreciates the professional approach and positive findings of the LFC audit team. PCD management feels strongly that these results are directly attributable to investments by the Legislature over many years to allow PCD to hire and retain highly qualified staff, and to implement state of the art project management tools.

PCD generally agrees with, and has no comments on the Purpose, Procedure, Background, Fiscal Impact, and Summary sections of the review.

PCD management agrees with the Key Issues identified by the review team.

Please accept the following comments on Recommendations identified in the final section of the review:

Legislative – “...full funding versus ‘piecemeal’ funding to avoid delays and missed opportunities for savings. . .”

PCD management recommends that the Legislature institute a two-phase funding approach for all major capital outlay projects. The first phase is to fund project design through programming and schematic design, which includes a detailed cost estimate. This work could be completed in the interim between sessions if budgets are established at DFA on a timely basis.

Phase two is to fund full construction, furnishings, equipment, and to complete design based on the program and cost estimate, which could be submitted to the legislature for review if required. Also at this point, a decision to proceed with full funding of the project could be made based on accurate cost estimates and the clear benefits identified through the programming process.

The benefit of a two-phase funding process such as this is that it would minimize appropriated, but unused dollars. A minimal investment to get good factual data on cost and program allows for an appropriation that is adequate, but not excessive, and that can be expended on a timely basis.

State Agencies

1. PCD budgets for furnishings and equipment on all projects where required. The Tri-lab project was so large and specialized that furnishings and equipment costs were much larger than any other project that PCD has managed in the last twenty years. The focus at the time budgets were established was to complete funding for the building itself and defer furnishings to the end of the project when there was a clear picture of available funds. Unfortunately, fund balances will not be sufficient to complete furnishing and moving into the facility.
2. PCD has proposed legislation in the 2009 Legislature that requires agencies to submit an annual preventive maintenance plan to PCD for facilities that they operate. PCD has maintenance standards available, and will assist agencies in developing a comprehensive plan. PCD has also included in a new NMAC rule effective January 1, 2009 governing conduct in state buildings, language requiring maintenance of facilities occupied and operated by state agencies. (1.5.24 NMAC)
3. PCD management agrees with the recommendation to continue using automated project and maintenance management systems, and the GSD/PCD/BSD vision for FacilityMax is to make it available to all agencies operating facilities and to assist them in instituting strong maintenance programs throughout the state. In addition to investing in electronic facility management systems, PCD management urges the Legislature to continue to invest in the people in the Division.

PCD strives to continuously improve processes and staff expertise. The positive results of the Tri-Services Laboratory Review is really a reflection of the quality people on the PCD staff, and the over thirty years that PCD has been performing professional capital project management for the State of New Mexico. The FY 2010 budget request for PCD includes a request for two additional FTE: a project manager to specialize in energy efficiency projects, and a licensed mechanical engineer to assist all staff in heating, ventilation, and air conditioning (HVAC). Both of these staff functions are critical as we move to construct and renovate high performing, energy efficient buildings for the future.

PCD and GSD management would like to thank and commend the LFC audit staff for their thorough and insightful review of the Tri-Lab project.

Sincerely,



Arturo Jaramillo, Secretary
General Services Department

January 7, 2009

Donna K. Hill-Todd, CGFM, NCCO
Program Evaluation Manager
Legislative Finance committee
State Capitol North
325 Dan Gaspar-Suite 101
Santa Fe, NM 87501

RE: Management's Response-Belen MPCC

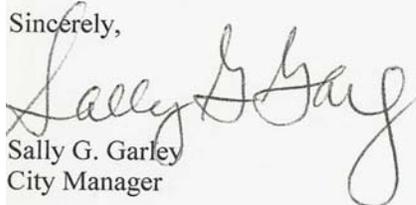
Dear Ms. Hill-Todd:

The City of Belen has developed a draft drainage plan for the Multi-Purpose Community Park. The plan will be finalized and approved the governing not later than March of 2009 as required.

As far as the Drainage Maintenance Plan, it will be available by the deadline that has been set forth in the project review. Even though it is not in writing, management has given direction to personnel that maintaining the drains at the park and the surrounding areas is of utmost importance.

Rest assured that the City of Belen will consistently monitor the progress of this.

Sincerely,



Sally G. Garley
City Manager

GOVERNOR
Bill Richardson



DIRECTOR AND SECRETARY
TO THE COMMISSION
Tod Stevenson

Robert S. Jenks, Deputy Director

STATE OF NEW MEXICO DEPARTMENT OF GAME & FISH

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Hobbs, NM

January 7, 2009

Mr. David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Mr. Abbey:

The Department appreciates the opportunity to work with your staff to review the Eagle Nest Dam Repairs Project. In general, the report prepared by your staff accurately and fairly reflects the history of the project and the challenges it has presented. As you might imagine, understanding and updating a nearly 100 year old dam is fraught with unknowns and has contributed to the slow progression of this project.

In response to some of the identified Key Issues and Recommendations, the Department offers the following:

1. The recent change of the Director of the Department has provided a renewed emphasis on dam safety and renovation issues. The Department will, within the next three months, prioritize these projects and begin to move forward on the most critical elements of the projects. It is important to note that the Department has already taken steps to move the road access portion of the Eagle Nest project forward by asking the Davis family to review the access road specifications to ensure the plans and specifications meet everyone's needs prior to bidding the project. The Department anticipates bidding the road access work in Spring 2009. Road access sufficient for construction equipment is the first step toward further required renovations.

2. The Department has entered into an agreement with the US Fish and Wildlife Service that will allow it to move forward with development of the Operation and Maintenance Manuals as well as Emergency Action Plans for Eagle Nest and other Dams owned by the State Game Commission. The Department is working with the USFWS to develop a schedule to complete these documents. We have discussed this approach with the Dam Safety Bureau at the Office of the State Engineer, and they agree that the Fish and Wildlife Service is able to provide the engineering oversight that the Department lacks. The Department is collaborating with Dam Safety Bureau staff to develop a revised deadline schedule for Emergency Action Plans and Operation and Maintenance Manuals for the dams in locations rated as high and significant hazard, including Eagle Nest.
3. The Department will work with Interstate Streams Commission (ISC) staff to reconcile payments and ensure that the appropriation balance is accurate, and that all needed payments have been made. A meeting to address this issue will be scheduled in the next 45 days.
4. This recommendation is directed specifically to the ISC, so the Department of Game and Fish has not included a management response.

The Department looks forward to the upcoming Legislative Finance Committee hearing and I will be there to answer any questions related to this project review. The Department is committed to completing this project to ensure the safety of the citizens of New Mexico, efficient delivery of agricultural and domestic water supplies, and continued recreation on Eagle Nest Lake.

Sincerely,



Tod Stevenson
Director

NEW MEXICO INTERSTATE STREAM COMMISSION

COMMISSION MEMBERS

101

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January 8, 2009

Mr. David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Mr. Abbey:

I concur with the Department of Game and Fish responses of this date to Eagle Nest Audit recommendations #1 to #3. Audit recommendation #4 is appreciated. Concurrent with the Eagle Nest Project, the ISC began steps to better track documents such as invoices, work orders, and deliverables. The requisite improvements to staffing and protocols are now in place.

We look forward to addressing any further questions at the upcoming Legislative Finance Committee meeting.

Sincerely,

A handwritten signature in black ink that reads "C Roepke".

Craig Roepke
Deputy Director, ISC

BILL RICHARDSON
GOVERNOR

KATHERINE MILLER
SECRETARY



ROBERT APODACA
DIRECTOR

FRANK F. RENDON
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SAMUEL OJINAGA
DEPUTY DIRECTOR

STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
LOCAL GOVERNMENT DIVISION
Bataan Memorial Building, Suite 201 ♦ Santa Fe, New Mexico 87501
(505) 827-4950 ♦ FAX No. (505) 827-4948

January 13, 2009

Legislative Finance Committee
State Capital North
325 Don Gaspar, Suite 101
Santa Fe, New Mexico 87501

Attn: Lawrence Davis

Re: Water Innovation Fund (WIF) Audits

Dear Mr. Davis:

On Monday, January 5, 2009, an exit interview was conducted by Legislative Finance Committee (LFC) and Department of Finance & Administration (DFA) to discuss the WIF Audits conducted from November 21, 2008 to December 24, 2008.

The key issues and recommendations requested by LFC are addressed below by DFA as follows:

Issues

“Information delays due to DFA’s legal review process were prevalent throughout the evaluation.”

DFA currently has two full time attorneys on staff that oversees eight (8) divisions which include the Local Government Division (LGD) that oversees thousands of legislative projects. All of the legislative projects require legal review and many require legal action. Additionally, the attorneys review every public request that DFA receives. These are just a couple of the many tasks that this staff of two is assigned. The legal staff did its best to respond to the LFC audit requests and address the other priorities on its desk.

“DFA’s Legal Division reviewed and determined that certain documentation was confidential and exempt from review under the “Executive Privilege” rule. It can not be determined how much or in what areas information was withheld.”

As provided by DFA to LFC, the citation that established the existence of the executive privilege is: State of New Mexico, ex rel. Attorney General v. the First Judicial District Court of New Mexico, 96 N.M. 254, 629 P.2d 330 (NM S.Ct. 1981).

Although the majority of projects are rated as a success, most are not used by New Mexico subsequent to project completion.

The purpose of the WIF is for research and development of water innovative technologies throughout the state of New Mexico. The “success” was measured to the community the technology directly benefited with the expectation that this technology could benefit another community in the future. Because these are research projects, funding to market and promote successful projects is not included in the funding and it is unreasonable to expect that the successful projects would catch fire and on their own become widely used in the state of New Mexico. Therefore, the widely used factor is not a criterion of the success of the project. DFA will continue to work with the State Agencies to determine which projects could be implemented in other areas of the state.

DFA has not established baseline measurement(s) to evaluate projects on a relative basis.

LFC has provided a sample template for baseline measurements that DFA may use to develop a template to incorporate in evaluating current and future WIF projects, where applicable. Because these projects are specifically for innovative technology a baseline measure may not always be appropriate. Innovation by definition often is measurable only with the passage of time primarily because there is no other project to which it can be related.

There are many WIF funding variances that need to be addressed and need to be aligned in SHARE.

The DFA Capital Outlay Bureau (COB) is working with the DFA Administrative Services Division (ASD) and the SHARE administrative team to address variances as the system allows. With SHARE being relatively new and staff also being new to its functionality, DFA expects to improve in this process as its staff becomes more familiar with it.

Grant award documentation is insufficient, unverifiable and did not contain an audit trail to support committee activities.

The files audited that have the above concerns are for viable projects in the “development” stage. These projects were awarded to public entities that are exempt from Request For Proposal (RFP) process through a Request for Information that provided responses with evidence that the projects were well thought out and with the requested funding could produce the research and prototype proposed. Evaluations of the responses took place and the awards are supportable based on the results.

DFA was informed by a technical oversight agency that the state would receive no additional benefits from the Santa Fe County Lagoon Project but decided to continue the project. As a result the state unnecessarily expended approximately \$300 thousand in WIF funding.

DFA met with the technical agency, an additional technical advisor and the contractor after the above recommendation. A consensus was reached to move forward with the project. The technical oversight agency was part of that consensus. DFA does not agree with the opinion that the expenditure was unnecessary.

Recommendations

COB should create project documentation guidelines to ensure that documentation is centralized at all times.

COB has always ensured that all project documentation has been centralized even though project documentation is submitted for technical approval by other agencies.

COB should create baseline measurements that can measure all projects on a relative basis. i.e. price per 1000 gallons of water

With the assistance of the technical agencies, COB will initiate baseline measurements as part of the grant agreement requirements either in the “Exhibit A” and/or progress reports. The price per gallon example could be used to measure against other methods using different technology. However, the resulting comparison may need to be tempered based on the differing technology.

DFA should complete funding reconciliations and ensure that SHARE is aligned to reflect all outstanding adjustments.

COB is currently working with ASD regarding the current funding reconciliations as well as establishing procedures for future funding. Please refer to the response to this item under “Issues”

COB needs to ensure that WIF projects are properly managed.

COB has put in place management tools for the current projects as well as future ones to ensure that files, documentation, baseline measurements, and overall project monitoring for the administration of WIF projects is improved.

Summary

The Water Innovation Fund has been a great success with more than \$25 million being appropriated for projects that are saving or making usable millions of gallons of water a day in New Mexico. The WIF has funded 48 projects of which 33 are completed. Of these 33, approximately 92% have demonstrated proven success.

Above and beyond the amounts of water and dollars each project saves, all Water Innovation Fund projects have intrinsic scientific value in that they validate or disprove new theories/concepts/technologies in water conservation and reuse. Furthermore, numerous projects will go on to higher learning institutions and/or business entities for expanded study, development and testing. Below are examples of projects that are conserving water and saving significant sums of money annually:

Albuquerque-Bernalillo County Water Utility Authority – Leak Detection Pilot Project Cost: \$577,000. *The initial measurement of success over a 4 month period saved 125 million gallons of water annually estimated to approximately 375 million gallons. On the open water market, the water savings is worth \$8.6 million annually. This 2004 project continues its current program/progress.*

Fast Ditch –Prototype-line the damaged Sandoval Ditch in Acoma Pueblo
Cost: \$487,247. *An estimate of over 65% of water before diversion to the fields were lost prior to the installation of the liner. No water losses were observed after installation. Twelve million gallons of water are conserved daily at full capacity. Fast Ditch. Inc has licensed this technology to Penda Corporation under the Trade SmartDitch and this product is now being used worldwide.*

Village of Cloudcroft – Membrane bio-reactor (MBR) micro-filtration system
Cost: \$636,000. *This PURE Water Project is New Mexico’s first indirect potable reuse project. More than 30 million gallons of additional water supply will be created annually. With the visibility of the PURE Water Project, additional communities in New Mexico are considering indirect potable reuse as a water supply alternative.*

As always, DFA is here to assist the State of New Mexico to move forward in innovative technological endeavors. Should you have any questions or require additional information, please feel free to contact me or my staff.

Sincerely,



Robert M. Apodaca
Director, DFA/LGD

Cc: Rick Martinez, Deputy Secretary
Frank Rendon, Capital Deputy Director
Renee Borrego, Bureau Chief
Cynthia Romero, Capital Mgmt. Analyst
File

APPENDIX A: CAPITAL OUTLAY PROJECTS EVALUATION TOOL

Capital Outlay Projects Evaluation Program Tool

The steps in the program are intended as standard guidance and should be expanded or eliminated as necessary to fit the capital outlay project being reviewed.

Objectives:

1. **Planning Process** – Identify the funding source(s) and determine if the project was appropriately planned according to legislative intent.
2. **Management** – Evaluate the oversight by sponsoring agencies as well as the project manager’s implementation plan.
3. **State Benefit** – Determine what New Mexico gained from the project and if the state received a return on its investment.
4. **Compliance** – Verify compliance with applicable state laws, rules and regulations, including any federal requirements, if the project includes federal funds.

Review Procedures:	Completed By:	Date	Work Paper Reference
<p>I. Planning and Research</p> <ul style="list-style-type: none"> A. Review applicable statutes (state and federal) that identify/support the project B. Review available internal documents, including prior audits, program reviews and legislative briefs C. Meet with director, fiscal analyst and team members to discuss project and consensus on objectives D. Develop and issue the Engagement Letter E. Develop the Planning Memo <p>II. Post-Planning</p> <ul style="list-style-type: none"> A. Schedule and hold entrance conference <ul style="list-style-type: none"> 1. Identify agency contacts 2. Document meeting <p>III. Fieldwork</p> <ul style="list-style-type: none"> A. <u>Gain thorough understanding of the history of the project and summarize for “Background”.</u> B. <u>Schedule interviews with oversight agency and project manager to determine status of the project, identify other interested parties (and interview) request a tour of the facility.</u> C. <u>Request the following records related to the project (if applicable):</u> 			

Review Procedures:	Completed By:	Date	Work Paper Reference
<ol style="list-style-type: none"> 1. Current financial data, 2. Memos of Understanding (MOU), Joint Powers Agreements (JPA) or Grants 3. Obtain a list and contract files of all the contracts entered into 4. Monthly project reports 5. Construction contracts with notice to proceed and related insurance 6. Certificate of Occupancy, Inspection reports, etc. 7. Any audit reports by internal or external organizations or departments <p>D. <u>Review the MOU, JPA or grant agreements to identify project requirements and determine if the agreement:</u></p> <ol style="list-style-type: none"> 1. Represents the legislative intent 2. Addresses federal funds or matching funds 3. Defines the project schedule and deliverables 4. Identifies the project manager and other key personnel 5. Identifies dollar amount limitations. <p>E. <u>Review the agency's Capital Projects Funds to determine if the funds have been used efficiently and effectively</u></p> <ol style="list-style-type: none"> 1. Identify the set of accounts in the accounting records for the related fund(s), i.e., assets, liabilities, equity, revenues, expenditures and transfers. 2. Evaluate revenue account(s) and determine if the amount from project funding source(s) reconciles to the total appropriated amount including matching federal funds (if applicable). 3. Randomly selected 1-5% of the fund transactions and test for accuracy, support documentation and reasonableness to the project. 4. Ensure the beginning balances from project inception to ending balances through project completion are accurate and accounted for. 5. Compare the projects' costs/expenditures to the funding. 			

Review Procedures:	Completed By:	Date	Work Paper Reference
<ul style="list-style-type: none"> a) On a sample basis, evaluate source documents for completeness and accuracy and determine the appropriateness of the expense. 6. Determine if the fund balance appropriately reflects the percentage of completion based on the project schedule and expenses. 7. Determine if sufficient funding was obtained to complete the project. 8. If the project is complete, determine if there is a balance and it was reverted per statute. <p>F. <u>Review project's cash account and determine if:</u></p> <ul style="list-style-type: none"> 1. Cash is accounted for in a separate fund. 2. Monthly reconciliations are performed. 3. Cash draw downs were appropriate, properly approved and conducted on a timely basis. <ul style="list-style-type: none"> a) When multiple agencies are involved, determine if reimbursement requests were timely. b) Where applicable, select a sample of reimbursement requests and trace to supporting documentation showing that the costs, for which reimbursement was requested, were paid prior to the date of the reimbursement request. c) Determine if inter-agency transactions are reconciled 4. The <i>arbitrage law</i> is applicable to the fund. (IRS regulation of timeline to spend bond funds). <p>G. <u>Review the contracts to ensure that all contracts are valid, properly authorized and approved, adequately documented and monitored</u></p> <ul style="list-style-type: none"> 1. Review the list of contracts and compare with the general ledger transaction listing and contract files. 2. Determine that the method of the contractor selection was objective to ensure the contract was awarded to the most qualified firm. <ul style="list-style-type: none"> a) Review the advertising, bid tabulation and proposal evaluation documents. 			

Review Procedures:	Completed By:	Date	Work Paper Reference
<p>b) If applicable, verify negotiations were adequately documented.</p> <ol style="list-style-type: none"> 3. Verify Legal reviewed the contracts and signed by the appropriate parties, noting if the signature is in the file. 4. Check the reasonableness of the contract e.g. terms and conditions, contract period, billing rates, allowable expense reimbursement, etc. 5. Determine if the contract is still valid or binding and legally enforceable based on the term and expiration date. 6. Verify all contract amendments are authorized by the appropriate individual (Project Manager, Division Director, etc.). 7. Confirm that the contract language includes the following: <ol style="list-style-type: none"> a) Scope of Work b) Deliverables c) Subcontracting Requirements d) Cost Limitations e) Right to Audit f) Insurance Coverage g) Warranties <p>H. <u>Evaluate project management and implementation to determine if the project was properly planned and executed.</u></p> <ol style="list-style-type: none"> 1. Verify each contract identifies a Project Manager with sufficient knowledge and experience to adequately monitor the contract. 2. Confirm that the contract includes complete, clear, sufficient, and valid performance monitoring standards and prescribed procedures to ensure adequate internal controls. 3. Determine if actual project status was properly monitored against implementation plan to pre-empt unwarranted delay. 4. Verify adequate project management documentation is consistently maintained, effective and current. <ol style="list-style-type: none"> a) Determine if budgets are used to control project management activity 			

Review Procedures:	Completed By:	Date	Work Paper Reference
<p>and budgets are based on reliable data and valid assumptions.</p> <ul style="list-style-type: none"> b) Validate project budget is regularly compared with actual, and deviations are explained and documented. c) Confirm status reports (i.e. cost, schedule, progress) reports were submitted per terms of agreement. d) Determine if (when practical) the Project Manager conducted and documented periodic site visits. e) Ensure tracking mechanisms (e.g. spreadsheets, management meeting minutes, project management software) are in place to ensure management reporting is adequate and timely. <p>5. Determine if the Project Manager identified and reported contract performance problems and violations to the appropriate managers on a timely basis.</p> <ul style="list-style-type: none"> a) Ensure contractor notification was timely and documented appropriately. <p>6. Determine if the performance issues and violations are adequately documented and corrective action is completed.</p> <ul style="list-style-type: none"> a) If performance issues result in termination, ensure the decision to terminate was documented appropriately and maintained. b) If applicable, determine if penalties, refunds/credits and payment adjustments were made and properly recorded. <p>I. <u>Evaluate project completion and when applicable, determine:</u></p> <ul style="list-style-type: none"> 1. Fire Inspection was completed. 2. Certificate of Occupancy was obtained. 3. A facility maintenance plan is in place and followed. 4. Equipment was properly transferred or donated for future use on other projects. 5. Facility is being used for the intended 			

Review Procedures:	Completed By:	Date	Work Paper Reference
<p>purposes. 6. Benefit to the state is evident.</p> <p>IV. Supervisory Review A. Summarize results. B. Ensure work papers are complete. C. Notify team lead objectives are complete and ready for review. 1. Clear review notes</p> <p>V. Concluding Steps A. Compile all findings not cleared for discussion with agency B. Draft preliminary List of Findings and Recommendations</p> <p>VI. Reporting A. Prepare draft report B. Conduct exit conference with appropriate parties C. Finalize Report with Management's Responses D. Have Support Staff send final report E. Present Results to Appropriate Committees</p> <p>VII. Post-Reporting A. Enter significant findings and recommendations into the template B. Update time database, identify review as complete. C. Ensure review is posted to WEB D. Ensure review is distributed to appropriate parties</p>			

APPENDIX B: BELEN MPCC PROJECT FUNDING DETAIL

Belen Multi-Purpose Community Center Project Funding Detail					
Laws of:	Type of Funding	Award or Appropriation Amount	Remaining Balance	Project Number	Funding Source
1993	City of Belen Contribution	\$163,000	\$0	N/A	Account: General Fund- Cash
1994 Chapters 142,147 & 148	Grant Agreement: DFA & City of Belen	\$250,000	\$ 0	94-L...293	STB
1995 Chapter 222	Grant Agreement: DFA & City of Belen	\$198,000	\$0	95-L...141	GF
1996 Chapter 4	JPA: DFA & City of Belen	\$247,500	\$0	96-L...144	STB
1996 Chapter 4	JPA: DFA & City of Belen	\$50,000	\$0	96-L...194	GF
1997	<i>No funds appropriated during the 1997 Legislative Session</i>				
1998 Chapters 7, 118	Grant Agreement: DFA & City of Belen	\$300,000	\$0	98-L...225	STB
1998 Chapters 7, 118	Grant Agreement: DFA & City of Belen	\$300,000	\$0	98-L...846	STB
1999 Chapter 2	Grant Agreement: DFA & City of Belen	\$400,000	\$0	99-L...341	STB
1999 Chapter 2	Grant Agreement: DFA & City of Belen	\$95,000	\$0	99-L...396	STB
1999 Chapter 2	Grant Agreement: DFA & City of Belen	\$90,000	\$0	99-L...399	STB
2000 Chapter 23	Grant Agreement: DFA & City of Belen	\$50,000	\$0	00-L...408	STB
2000 Chapter 23	Grant Agreement: DFA & City of Belen	\$160,000	\$0	00-L...574	STB
2000 Chapter 23	Grant Agreement: DFA & City of Belen ¹	\$20,000	\$0	00-L...1101	STB
Fiscal Year 2000	EDI Special Project Grant: HUD & City of Belen	\$231,250	\$0	B-00-SP- NM-0258	Fed
Fiscal Year 2001	EDI Special Project Grant: HUD & City of Belen	\$997,800	\$0	B-01-SP- NM-0396	Fed

¹ The Finance Director did not have support documentation for this grant award.

2002 Chapter 110	Grant Agreement: DFA & City of Belen	\$100,000	\$0	02-L...935	STB
2003 Chapters 385 & 429	Grant Agreement: DFA & City of Belen	\$ 25,000	\$0	03-L...999	STB
2003 Chapters 385 & 429	Grant Agreement: DFA & City of Belen	\$35,000	\$0	03-L...1007	STB
2003 Chapters 385 & 429	Grant Agreement: DFA & City of Belen	\$150,000	\$0	03-L...1274	STB
2004 Chapter 126	Grant Agreement: DFA & City of Belen	\$201,000	\$0	04-L...2400	GF
2004 Chapter 126	Grant Agreement: DFA & City of Belen	\$207,000	\$0	04-L...1809	STB
2005 Chapter 347 16/292	Grant Agreement: DFA & City of Belen	\$250,000	\$0	05-L...500	STB
2005 Chapter 347 45/338	Grant Agreement: DFA & City of Belen	\$575,000	\$0	05-L...1648	GF
Fiscal Year 2006	Special Project Grant: HUD & City of Belen	\$247,500	\$0	B-06-SP- NM-0673	Fed
2007	<i>No funds appropriated during the 2007 Legislative Session</i>				
2008 Chapter 92	Grant Agreement: DFA & City of Belen	\$310,000	\$277,283	08-L...3277	STB
Totals		\$ 5,653,050	\$277,283		

Source: DFA and City of Belen

APPENDIX C: CONDITION CLASSIFICATIONS FOR DAMS

Condition Classifications for Dams

(Adopted from 2008 Federal Dam Safety Definitions)

Satisfactory – No existing or potential dam safety deficiencies are recognized. Acceptable performance is expected under all loading conditions in accordance with state engineer's rules and regulations for dams or tolerable risk guidelines.

Fair – No existing dam safety deficiencies are recognized for normal loading conditions. Rare or extreme hydrologic and/or seismic events may result in a dam safety deficiency. Risk may be in the range to take further action.

Poor – A dam safety deficiency is recognized for loading conditions, which may realistically occur. Remedial action is necessary. A poor condition is used when uncertainties exist as to critical analysis parameters, which identify a potential dam safety deficiency. Further investigations and studies are necessary.

Unsatisfactory – A dam safety deficiency is recognized that requires immediate or emergency remedial action for problem resolution.

Hazard Potential Classification (Dam Design, Construction, and Dam Safety, 19.25.12.10 NMAC)

The hazard potential classification is a rating for a dam based on the potential consequences of failure. The rating is based on loss of life, damage to property and environmental damage that is likely to occur in the event of dam failure. No allowances for evacuation or other emergency actions by the population should be considered. The hazard potential classification is not a reflection of the condition of the dam.

Low hazard potential: Dams assigned the low hazard potential classification are those dams where failure or misoperation results in no probable loss of life and low economic and/or environmental losses. Losses are principally limited to the dam owner's property.

Significant hazard potential: Dams assigned the significant hazard potential classification are those dams where failure or misoperation results in no probable loss of human life but can cause economic loss, environmental damage, disruption of lifeline facilities, or can impact other concerns. Significant hazard potential classification dams are often located in predominantly rural or agricultural areas but could be located in populated areas with significant infrastructure.

High hazard potential: Dams assigned the high hazard potential classification are those dams where failure or misoperation will probably cause loss of human life.

[19.25.12.10 NMAC - N, 3/31/2005]

APPENDIX D: INVENTORY LIST FOR TERRASAN WASTEWATER TREATMENT SYSTEM
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**Inventory list for TerraSan Wastewater Treatment System
Designed by: Marine environmental Partners (MEP), and
Funded under contract No. 05-341-1000-0033**

**Prepared by:
NMSU Dairy Extension
2346 SR 288
Clovis, NM 88101
575-985-2292**

Without further knowledge of the TerraSan waste water treatment system, and the specific equipment used in the system, this inventory list is only an approximation of the parts visible and recognizable in the semi-trailer. Furthermore it is not known how (in)complete the equipment arrived at our facility in the first part of February, 2008. The trailer had been locked when first spotted, but it is unknown who may or may not have had access to the trailer after the research was completed in second part of 2005. The original lock was replaced just prior to the trailer being relocated for storage at the ASC Clovis. Additionally it was also obvious that the storage out in the elements on Milagro Dairy in Clovis for 2+ years left its marks on the condition of the equipment, as is evidenced in some of the pictures included.

NMSU Dairy Extension asks the equipment be donated to its Dairy Wastewater program, specifically for parts listed below to be utilized in the Green Water Project, currently underway, and similarly funded by the Governor's Water Innovation Fund, and other water related research at the Ag Science Center in Clovis.

Inventory List:



1 semi trailer (28ft)



1 belt press



2 media filters with 1 us filter remid-A (polyblend) system



1 compression tank



2 ion-diffusers with 10 ionizers



2 ozone generators and air saturation System



1 refrigerated air drier system
1 DAF





Multiple power supplies and transformers (480V, 320V, etc.)



- 2 tetracon 700 conductivity probes
- 2 nitralyte 700 nitrate probes
- 2 visoturb turbidity probes
- 2 sensolyte 700 probes
- 1 pH probe
- 1 trioxmatic probe
- Multiple wiring, pvc tubing, etc. & others.



Busted and broken tubing & piping (visible damage).

APPENDIX E: SANTA FE COUNTY LAGOON WASTEWATER EQUIPMENT



1 air compressor



1 floating pump



Purified water outlet and drain



Disconnected inlet pipe from parent lagoon



Filtration system and electrical housing



Lagoon water level on December 22, 2008