Overview of Capital Outlay Process for Tribal Entities
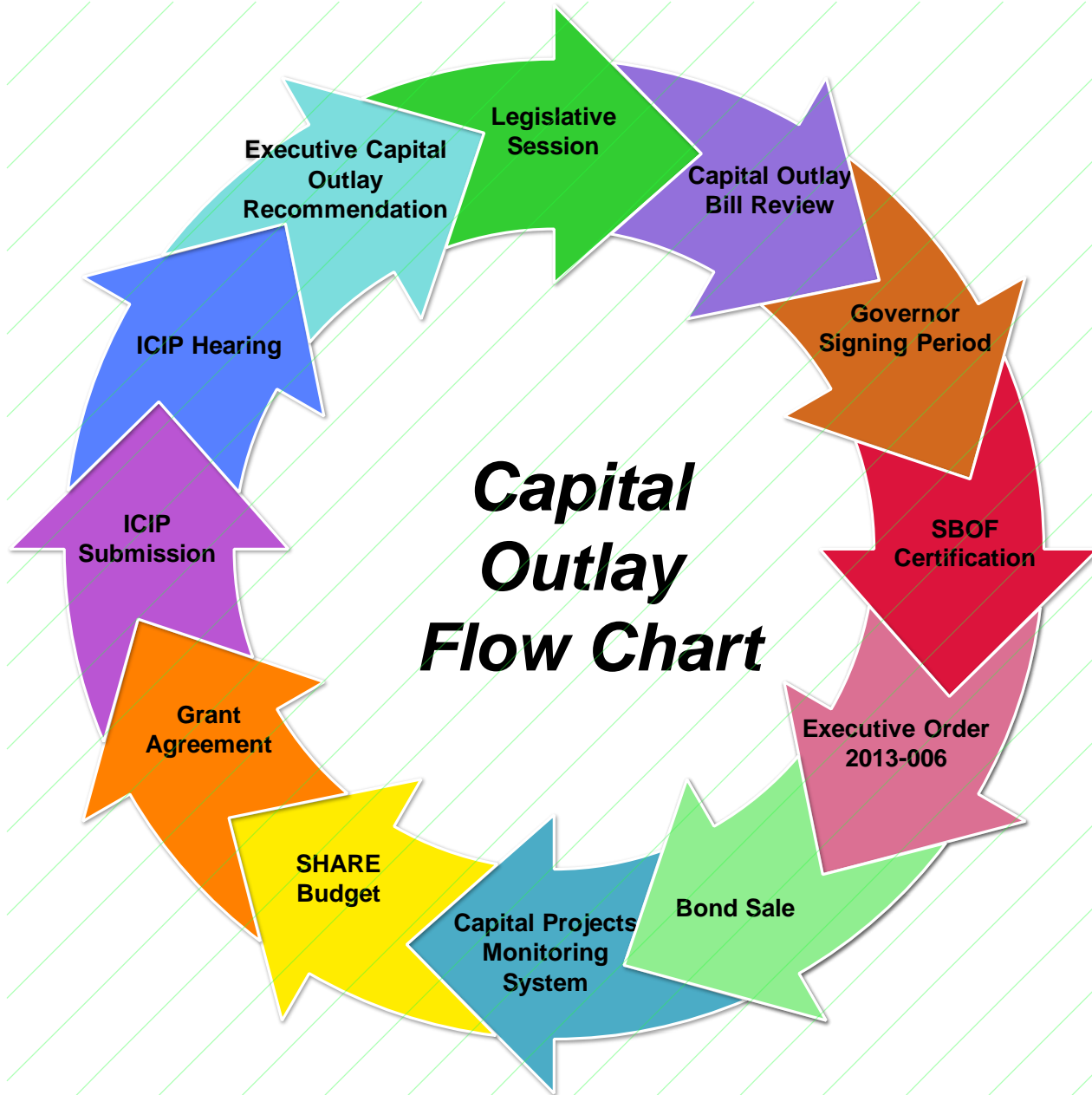
**Department of Finance & Administration
State Budget Division, Capital Outlay Bureau**

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http://nmdfa.state.nm.us/Capital_Outlay_Bureau.aspx

Capital Outlay Flow Chart

- Legislative Session
- Capital Outlay Bill Review
- Governor Signing Period
- SBOF Certification
- Executive Order 2013-006
- Bond Sale
- Capital Projects Monitoring System
- SHARE Budget
- Grant Agreement
- ICIP Submission
- ICIP Hearing
- Executive Capital Outlay Recommendation

What will this presentation cover?

- SBOF Certification & Bond Sale

- Executive Order 2013-006

- Grant Agreement

- Capital Projects Monitoring System (CPMS) Reporting

SBOF Certification & Bond Sale

- Each legislative session a capital outlay bill is usually 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)

SBOF Certification & Bond Sale

- A Capital Outlay General Obligation Bond (GOB) bill is usually 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

SBOF Certification & Bond Sale

- 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

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

Executive Order 2013-006

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 – Review of Tribal Compliance is based on Federal Audits

2. 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)

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 <u>Bond Projects Disbursement Rule</u>

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 Reimburse1 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 orders 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

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1 "Reimburse" as used throughout this Notice of Obligation to Reimburse includes Department payment to the Grantee for invoices received, but not yet paid, by the Grantee from a third party contractor or vendor, if the invoices 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 and Tribal governments are 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**

Any Questions?