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November 30, 2006

Robin M. Nazzaro  
Government Accountability Office  
441 G Street NW  
Washington DC 20548

Dear Ms. Nazzaro:

In response to your November 2005 letter that accompanied the report entitled the Valles Caldera Trust Has Made Some Progress but Needs to Do More to Meet Statutory Goals (GAO-06-98), the Valles Caldera Trust would like to report its progress in addressing the seven recommendations contained in the section entitled Recommendation for Executive Actions. Additionally, this letter addresses several other areas of concern noted in the GAO Report.

Please accept my personal apologies for the delay in responding to your request.

- 1) A strategic and performance plan that identifies measurable goals and objectives for protecting and preserving the Caldera, providing recreation, sustained yield, and becoming financially self-sustaining.**

In October 2005, the Board of the Valles Caldera Trust met to review past planning efforts and further work on a Strategic Plan for accomplishing the goals set forth in the Valles Caldera Preservation Act. A final draft of the planning effort is attached.

A key component of the Strategic Plan is the completion and timely publication of the State of the Preserve Report, as required by the Trust's National Environmental Policy Act (NEPA) procedures. The procedures require a review of the Trust's activities every five years and reports on ".....comprehensive management of the lands, resources and facilities of the Preserve including all stewardship registers, the State of the Preserve report and the strategic guidance adopted by the Board of Trustees."

The State of the Preserve Report is the basis for strategic and financial planning by the Trust. It is a concise account of monitored outcomes and interpretive information from multiple sources, including studies, public comment, research investigations, natural resource data, informational summaries and numerous other sources. The Report provides the technical and scientific basis for considering the cumulative effects of past, present and reasonably foreseeable future actions of the Trust. The identification of reasonably foreseeable actions is a planning tool for the Trust and the public to use in considering the effects of managing the Preserve.

For the past two years, the Trust has been actively working on assembling and analyzing the information for the State of the Preserve. Progress on the Report is on target for a publication date of August 2007.

**2) A plan for becoming financially self-sustaining that includes financial information detailing how and when the Trust will try to achieve this goal.**

The attached Strategic Plan outlines steps necessary to progress on the goal of becoming self-sustaining. The State of the Preserve Report will provide a basis for financial planning by the Trust. The Report predicts, based on current revenues and costs and reasonably foreseeable future actions, a timetable and possible difficulties in achieving this goal.

The draft State of the Preserve Report sets the following financial goals for the Trust in 2008 and beyond:

- General administrative costs decrease 30% from 2006,
- Cost to provide recreation decreases 50% from 2006,
- Unit costs for activities and programs of the Trust decrease 30% from 2006,
- Grants increase 36% from 2006 levels, and
- Costs per volunteer day is no more than \$50.00 per volunteer per day.

The Trust has taken a number of additional steps toward financial self-sufficiency including:

The Trust is revising its cost accounting procedures in FY07 and implementing project-based cost accounting and reporting that closely follow the principal and administrative activities as identified in the State of the Preserve Report.

The Trust has obtained liability coverage for visitors and volunteers through a private sector underwriter.

An assessment of structures on the Preserve has yielded information needed to evaluate fire risk and safety concerns. Essential structures have been identified and consideration will be made regarding insurance coverage through a private entity.

The Trust has worked with the Congressional delegation to address the potential financial impact of wildfire on the Preserve. The Trust is now included in the pool of money available for wildfire suppression through the United States Forest Service.

The Trust has worked diligently with the New Mexico Game and Fish Department to explore the full potential of hunting opportunities on the Preserve.

The Board of Trustees has submitted paperwork to the IRS for a nonprofit 501(c)(3) organization, Los Amigos de Valles Caldera, to benefit the Preserve. Plans for the Group began in 2004. Preliminary research was conducted by a subcommittee of the Board. In

2005, Barbara Johnson and Larry Icerman drafted Bylaws, Articles of Incorporation submitted paperwork for obtaining 501(c)(3) from the IRS. A Board of Directors has been constituted.

The goal of Los Amigos de Valles Caldera is to raise funds for important resource and infrastructure projects on the Preserve, offsetting operating costs. Los Amigos applied for and will receive a grant of \$143,000 from the United States Environmental Protection Agency for several wetlands projects on the Preserve.

**3) Mechanisms for periodic performance monitoring and reporting, including annual performance reports that enable Congress and the Trust to track progress in achieving the Trust's program goals and objectives.**

The Trust implemented a new procedure for developing work plans in FY07. The work plans closely follow the Principal and Administrative activities in the State of the Preserve and the new project-based accounting and reporting system. The work plans set goals, objectives, budgets and benchmarks to measure progress. This will allow the Trust to monitor and report on performance toward meeting Trust goals and include this information in its annual report to Congress.

In discussions with the Board of Trustees prior to publication of the GAO Report, the Board was encouraged to increase efforts to communicate with elected officials and the public. A major overhaul of the Trust's web site was undertaken. In addition, the Board of Trustees wrote, designed, edited and produced on a quarterly newsletter, available electronically and by mail.

**4) A plan for the timely replacement of key personnel.**

Preliminary to a plan for timely replacement of key personnel was identification of essential positions, a task addressed in the attached Strategic Plan. The Board recognized that further refinement of an organizational chart would require close collaboration with the next Executive Director.

In October 2005, Dr. Ray Powell resigned as Executive Director of the Trust. The Board of Trustees undertook a national search for his replacement. Unlike a previous effort, conducted by a search firm at substantial cost to the Trust, a Search Committee, composed of Trustees, was appointed to advertise, evaluate and identify the top candidates for the position. A concurrent search was conducted for a Chief Financial and Administrative Officer.

Dr. Jeffrey Cross was hired as Executive Director in May 2006. One of his first tasks was to review the position description for the Financial and Administrative Officer. The applicant pool reviewed by Dr. Cross and the position description was further refined. In September 2006, Ms. Debbie Boggess was hired as the Administrative Officer. Ms. Boggess's extensive experience working in the Forest Service financial system has already proven to be great asset to the Trust.

Dr. Cross has been assigned the task of designing a flexible, responsive and affordable staffing plan for the Trust. Preliminary to the assignment is an evaluation of current staff and identification of future needs, in consideration of reasonable foreseeable actions identified in the State of the Preserve Report. Dr. Cross will produce an organizational chart and staffing plan that includes provisions for timely replacement of key personnel.

**5) Obtain the annual financial statement audit for 2005.**

The Trust has not yet obtained a financial audit for 2005. The Executive Director and Administrative Officer are working with the National Business Center (Department of Interior), which handles Trust accounting functions, and the US Forest Service, which handles Trust appropriations, to reconcile the Trust's three US Treasury accounts (appropriations, highways and revenues) for FY04 and FY05. Once these accounts are reconciled, which should occur early in FY07, the Trust will solicit an independent financial audit.

**6) Provide a status report or the auditor's final opinion on the Trust's financial condition in its January 2006 annual report to Congress.**

The Trust will obtain a financial audit of previous years in 2007 and report on the auditor's opinion of the Trust's financial position in its annual report to Congress.

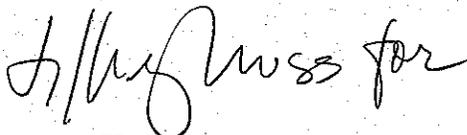
**7) Arrange to conduct future annual financial audits in a timely manner.**

In the future, the Trust will conduct financial audits in a timely manner.

On behalf of the staff and Board of the Valles Caldera Trust, I would like to thank you and your staff for your assistance in helping define the challenges that we face in fulfilling the goals of the Valles Caldera Preservation Act.

Please let me know if further information would be helpful.

Sincerely,



Tracy Hephner  
Chairman, Board of Trustees