Overview of Capital Outlay Process for Agencies

Department of Finance & Administration
State Budget Division, Capital Outlay Bureau

Debbie Romero, Bureau Chief
Jimmy Rodriguez, Executive Capital Manager
Tonantzin Lucero-Roybal, Executive Capital Analyst
Sarah Anderson-Gomez, Administrator

http://nmdfa.state.nm.us/Capital_Outlay_Bureau.aspx
What will this training cover?

- SBOF Certification & Bond Sale
- Executive Order 2013-006
- Grant Agreement
- Capital Projects Monitoring System (CPMS) Reporting
- Infrastructure Capital Improvement Plan (ICIP)
Each legislative session a capital outlay bill is passed funding projects mostly with Severance Tax Bond (STB) proceeds.

Funding is not available until the bonds are sold through the State Board of Finance (SBOF).

Typically there are two Severance Tax Bond sales per year; the first bond sale is in the summer (usually in June), and the second bond sale is in winter (usually in December).
A Capital Outlay General Obligation Bond (GOB) bill is passed, every other legislative session (in years ending with an even number), during the 30-day session.

The GOB bill requires approval by registered voters of the state in the November general election.

The GOB bond sale typically takes place in early spring following voter approval.
Before an agency can certify the need for severance tax bond proceeds, the project must be developed sufficiently so that the agency reasonably expects to:

1. have a third party obligation to expend at least five percent, within six months, after the applicable bond proceeds are available for the project; and

2. expend at least eighty-five percent of the bond proceeds within three years after the applicable bond proceeds are available for the project.
Executive Order 2013-006 was established on May 2, 2013 to address the following:

- Lack of audits or findings raise concerns about a grantee’s ability to be a good steward of capital outlay funds thereby increasing the risk of fraud, waste and abuse
  - Independent audits provide the best assessment of grantees’ accounting methods
  - Oversight of grantees’ accounting methods is needed to safeguard appropriations and assets
FIN 9.2 Grants Management—Funding Criteria and Oversight Requirements

established by the Financial Control Division of the Department of Finance and Administration (revised September 30, 2013) to create a policy and criteria for implementation of Executive Order 2013-006
Executive Order 2013-006

For grantee to be eligible for a grant:

1. Annual audit required by the Audit Act for most recent fiscal year must be public record
2. Budget has been approved and compliant with financial reporting requirements
3. If audit contains material weaknesses, significant deficiencies or findings that raise concerns about a grantee’s ability to properly account for funds and assets:
   - Grantee must have remedied the problem, or
   - State agency must be able to adequately address the problem through special grant conditions, or
   - Local entity must find an alternative fiscal agent (must be approved by the state agency)
Executive Order 2013-006

If a grantee is not required to have annual audits by the Audit act:

1. Grantee must demonstrate that it has adequate accounting procedures
2. State agency must impose adequate conditions to safeguard funds, or
3. Local entity must find alternative fiscal agent.
Executive Order 2013-006

Budget and Financial Reporting

- Interim Budget Submission – June 1
- Final Budget Submission - July 31
  - DFA Local Government Division (LGD) approves final budget first Monday in September
- Quarterly Report Submissions
  - Quarter end 9/30 due 10/31
  - Quarter end 12/31 due 1/31
  - Quarter end 3/31 due 4/30
  - Quarter end 6/30 due 7/31

***Additional training presentations can be found at the LGD-Budget and Finance Bureau website:
http://www.nmdfa.state.nm.us/Budget_Finance_Bureau.aspx
Executive Order 2013-006

Tier System Overview:

- If eligible, an entity could be categorized as one of the six Tiers, determined Pursuant to Section 12-6-2(B) and Section 12-6-3(B) NMSA 1978

  - the determination guideline and the procedures for Tiers are available at: http://www.saonm.org/tiered_system_reporting

  - an entity determined as Tiered 3 through 6 requires an “Agreed Upon Procedures” report from an IPA. These reports are made public and available at State Auditor’s Website at: http://www.saonm.org/
Grant Agreement

- The agency issues a grant agreement after bonds are sold, compliance with Executive Order 2013-006 is verified, and the appropriation has been budgeted in SHARE.

- **Scope of Work** - use appropriation law language as a guide when determining scope of work, and ensure all appropriation activity is within the limits of the Bond Projects Disbursement Rule.
Grant Agreement

- **Notice of Obligation** (NOO) Exhibit 3 - agency reviews third party agreement and verifies it falls within the scope of work defined in the grant agreement and law language
  - local entity provides third party agreement between contractor and local entity *(BEFORE IT IS FULLY EXECUTED)* to the agency
  - agency issues NOO for the amount of the third party agreement or, for the full amount of the appropriation whichever is less
  - upon the local entities receipt of the approved NOO, they can execute the third party agreement and proceed with the project
  - agency issues a purchase order for the amount listed on the NOO
STATE OF NEW MEXICO  
CAPITAL GRANT PROJECT  
NOTICE OF OBLIGATION TO REIMBURSE GRANTEE  

DATE: ____________________________________________________________________________

TO:  

Grantee Representative: __________________________________________________________________

FROM:  

Department Representative: __________________________________________________________________

SUBJECT:  Notice of Obligation to Reimburse Grantee  

Project Number: ________________________________________________________________________

As the designated representative of the Department for Grant Agreement number [__________]  
entered into between Grantee and the Department, I certify that the Grantee has submitted to the  
Department the following third party obligation executed, in writing, by the third party’s authorized  
representative:

Third Party Obligation (includes purchase order and contract) #: ________________

Vendor or Contractor: ________________________________

Third Party Obligation Amount: ________________________________

Termination Date: ______________________________________________________________________

I certify that the State is issuing this Notice of Obligation to Reimburse Grantee for permissible  
purposes within the scope of the project description, subject to all the terms and conditions of the  
above referenced Grant Agreement.

Grant Amount adjusted for AIPP if applicable: ________________________________

The Amount of this Notice of Obligation to Reimburse: ________________________________

The Total Amount of all Previously Issued Notices of Obligation: ________________________________

The Total Amount of all Notices of Obligation to Reimburse as of this Date:  

________________________________________________________________________

Department Representative: __________________________________________________________________

Title: ____________________________________________________________________________

Signature: ____________________________________________________________________________

Date: ____________________________________________________________________________

cc: Local Government Agreement Unit, NMDOT

1 “Reimburse” as used throughout the Notice of Obligation to Reimburse includes Department payment to the  
Grantee for invoiced amounts, but not yet paid, by the Grantee from a third party contractor or vendor, if the  
invoiced amounts comply with the provisions of the Grant Agreement and are a valid liability of the Grantee.
Capital Projects Monitoring System (CPMS)

- CPMS is a web-based system used for reporting and monitoring of capital outlay appropriations
  - will be used by the Legislative Finance Committee (LFC)
  - agency needs to begin reporting once funding is appropriated
  - local entity needs to begin reporting once a grant agreement has been executed

- CPMS can be accessed from the DFA-COB website or through the following link: http://cpms.dfa.state.nm.us
Capital Projects Monitoring System (CPMS)

- local entity is required to update appropriation information on monthly basis by the 30th of each month
- state agency is required to update appropriation information a quarterly basis by the 15th of March, June, September and December
  - at this time, the agency must also ensure the local entity’s reporting in CMPS is current and accurate
Capital Projects Monitoring System (CPMS)

- Once changes are submitted, the screen will go back to the "Capital Appropriations” page and in the yellow header it will display in red “Appropriation ID: # #-#### successfully updated”. If you do not receive this statement, the changes were not saved.

- to print a copy of the data for your files, click the Appr ID in blue in the “Printable Format” column. Each monthly/quarterly print out must be kept in the project file to maintain reporting history
In accordance with state statute §6-4-1 NMSA 1978 all state agencies must submit their Infrastructure Capital Improvement Plans each year by July 1st.

Executive Order 2012-023 requires agencies to submit a five-year ICIP to provide critical and comprehensive information to the executive and legislature so they can make informed decisions regarding assistance and funding for capital projects.
Infrastructure Capital Improvement Plan (ICIP)

- You can access ICIP and other helpful information at the following web site: http://www.nmdfa.state.nm.us/Capital_Outlay_Bureau.aspx
- Capital Outlay Appropriation requests should have enough funding to complete the project or a usable phase of the project.
Any Questions?