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Report to Congressional Committees

November 2005

VALLES CALDERA

Trust Has Made Some Progress, but Needs to Do More to Meet Statutory Goals

GAO

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GAO-06-98

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Highlights

Highlights of GAO-06-98, a report to congressional committees

Why GAO Did This Study

In 2000, Congress authorized the purchase of the Valles Caldera (the Caldera) in north-central New Mexico. The Valles Caldera Trust (Trust), a wholly owned government corporation, is to become financially self-sustaining and to manage the Caldera for multiple purposes while sustaining the land's valuable natural resources. GAO was mandated to assess the progress the Trust is making in meeting its statutory goals.

What GAO Recommends

To help ensure that the Trust meets its goals and establish a more effective management control program, GAO recommends that the Trust's Board of Trustees develop (1) a strategic and performance plan that identifies measurable goals and objectives for protecting and preserving the Caldera, providing recreation, sustaining yield, and becoming financially self-sustaining; (2) a plan for becoming financially self-sustaining; (3) periodic performance monitoring and reporting that enable Congress and the Trust to track progress in achieving program goals; and (4) a plan to fill vacant positions.
GAO also recommends that the Board obtain the required financial audit for 2005 and report on the status of the audit in its 2006 annual report to Congress.

In commenting on the draft report, the Board generally agreed with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-98.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robin Nazzaro at (202) 512-3841 or nazzaror@gao.gov.

What GAO Found

The Trust has made progress in meeting its goals to preserve and protect the Caldera for future generations as well as to provide for public recreation and sustained yield management. Specifically, it has (1) established a basic organization with about 25 staff; (2) drafted policy and procedures and contracted with the Department of the Interior's National Business Center for accounting services; (3) begun engineering and construction efforts to address infrastructure problems—roads, water systems, fences, and buildings; (4) established interim grazing and recreation programs; and (5) implemented an adaptive management approach that focuses on making management decisions based on scientific data.

The Trust, however, still has much work to do to meet its goals, including achieving a financially self-sustaining operation. Specifically, the Trust has not yet developed the following:

- *Strategic and performance plans with measurable goals and objectives.* For example, the Trust must decide on the level of activities (e.g., grazing, hiking, and hunting) that will be allowed without seriously harming the land's resources, and yet will still provide sufficient recreational activity and sustained yield management. The Trust also must select additional opportunities for generating revenues, such as securing private donations.
- *Plans to manage program risks.* The Trust has not addressed program risks, including fire and legal liabilities. For example, the Trust lacks a fire plan, which would outline a decision-making process for responding to fires, and has not obtained liability coverage. Because it did not have a fire plan, the Trust spent about $338,000 in May 2005 to suppress a fire, which, in the opinion of the Forest Service Region 3 Fire Manager, could have been left to burn because the fire did not threaten any key resources or public infrastructure. Also, because it has not obtained liability coverage, the Trust has restricted the number of Caldera visitors.
- *Mechanisms for monitoring progress.* Among other things, the Trust has not had annual financial audits and has not prepared performance reports that would help it assess its progress toward meeting its financial and other goals.

The Trust's efforts to raise the revenues needed to bring it closer to meeting its financial self-sustainability goal could be undermined by one or more of these issues. Frequent turnover in Board members and key staff has contributed to the problems experienced to date.

Contents

Abbreviations

Control Act	Government Corporation Control Act
EIS	Environmental Impact Statement
NBC	National Business Center
NEPA	National Environmental Policy Act
Preservation Act	Valles Caldera Preservation Act
Results Act	Government Performance and Results Act
StARS	Stewardship Action Record System

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Congressional Committees

The Valles Caldera Preservation Act (Preservation Act) of 2000 authorized the federal government's purchase of about 89,000 acres of privately owned land in north-central New Mexico, known as the Baca Ranch.[1] The federal government acquired this property, referred to as the Valles Caldera (Caldera) for about $97 million. Scientifically, the Caldera has served as a model for geological studies of this and other volcanic areas around the world. Culturally and historically, the Caldera has had religious significance for Native Americans since prehistoric times because of its plentiful water resources in an otherwise arid region and because it provided a major source of black volcanic glass (obsidian), which was widely used for tools and weapons. Recreationally, the Caldera's landscape is noted for its opportunities for hiking, cross-country skiing, backpacking, bicycling, hunting, and fishing. Commercially, it provides ranchers with forage for livestock. Since the Caldera's acquisition through fiscal year 2005, the Valles Caldera Trust (Trust), established under the Preservation Act, has received about $16 million in federal funding to operate and maintain the Caldera.

As stated in the Preservation Act, the Trust is to be governed by a Board of Trustees (Board) responsible for managing the Caldera as a national preserve. Until the Trust could be organized, however, management of the Caldera was provided by the U.S. Department of Agriculture's Forest Service. The Secretary of Agriculture was to transfer management responsibility to the Trust once the Board was able to conduct business and provide for essential management services. The transfer occurred in August 2002. The Preservation Act also charged the Trust with managing the land to achieve a number of goals, including the following:

- protecting and preserving the Caldera's scientific, scenic, historic, and natural values, including rivers and ecosystems, and archaeological, geological, and cultural resources for future generations;

- providing opportunities for public recreation;

[1] Pub. L. No. 106-248, Title. I.

- providing for sustained yield management of the ranch for timber production and domesticated livestock grazing insofar as those were consistent with its other responsibilities; and
- becoming financially self-sustaining within 15 years of the purchase date—that is, by 2015.

The Preservation Act also established the Trust as a wholly owned government corporation subject to the Government Corporation Control Act (Control Act).[2] The Trust is also subject to the Government Performance and Results Act (Results Act).[3] Under the Control Act, the Trust must obtain independent annual financial audits and report annually to Congress. Under the Results Act, the Trust must prepare a strategic plan and an annual performance plan with measurable goals and objectives, and submit annual performance reports to Congress and the President.

The Preservation Act requires GAO to provide two reports to Congress on the Trust's activities: an interim report 3 years after the Trust assumed management responsibility and a final report 4 years later. For this interim report, we examined the (1) Trust's accomplishments since its inception and (2) work that remains for the Trust in order to meet its goals under the act, including the goal of becoming financially self-sustaining.

To address these issues, we analyzed information and interviewed officials from the Forest Service and the Trust on the programs and activities the Trust has initiated since assuming management of the Caldera. We also analyzed documents, financial records, and other information, and visited the site to observe the actions taken to date toward meeting the Trust's statutory obligations. In addition, we analyzed the requirements of the Control Act and the Results Act for government corporations. The financial statements of the Trust have not been independently audited. We conducted limited testing of these data and discussed these data with key Trust officials. We describe issues related to these financial data in the body of this report. We assessed and determined that the nonfinancial data, such as participation in recreation activities and levels of livestock grazing, were sufficiently reliable for the purposes of this report. We conducted our

[2] 31 U.S.C. § 9100 et seq.

[3] Pub. L. No. 103-62 (1993).

work from January 2005 through October 2005 in accordance with generally accepted government auditing standards.

Results in Brief

Since 2000, the Trust has made progress in meeting its goals of preserving and protecting the Caldera for future generations as well as of providing for public recreation and sustained yield management. To advance these goals, the Trust established a basic organization with about 25 staff and drafted policy and procedures—including guiding management principles and a management framework; it also contracted with the Department of the Interior's National Business Center for accounting services. On the Caldera, the Trust began engineering and construction efforts to address infrastructure problems—roads, water systems, fences, and buildings—to make the Caldera more accessible for resource management, recreation, and commercial uses. In addition, since 2002, the Trust has granted access to the public through its interim grazing and recreation programs. To preserve the land and implement environmental protection requirements, the Trust uses science-based adaptive management—an approach under which management decisions are based on site-specific scientific data, evaluated for impact, and adjusted in response to these evaluations.

Despite the progress made, the Trust has much work to do to meet its goals under the Preservation Act, including achieving a financially self-sustaining operation. Specifically, the Trust has not yet developed the following:

- *Strategic and performance plans with measurable goals and objectives* for (1) protecting and preserving the scientific, scenic, historic, and natural values of the Caldera; (2) providing opportunities for public recreation; (3) providing for sustained yield management of the ranch for timber production and domesticated livestock grazing; and (4) becoming financially self-sustaining. Strategic and performance planning processes can help highlight mission conflicts for decision makers. For example, the Board must decide on the level of activities (e.g., grazing, hiking, and hunting) that will be allowed so as to not seriously harm the land's resources, yet provide sufficient recreational activity and sustained yield management, and must select additional opportunities for generating revenues, such as securing private donations.

- *Plans to manage program risks*, including losses due to fire and legal liabilities that could undermine the Trust's ability to meet its goals. For example, the Trust lacks a comprehensive fire plan outlining a decision-making process for responding to naturally occurring fires. As a result, the Trust spent about $338,000 in May 2005 to suppress a fire that could have been left to burn because it did not threaten any key resources or public infrastructure, in the opinion of the Forest Service Region 3 Fire Manager. The Trust has not obtained liability coverage because it is uncertain of its legal authority to do so. As a result, the Trust has restricted the number of visitors to the Caldera.

- *Mechanisms* for monitoring progress, such as annual financial audits required by the Control Act and performance reports required by the Results Act, would help the Trust assess its progress toward meeting its financial and other goals.

Any one or a combination of these problems could undermine the Trust's efforts to raise the revenues needed to bring it closer to meeting its self-sustainability goal or other goals. Also, the Trust has experienced significant turnover of Board members and key staff, which has contributed to delays in implementing the goals under the act.

To establish a more effective management control program, we are recommending that the Board develop a strategic and performance plan with measurable goals and objectives, a plan for becoming financially self-sustaining, performance monitoring mechanisms, and a plan for timely replacement of personnel, prior to devoting additional resources to other activities. We are also recommending that the Trust obtain an audit of its 2005 financial statements and report the results to Congress.

In commenting on a draft of this report, the Board generally agreed with the accuracy of the findings, validity of the conclusions, and soundness of the recommendations. The Board also provided additional information regarding its efforts to address strategic planning, program risks related to fire and legal liabilities, Board member and staff turnover, and financial self-sustainability. With regard to the issue of financial self-sustainability, the Board disagreed with our statement that financial self-sustainability was not a priority and noted that this goal is considered to be of equal priority to other goals it has to achieve. To avoid ambiguity, we revised the language in the report to state that the Trust considers the self-sustainability goal as one of many goals of equal priority. We also added language in the report stating that the Trust can use its own funds to purchase liability insurance.

Background

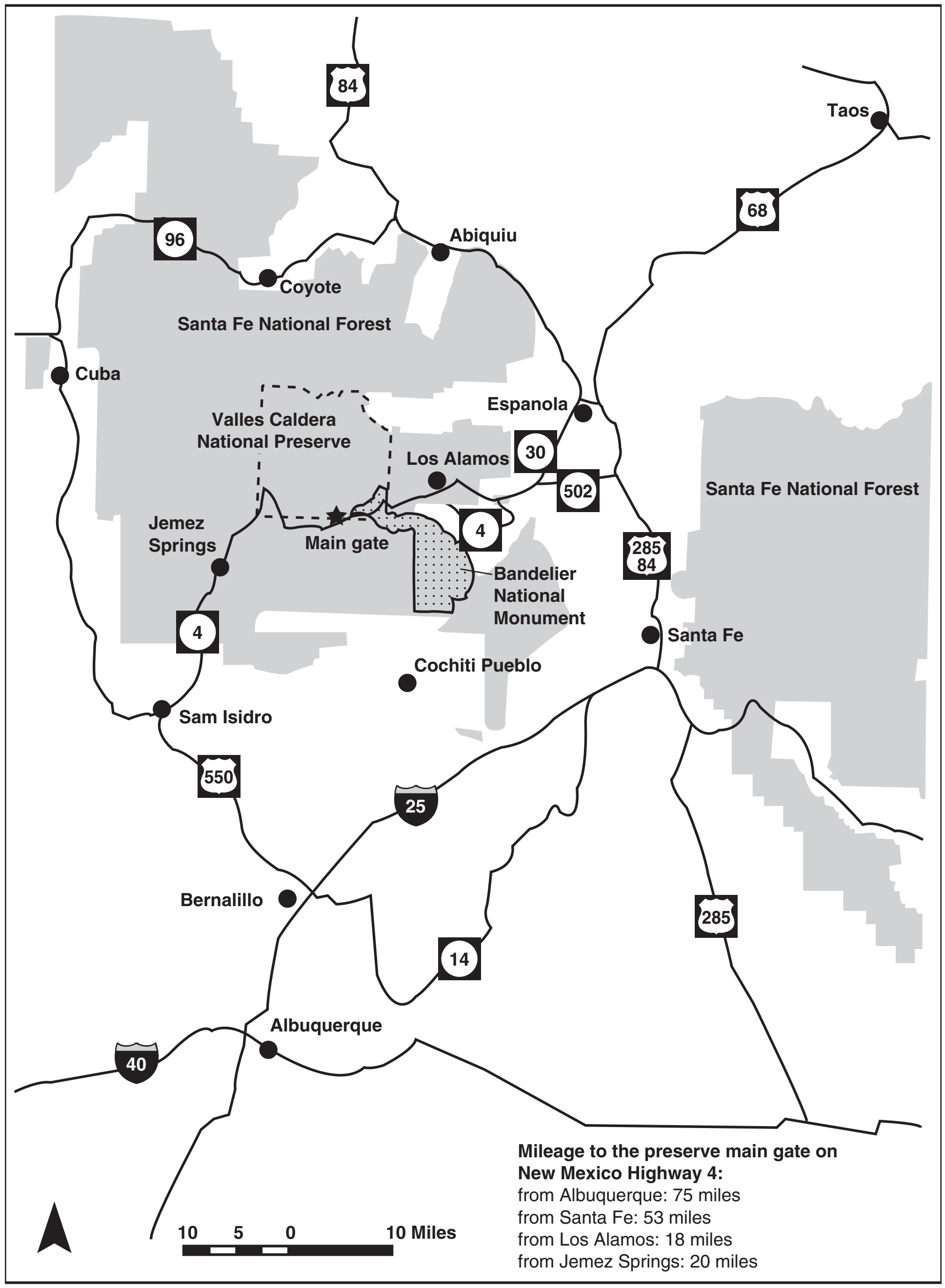
About 1.2 million years ago, a volcano erupted and collapsed inward, forming the crater now known as the Valles Caldera, in north-central New Mexico. This geologically and ecologically unique area covers about 89,000 acres of meadows, pine forests, hot springs, volcanic domes, and streams that support elk herds and other wildlife and fishery resources. Figure 1 shows a view of Valle Grande from Redondo Peak, the highest elevation within the Caldera.

Figure 1: Valle Grande Viewed from Redondo Peak

Source: Valles Caldera Trust.

The Caldera comprises the formerly private lands known as the Baca Ranch and is almost entirely surrounded by the Santa Fe National Forest and Bandelier National Monument. Figure 2 shows the location of the Caldera in relation to the Santa Fe National Forest and Bandelier National Monument.

Figure 2: The Caldera, Santa Fe National Forest, and Bandelier National Monument



Source: Valles Caldera Trust.

The owners of the Baca Ranch operated it as a working ranch, providing grazing for their own cattle and, for a fee, for livestock owned by other parties. According to the Preservation Act, the working ranch arrangement was to continue after the federal government purchased the ranch. In managing the Caldera, the Trust is to protect and preserve the land while attempting to achieve a financially self-sustaining operation. “Financially self-sustaining,” as defined by the act, means that management and operating expenditures—including trustees’ expenses; salaries and benefits; administrative, maintenance, and operating costs; and facilities improvements—are equal to or less than proceeds derived from fees and other receipts (including interest on invested funds) for resource use and development. Appropriated funds are not to be considered. To carry out its duties, the Trust has the authority to solicit and accept donations of funds, property, supplies, or services from any private or public entity; negotiate and enter into agreements, leases, contracts, and other arrangements with any individual or federal or private entity; and consult with Indian tribes and pueblos on matters that may affect them.

The Trust is managed by a nine-member Board. The President appoints seven members, and the other two members are the Supervisor of the Santa Fe National Forest and the Superintendent of the Bandelier National Monument. Of the seven presidential appointees, who are selected in consultation with the New Mexico congressional delegation, five must be New Mexico residents. Appointees are to be selected based on their expertise or experience. Generally, one individual must be appointed with knowledge of or experience in each of the following: (1) livestock and range management; (2) recreation management; (3) sustainable management of forest lands for commodity and noncommodity purposes; (4) financial management, budget and program analysis, and small business operations; (5) cultural and natural history of the region; (6) nonprofit conservation organizations concerned with Forest Service activities; and (7) state or local government activities in New Mexico, with expertise in the customs of the local area. Board members are generally appointed to 4-year terms and can be reappointed; however, no Board member may serve more than 8 consecutive years. The Trustees select a chairman from the Board’s members. An executive director, who is hired by the Board, oversees the Trust’s day-to-day operations. The Board must hold at least three public meetings a year in New Mexico.

Under the Control Act, the financial statements of a government corporation must receive an independent financial audit annually in accordance with generally accepted government auditing standards. In addition, agencies must submit annual management reports to Congress that include a statement of financial position, a statement of operations, a statement of cash flow, a budget report reconciliation, a statement on management controls, a report on the results of the annual financial audit, and other necessary information about the operations and financial condition.

The Results Act requires agencies to develop strategic and performance plans, measure performance, and report annually to Congress. The Results Act shifts the focus of an agency's operations from reporting on activities toward achieving results. It requires a results-oriented strategic planning process with clearly defined strategic objectives linked to measurable performance goals and the collection of information to monitor and evaluate the programs. A strategic plan should contain the organization's mission statement and strategic goals, a description of the means and strategies that will be used to achieve the goals, a description of the relationship between annual performance goals and the organization's strategic goal framework, the identification of key factors that could affect achievement of the strategic goals, a description of program evaluations used in preparing the strategic plan, and a schedule for future program evaluations. The annual performance plan articulates measurable goals for the upcoming fiscal year that are aligned with an organization's long-term strategic goals. The annual performance report compares an organization's performance with performance goals for the past year.[4] Implementation of the Results Act requirements enables managers to improve accountability, effectiveness, service delivery, and internal management, and to provide better information to Congress.

A more effective management control program, as we have defined it for the purposes of this report, would encompass the requirements of the Control Act and the Results Act. These requirements include, among other things, (1) a strategic plan, (2) performance plans with measurable goals and objectives, (3) the identification and mitigation of program risks, (4) performance monitoring and reporting, and (5) annual audits.

[4]OMB, *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports*, Circular No. A-11, part 6 (Washington, D.C., June 2005).

The Trust Is Making Progress toward Preserving and Protecting the Caldera and Providing Recreation and Sustained Yield Management

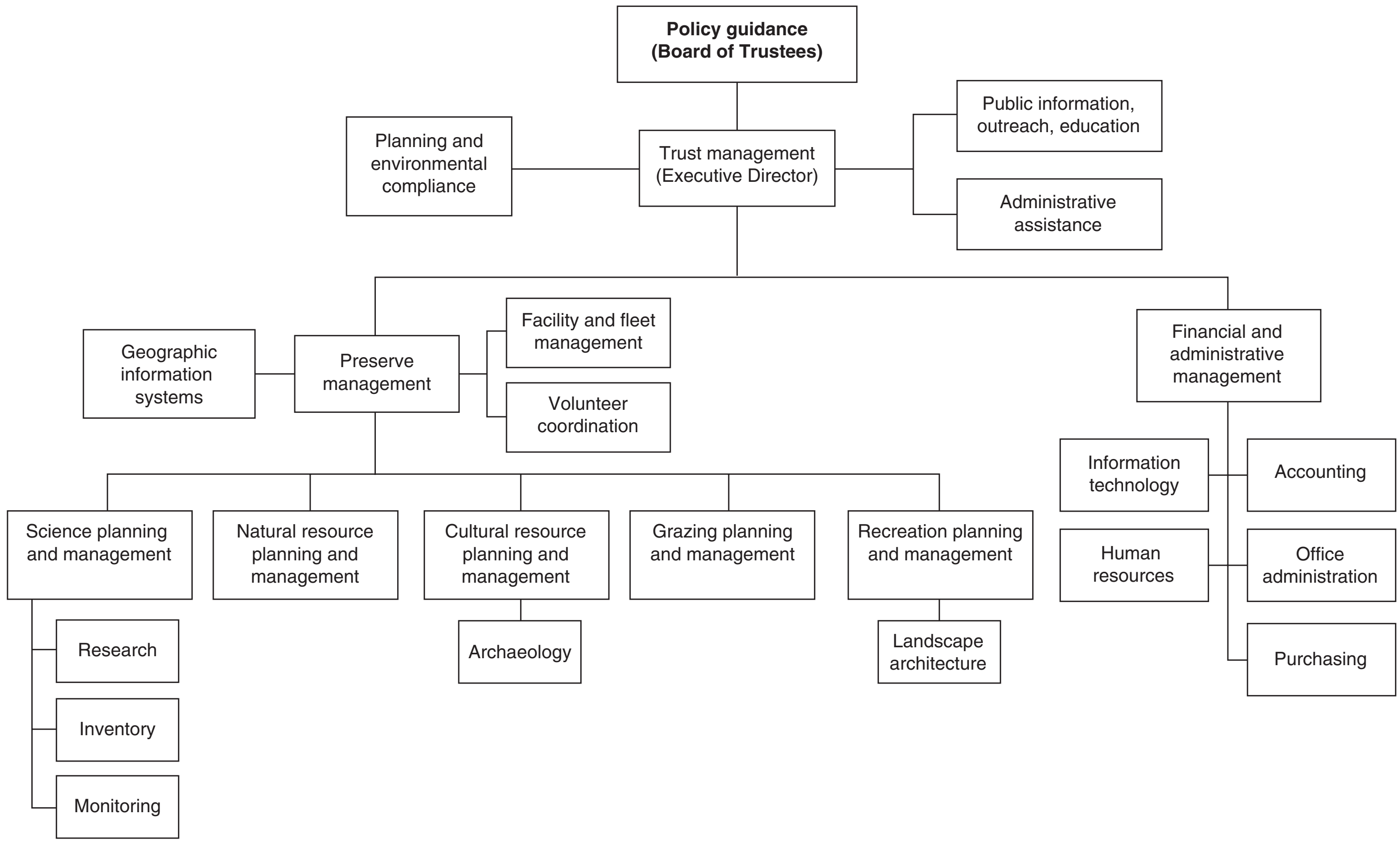
As required under the Preservation Act, the Board has taken steps to establish and implement management policies to achieve the goals of preserving and protecting the Caldera and providing for public recreation and sustained yield management. In particular, the Board (1) established a basic organization, (2) began to address infrastructure problems, (3) granted limited access to the public through its interim grazing and recreation programs, and (4) established an adaptive management framework.

The Board Established the Trust Organization

Between January 2001—the Board's first meeting—and September 2001, the Board met regularly and held listening sessions with the general public to obtain views on how the Caldera should be managed. Separately, the Board met with representatives of local Indian tribes and pueblos. Using the information from these sessions, in December 2001, the Board issued 10 guiding principles for future decision making. These guiding principles, which are listed in appendix II, include a commitment to fair and affordable access for all permitted activities. At the same time, however, the Board stated that it would emphasize the quality of Caldera experiences over quantity, which could limit activities and fees.

From January 2001 through August 2002, the Forest Service served as the interim manager, and the Board and employees from the Forest Service and other federal agencies conducted the Trust's work. In October 2001, the Board hired its first employee, an executive director. During that year, the Trust's office was located at the Santa Fe National Forest offices. The Trust officially assumed management of the Caldera in August 2002, after it provided for essential management services, including establishing staff, beginning business operations, and adopting management policies and procedures. During 2002, the Board drafted personnel and procurement policies and procedures as well as policies for environmental protection. It also drafted a tribal access and use policy to ensure access to the Caldera for religious and cultural purposes, as authorized by the Preservation Act. By the end of fiscal year 2002, the Trust had 7 employees, including business and resource managers. At the time of our review in 2005, the Trust was reorganizing under a new executive director and employed about 25 permanent and limited-term employees. Figure 3 shows the Trust's proposed organization, as of September 2005.

Figure 3: Valles Caldera Trust's Proposed Organization, as of September 2005



Source: Valles Caldera Trust.

Note: As of October 2005, the Board had not officially approved this organizational proposal.

In addition, the Trust published its final management framework in May 2005. This document, entitled *The Framework and Strategic Guidance for Comprehensive Management*, describes the history and natural features of the Caldera, the goals of the Preservation Act, and the Trust's approach for land stewardship, decision making, and public involvement. It further describes a range of potential public uses of the Caldera, from hunting and fishing to hiking and camping.

From its inception through fiscal year 2003, the Trust maintained its financial accounts on the Forest Service's financial system. However, in 2003, the Board decided to obtain an independent financial system for the Trust. The Trust contracted for financial services on the Oracle Federal

Financial System managed by the Department of the Interior's National Business Center—an option the Trust considered to be more cost-effective than developing a system in-house.[5] Beginning with fiscal year 2004, the Trust maintains its financial information on that system.

Infrastructure Surveyed and Potential Solutions to Problems Identified

Shortly after the federal government assumed ownership of the Caldera, the Trust learned that the existing infrastructure—roads, buildings, fences, and water treatment facilities—was seriously degraded and would have to be rehabilitated before it could provide public access to the Caldera. The Trust began the rehabilitation work in 2002.

Roads. The Caldera has an estimated 1,200 miles of roads, including 200 miles for the main access roads. Most of these roads had been constructed with little planning or engineering and had been used to support logging operations. They could not be readily used to support administration, ranching, recreation, and other needs. In 2002, 3.5 miles of Road 1, the main access road, and five key bridges were upgraded to all-weather commercial gravel standards; work on the this road was completed in 2003. Road 2—a 10.2-mile access road—was upgraded in 2004 and 2005. Road work will continue as needs are identified and resources become available. Figure 4 shows a portion of the main access road to the Caldera after rehabilitation.

[5]Interior's National Business Center (NBC) uses its information systems to provide computer-processing services to other federal agencies. Under cross-servicing agreements, NBC develops and operates administrative and financial systems (including payroll/personnel, administrative payments, accounts receivable, property management, and accounting) for the Department of the Interior as well as for more than 30 other federal organizations.

Figure 4: Portion of the Main Access Road to the Caldera after Rehabilitation

Source: Valles Caldera Trust.

Buildings, fences, and other facilities. From 2002 to 2005, the Trust conducted minor maintenance on the ranch buildings used to house employees. In 2002 and 2003, the Trust repaired the Caldera's 54 miles of boundary fence and installed restricted access signs. In 2004, it assessed the layout and condition of 64 miles of interior fences. The height of the fences was shortened in many areas to allow for elk movement. The Trust also installed scenic vistas and kiosks on New Mexico Highway 4, the main access road to the Caldera, to allow public viewing of the Caldera. Other facilities—such as livestock corrals—were also assessed and rehabilitated. Figure 5 shows a historic building constructed in 1909 and used as a commissary where ranch hands could purchase supplies on the Caldera.

Figure 5: Historic Commissary on the Caldera

Source: Valles Caldera Trust.

Water treatment facilities. When the federal government acquired the Caldera, the existing water treatment facility was not functioning and the Caldera did not have potable water. Rehabilitating the system became a top priority for the Trust. Repairs to the water collection and filtration system were completed in 2004, and work was ongoing to repair the water distribution system in 2005. As currently scheduled, potable water will be available in the spring of 2006.

The Trust Implemented Interim Grazing

According to the Preservation Act, the Trust is to provide for livestock grazing consistent with the other purposes of the act. The grazing program, begun in 2002 as a 5-week drought-relief program, has been operating under an interim livestock management plan, which is effective through calendar year 2005. Until it can develop a more comprehensive strategy, the Trust has established an interim grazing program that allows grazing for between 1 and 2,000 cattle, depending on the condition of the forage. This level is lower than the private owners had allowed—up to 6,000 cattle during the spring, summer, and fall grazing seasons. Table 1 shows the level of livestock grazing through 2005 (estimated) by calendar year.

Table 1: Level of Livestock Grazing on the Caldera, Calendar Years 2002 through 2005

Components of the grazing program	2002	2003	2004	2005 (estimated)
Cow-calf pairs	703	305	[a]	[a]
Conservation Stewardship Program (number of cattle)			205	198
Replacement Heifer Program (number of cattle)		375	461	402
Duration of grazing season (months)	1.25	4	4	4
Animal unit months[b]	879	2,270	2,621	2,354

Source: GAO analysis of Trust data.

[a]The Trust replaced the cow-calf pair program in 2004 with the Conservation Stewardship Program, which requires grazing applicants to demonstrate that they have conservation initiatives on their own land.

[b]An animal unit month (AUM) is the computed amount of forage (vegetation such as grass and shrubs) that a cow and her calf eat in a month.

Two of these grazing programs—Conservation Stewardship and Replacement Heifers—are designed, in part, to introduce local ranchers to more prudent management practices. Under the stewardship program, which replaced the cow-calf program, applicants have to demonstrate that they will implement projects on their own lands to improve the condition of the range while their cattle graze on the Caldera. The largest participant in the program, the Pueblo of Jemez, implemented major range improvements on its own lands, such as reseeding and resting rangeland. The Replacement Heifer Program allows ranchers to graze heifers on the Caldera and have the heifers bred with the Trust's registered bulls, which are certified to produce calves with low birth weights. The program is designed to improve the genetics of local herds and to protect the heifers from dying or suffering other complications when they give birth.

The Trust Has Established Interim Recreation Programs

The Trust granted limited public access through recreation programs beginning in 2002. Recreation activities offered have included, for example, hunting, fishing, hiking, cross-country skiing, snowshoeing, sleigh rides, wagon rides, and horseback riding. In most cases, the Trust charged fees for access to the Caldera. Table 2 shows the level of public participation in the various recreation programs from calendar years 2002 through 2004. Participation in recreation activities is expected to increase for 2005. As shown in table 2, the Trust offered limited recreational opportunities in 2002—a total of 1,920 participants. However, in 2004, participation in recreation activities increased more than fourfold over the 2002 level. The fishing program hosted the most visitors over the period, or approximately 26 percent of total visitors. Elk hunting/antler collection and hiking were also popular, each representing about 21 percent of visitor participation, followed by wagon/sleigh rides at about 15 percent.

Table 2: Public Participation in Recreation Programs, Calendar Years 2002 through 2004

Public participation	2002 participants	2003 participants	2004 participants	Total participants by activity, 2002 through 2004
Fishing permits and clinics		1,785	2,107	**3,892**
Elk hunting and elk-antler collection	1,470	1,040	689	**3,199**
Hiking	200	1,296	1,620	**3,116**
Wagon and sleigh rides	250	447	1,520	**2,217**
Van and group tours		353	1,306	**1,659**
Mountain biking			440	**440**
Horseback riding (equestrian program)			215	**215**
Skiing and snowshoeing		64	142	**206**
Stargazing lectures		71	70	**141**
Seminars, workshops, and overnight photo excursions			87	**87**
Bird watching		14	14	**28**
Total participants	**1,920**	**5,070**	**8,210**	**15,200**

Sources: Valles Caldera Trust staff and annual reports to Congress.

Fishing and fishing clinics. Two streams on the Caldera are suitable for fishing. In 2003, the Trust granted fishing access to 1,785 participants on a first-come, first-served basis. With increased demand in 2004, the Trust used a lottery system to award access to 2,107 participants. In addition, the Trust hosted youth and adult fishing clinics in both years.

Elk hunting and antler collection. The Trust worked with the New Mexico Department of Game and Fish to set the numbers of available elk-hunting licenses and used a lottery and auction to award licenses. Participation in elk hunts has declined each year because of the New Mexico Department of Game and Fish decided to decrease the number of hunting licenses available to sustain a viable elk herd. In addition to the elk hunt, the Trust has offered area youth groups the opportunity to collect antlers shed by elk each year. These groups sell the antlers, which are generally used to make decorative items, such as lamps, and the groups use the proceeds to support nonprofit programs.

Hiking. Beginning in 2002, the Trust provided guided hiking through a contractor to enable public access to the Caldera before it developed the infrastructure needed for general public access. In 2003 and 2004, the Trust implemented its own hiking program, expanded the activity boundaries for hiking, and established unguided hikes as an option. In 2005, the Trust increased the number of trails available for hikers on the Caldera. In total, the Trust now has 24 miles of trails available for hikers.

Wagon and sleigh rides. The Trust offered horse-drawn wagon and sleigh rides to visitors. The horse-drawn rides allow greater access to areas in the Caldera. Wagon rides can occur year-round, while sleigh rides, of course, need sufficient snowfall. Participation in wagon and sleigh rides has increased more than sixfold, from 250 in 2002 to 1,520 in 2004. Also in 2004, the Trust donated wagon rides on the Caldera as a prize for a charity auction.

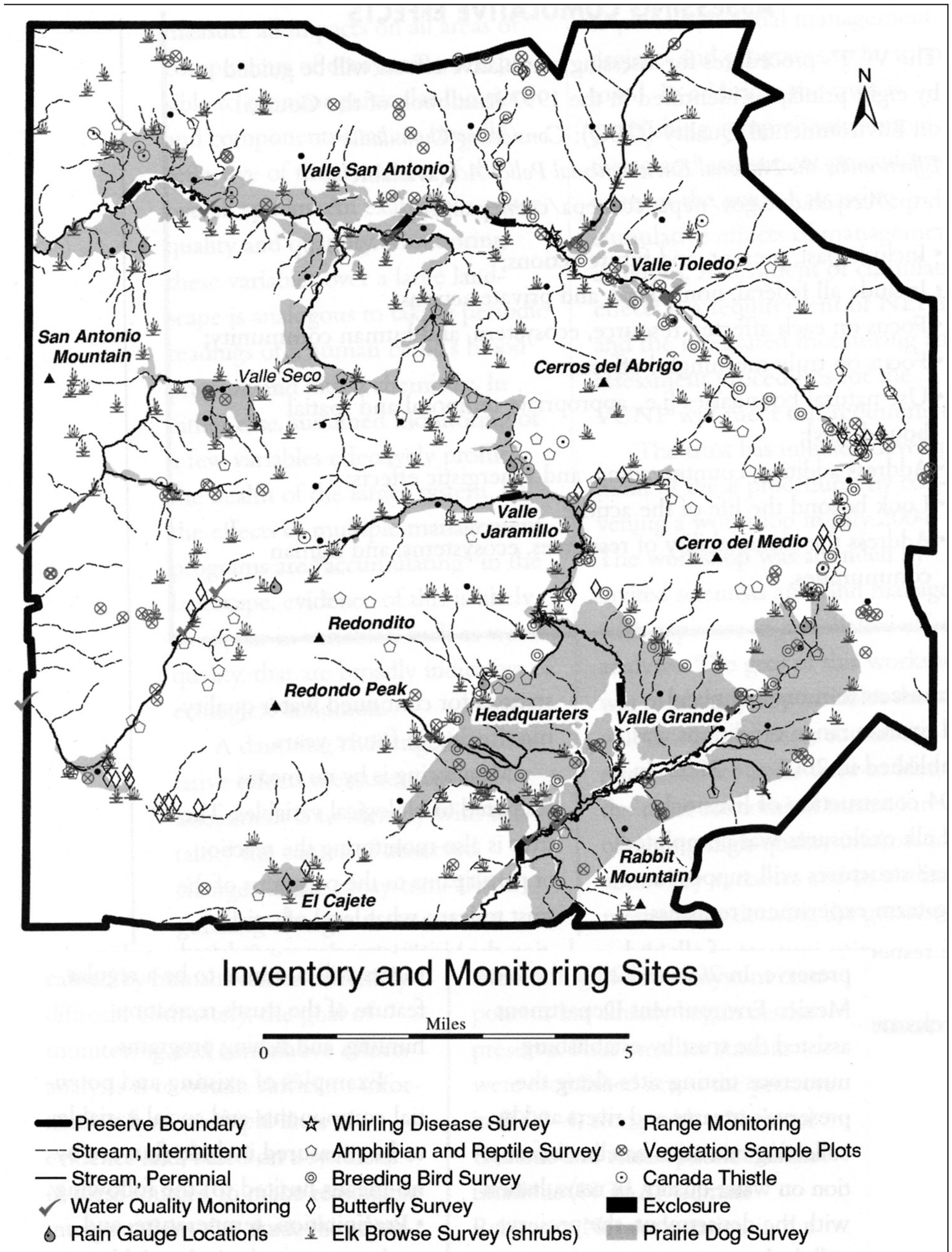
Other recreation. In 2003, the Trust added van tours, snowshoeing, cross-county skiing, bird watching, and stargazing lectures. In 2004, the Trust implemented an equestrian program, so that riders could transport their own horses to the Caldera for rides on designated trails. Over 200 riders participated. Also in 2004, the Trust added mountain biking, group tours and seminars, workshops, and overnight photo- and bird-watching excursions.

The Trust Set Up a Science-Based Adaptive Management Framework

The Trust is using a science-based adaptive management framework for the Caldera, which many believe to be a potentially effective approach to managing the land. Under this approach, the Trust will make land management decisions on the basis of scientific research and monitoring, taking into account the public's views and federal environmental requirements. The foundation of this management approach is inventorying natural resources, monitoring environmental changes that result from the Trust's programs, conducting research that will primarily help manage the Caldera's resources, and complying with federal environmental requirements.

Inventories. Little information was available about the Caldera's resources when the federal government acquired the Caldera. As a result, in 2001, the Trust—using volunteers and employees detailed from other federal agencies—began to inventory the Caldera's vegetation and forest, wildlife and fisheries, geology, and other resources. Some of these baseline inventories have several components. For example, the wildlife inventory includes components by species, such as mammals, reptiles, and fish. Some inventory components have been completed, while others are still ongoing and are scheduled to be completed during 2007. Figure 6 shows the current inventory and monitoring locations on the Caldera.

Figure 6: Inventory and Monitoring Sites on the Caldera



Source: Valles Caldera Trust.

In addition, about 5 percent of the Caldera has been surveyed for cultural resources. As a result of recent surveys, 25 previously unknown historic properties have been discovered. For example, scientists have identified prehistoric sites showing evidence of toolmaking using obsidian. The cultural inventory is ongoing, and its completion date has not been established because future construction plans are uncertain. According to the Caldera's cultural program coordinator, planned surveys can be delayed because of the need to survey areas slated for construction, such as roads.

Monitoring. The monitoring program is intended to assess the impact that grazing, fishing, forest thinning, prescribed fire programs, and other activities have had on the Caldera. For example, the Trust is monitoring areas it has fenced along streambeds to prevent elk and cattle grazing in order to better understand the impacts of grazing on areas that are not fenced off. Figure 7 shows a fenced riparian area on the Caldera. The Trust is also monitoring the effects of natural and nonprogrammatic factors, such as changes in climate and species populations, especially nonnative populations. For example, as part of this program, the Trust established five weather stations to monitor rainfall, snowfall, wind, and temperature as well as five stations to monitor stream water quality.

Figure 7: Fenced Riparian Area on the Caldera

Source: Valles Caldera Trust.

Research. The research program benefits both the management of the Caldera and public land management. For example, hydrological research funded by the National Science Foundation through the University of Arizona will provide information to aid in the day-to-day management of the Caldera and will also contribute to the understanding of hydrologic systems overall. This research will enable scientists to understand how much rain the Caldera's lands absorb and predict the amount of runoff into streams and rivers. As more data become available, scientists can predict the impact of rain and drought on water quality and forage availability on the Caldera and use the information to drive future management decisions for grazing and recreation.

Environmental compliance and public participation. The Trust must comply with the National Environmental Policy Act (NEPA), which requires federal agencies to assess the likely environmental impacts of any major actions they propose. If the agency determines that a proposed activity will significantly affect the quality of the human environment, it must prepare an environmental impact statement (EIS). An EIS specifies, among other things, the purpose of and need for the proposed action, its environmental consequences, and the comparison of alternatives to the proposal.

Federal agencies, in addition to complying with the Council on Environmental Quality's regulations for implementing NEPA, develop agency-specific procedures. Before the Trust adopted its NEPA procedures in July 2003, it used the Forest Service's procedures to ensure NEPA compliance.[6] Under the Forest Service procedures, the Trust categorically excluded interim fishing, hiking, road maintenance, and hazardous-fuel reductions from the general requirement to develop an environmental assessment or impact statement because it was determined that the actions would have no significant impact on the human environment. Under the Forest Service regulations, the Trust conducted environmental assessments of the interim grazing, noxious-weed eradication, and prescribed burns and did not find that these activities significantly affected the Caldera. The Trust expects to complete an environmental impact statement before establishing a permanent grazing program in 2007.

The 2003 procedures are intended to efficiently and effectively implement NEPA and create a collaborative working relationship between the Trust and tribal governments, citizens, and federal, state, and local authorities.[7] To obtain public views and to track and report the Trust's land management actions, the Trust is developing an Internet-based system—the Stewardship Action Record System (StARS). Once functional (expected at the end of 2005), StARS will allow public review and comment on all actions taken and provide the public with opportunities to monitor the results of ongoing efforts. StARS proposals have been developed for public recreation, grazing, infrastructure development, research projects, and fire management. The Trust is also exploring ways to distribute information to the public and obtain comments without using the Internet.

According to the President's Council on Environmental Quality, the Trust's NEPA procedures clearly integrate progressive NEPA compliance with principles of adaptive management and environmental management

[6] 68 FR 42460 (July 17, 2003).

[7] 68 FR at 42462.

systems.[8] The council also stated that the procedures allow for uncertainty in the decision-making process because actions are monitored and revised as more information becomes available.

The Trust Has Much Work to Do to Meet Its Statutory Goals

Despite the progress made, the Trust has much work to do to meet its mandated goals under the Preservation Act. Specifically, the Trust lacks (1) strategic and performance plans and programs to ensure that revenue streams are sufficient to achieve financial self-sustainability, (2) plans to minimize program risks from fire that could damage resources and legal liabilities that could result in catastrophic losses and reduced visitor use, and (3) mechanisms for monitoring progress in meeting its financial and other obligations, including annual audits and performance reporting. These shortfalls could be addressed through a more effective management control program, as envisioned in the Control and Results Acts. Frequent turnover of Board members and key staff also contributed to delays in implementing the components of an effective management control program. Without a more effective management control program, the Trust cannot adequately plan and implement programs or monitor progress toward meeting the mandated goals of the Preservation Act.

The Trust Has Not Developed Strategic and Performance Plans with Measurable Goals and Objectives

The Trust has not developed strategic and performance plans as required under the Results Act. Specifically, it has not developed a strategic plan that not only outlines its mission and goals but also describes how it will achieve and revise its goals and objectives, how performance goals relate to the organization's strategic goal framework, and how it will conduct program evaluations. In 2005, the Trust published its *Valles Caldera National Preserve Framework and Strategic Guidance for Comprehensive Management*. This document provides useful information about the history of the Caldera, background on the Trust, and general goals, but discusses issues in terms of possibilities and in a broad and philosophic manner instead of applying a methodical and analytical approach to strategic planning. Board members stated that they did not prepare a strategic plan because they believed that the NEPA compliance process had to be completed before they could publish a plan. However,

[8]Letter from the Chairman, Council on Environmental Quality, to the Chairman, Valles Caldera Board of Trustees (Oct. 22, 2003).

agencies are not required to prepare an EIS prior to formulating a strategic plan.

The Trust has not developed an annual performance plan with measurable goals for the activities it allows on the Caldera, which would help it determine whether it is accomplishing the overall strategic goals. For example, the performance plan could support the overall strategic goal to provide recreational opportunities by establishing annual measurable goals for the Trust's recreation activities. An example of a measurable goal could be to increase public participation in hiking activities by 10 percent per year until the Trust has determined that the allowed level of hiking will not impair or damage the Caldera and is consistent with the other goals under the Preservation Act. The performance plan could also support the strategic goal to protect and preserve the Caldera, which could contain a measurable goal to restore and expand a specific number of wetland acres per year. However, the Trust cannot agree on the balance that should be struck between the activities that should occur on the Caldera and the impact of these activities on the land in order to achieve its overall goals of resource protection, recreation, sustained yield management, and financial self-sustainability.

To become financially self-sustaining by 2015, the Trust needs to generate enough revenue to pay for its operations and maintenance as well as infrastructure development costs. The Trust's main revenue-generating activities are hunting, fishing, special events such as mountain biking, and grazing. Table 3 shows the revenue generated, by program activity, for fiscal year 2004.

Table 3: Revenue Collected, by Program Activity, Fiscal Year 2004

Program	Revenue
Hunting	$245,885
Fishing	62,793
Special events	45,699
Grazing	42,728
Hiking	28,744
Souvenirs, books, maps	13,256
Donations	841
Other [a]	60,137
Total	**$500,083**

Source: Valles Caldera unaudited data.

Notes: The Trust's financial statements remain unaudited as of the date of this report.

[a]Other includes lodging, filming, and other revenues generated by credit card payments not specifically identified to programs.

To date, however, the Board has not developed sufficient revenue streams to cover its program costs or developed performance goals for becoming financially self-sustaining. Specifically, managers estimated that the grazing program lost about $55,000 in 2004 but have not computed the gain or loss for other programs. With total revenues of about $500,000 and total expenditures in excess of $5 million in fiscal year 2004, it is apparent that programs were operating at a loss. The Board does not plan to change the operation of revenue-generating programs until the Trust complies with NEPA.

According to the *Valles Caldera National Preserve Framework and Strategic Guidance for Comprehensive Management*, the Trust considers the financial self-sustainability goal as one of many goals of equal priority. Furthermore, according to the framework, the Trust cannot set a date for achieving financial self-sustainability—established as a goal to be accomplished by 2015 in the Preservation Act—because its federal land stewardship obligations do not allow it to operate grazing and recreation activities at a level that puts natural resources at risk. Therefore, the framework states, it may be reasonable to continue appropriations to cover environmental stewardship costs, such as those for environmental assessments and resources inventories, while the balance of the Trust's programs operate in a self-sustaining manner. While financial self-sustainability may not be attainable in the long run, we believe it is premature to assume that appropriations will continue to be needed after the Trust's 15th year of operation—the time period established to achieve the goal of self-sustainability. Moreover, the Trust is directed to report to Congress in its 14th year if the achievement of self-sustainability by its 15th year is unrealistic. In the meantime, the Trust has an obligation to continue to develop a strategy and implement a plan to become financially self-sustaining.

The Preservation Act also requires the Trust to report to Congress on how and when the Trust will become financially self-sustaining. That is, the Trust is to provide Congress with a schedule of decreasing appropriations that demonstrates how it will achieve financially self-sustaining operations by 2015. Such a schedule should, at a minimum, quantify the annual appropriations as well as other projected revenue sources needed through 2015 and demonstrate that these sources of income will meet or exceed the expected program operations and maintenance costs during that time frame. However, the Trust has only presented the three-phased strategy shown in table 4 to achieve that goal. As the table shows, the Trust's *Schedule of Decreasing Appropriations* does not include financial information to show how the appropriations will decrease each year.

Table 4: The Trust's 15-Year Strategy for Achieving a Financially Self-Sustaining Operation

Phase	Goal	Task
I. Institution building (2001-2005)	To develop the staff and tools needed to manage the preserve	Hire and organize staff, develop science-based management mechanisms, and institute real-time accounting controls
II. Infrastructure development (2005-2010)	To develop the infrastructure needed to support land stewardship, public access, and receipts generation	Obtain appropriations and develop infrastructure, including roads, trails, facilities, and permanent recreation and public access programs
III. Program refinement (2010-2015)	To cultivate alternative sources of funds and streamline programs to permit decreasing appropriations	Implement previous phase business plans, which evaluate potential sources of funds such as access and activity fees, grants, sustained utilization of resources, private fund-raising, retail and merchandizing activities, and special events

Source: GAO analysis of the Board's *Schedule of Decreasing Appropriations*.

The Preservation Act also authorized the Trust to solicit and accept donations of funds, property, supplies, and services. The Trust has received some donations, primarily volunteer labor. Through 2005, cash donations totaled about $56,000, $50,000 of which was earmarked to pay the salary of a full-time employee to coordinate volunteer efforts. However, the Trust has not developed a plan for outreach to philanthropic organizations. For example, charitable organizations supporting national parks have been established to solicit donations to help support park needs. The Trust has discussed this option but has not actively pursued it.

The Trust Has Not Addressed Risks Potentially Posed by Fire and Legal Liabilities

The Trust has not addressed program risks, including fire and legal liabilities that could undermine its ability to meet its financial obligations.[9] The Trust completed a fire management plan in 2004 that adopts, by reference, the federal National Fire Plan. According to the National Fire Plan, agencies need a fire management plan to outline a decision-making process for responding to naturally occurring fires.[10] Such a plan lays out the conditions under which fires must be suppressed or allowed to burn to benefit resources.[11] The Caldera's plan, however, has not addressed fire management to benefit resources, only the management of prescribed fires. Without a plan to manage fires for resource benefits, all naturally occurring fires on the Caldera must be suppressed, and suppression can be costly.[12] For example, in May 2005, a fire on the Caldera burned about 82 acres before being suppressed—at a cost of about $338,000. In the opinion of the Forest Service Region 3 Fire Manager, this fire could have been left to burn because it did not threaten any key resources or public infrastructure. Extended periods of drought and high fire risk in northern New Mexico could easily deplete the Caldera's financial resources because suppression costs are high.

The Trust does not have liability coverage to protect against injuries on the Caldera because it was uncertain whether it could acquire such insurance using appropriated funds. Moreover, as a government corporation, the Trust did not believe it could access the federal judgment fund, a fund in the U.S. Treasury used for the payment of final judgments against the United States. This lack of liability coverage and uncertainty led the Trust to take a cautious approach to implementing programs and increasing public access. According to the Board, in June 2005 the Trust clarified these issues with its legal counsel, who determined that legislation might be

[9]Program risks can be addressed in the strategic plan required by the Results Act and incorporated into the management control statement required by the Control Act.

[10]The National Fire Plan is not a single document but rather several strategic documents that clarify wildland fire management strategies, activities, and priorities.

[11]Resource benefit, also referred to as wildland fire use, involves the management of naturally ignited wildland fires to accomplish specific resource objectives outlined in the agencies' fire management plans.

[12]Recently enacted legislation requires the Secretary of Agriculture, in consultation with the Trust, to develop a plan to carry out fire preparedness, suppression, and emergency rehabilitation services on the Caldera. See 16 U.S.C. § 698v-6(g); Pub. L. No. 109-54 § 432(a).

necessary to access the judgment fund but that it could use its own funds to purchase liability insurance.

The Trust Has Not Developed Required Mechanisms for Monitoring Progress in Meeting Financial and Other Goals

The Trust has yet to develop the mechanisms needed to monitor progress in meeting its financial and other obligations under the Preservation, Control, and Results Acts. These mechanisms include an annual financial audit to ensure the credibility of reported financial information and an annual performance report that describes progress toward achieving its annual performance goals. Without these mechanisms, the Trust, Congress, and other stakeholders cannot determine whether the Trust is on a course to meet all of its goals.

Annual Audits. The Control Act requires annual financial audits for government corporations' financial statements by an independent, external auditor selected by the head of the corporation. The results of the audits are to be reported to the head of the government corporation and to Congress. The Board has yet to conduct an audit because it has not produced auditable financial statements.

In 2003, the Trust contracted with an independent accounting firm for auditing services, including an audit of the (1) statement of financial position of the Trust and (2) related statement of activities and cash flows, as of September 30, 2003. However, according to the Trust's former business manager, the audit firm recommended that the audit be postponed until 2004 since the Trust's financial records had only recently been established on the new financial system operated by the National Business Center. The Trust agreed with this recommendation. As of October 2005, the Trust had not contracted with an independent firm to audit its annual financial statements. Also in 2003, the Trust contracted with another firm to review the payroll process and controls for each of the revenue sources and to recommend improvements. According to Trust managers, in fiscal year 2005, financial policies and procedures were still not in place and financial statements had not been produced. The managers told us that they were in the process of establishing management controls and attempting to reconstruct prior years' expenditures in preparation for their first external audit.

Annual Performance Reports. The Control, Results, and Preservation Acts require the Trust to report annually to Congress on certain aspects of its operations. Collectively, these acts require a statement of financial position, a statement of operations, a statement of cash flows, reconciliation to the budget report, a management controls statement, a report on a financial statement audit, and reports on annual performance. The annual reports to Congress the Trust has prepared for fiscal years 2001 through 2004 under the Preservation Act describe the interim programs the Trust has implemented and summarize the prior years' accomplishments. The Trust may not have been able to prepare annual reports to Congress that address requirements of the Control Act partly because the Trust has not produced a budget report or financial statements. In addition, because the Trust has not developed annual performance plans with performance goals, it has not produced a performance report required by the Results Act.

Turnover of Board Members and Staff Contributed to Delays in Implementing Components of a More Effective Management Control Program Needed to Meet Statutory Goals

Effective management of an organization's workforce—its human capital—is essential to achieving results and an important part of internal control. Operational success is possible only when the right people for the job are on board and are provided the right training, tools, structure, incentives, and responsibilities. Management should ensure that it obtains a workforce with the required skills that match those necessary for achieving organizational goals. As part of its human capital planning, management should also consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities. Excessive or unexpected turnover of staff can indicate problems with an organization's management control program and contribute to delays in implementing programs needed to achieve established goals.

Throughout its short history, the Trust has experienced significant turnover among Board members and staff. According to the Preservation Act, three of the initial Board members are appointed for 2 years, while four other Board members are initially appointed for 4-year terms. All subsequent appointments to these positions are for 4 years. At the end of the first 2-year term, the Board operated for about 5 months before the President appointed replacements. In January 2005, four more board members completed their terms, and the Board operated for 4 months before the President appointed three of the four replacements. As of October 2005, the President had not appointed anyone for the fourth position, which has now been vacant for about 10 months.

The Trust has also experienced high turnover among key staff. The Trust's first executive director served 18 months, resigning as director in March 2004. The position remained vacant for about 7 months while the Trust searched for a replacement. Although this position was filled in October

2004, the executive director resigned after 10 months of service. Other key positions became vacant in 2004 and 2005, including the Trust's controller, business manager, programs director, chief administrative officer, communications manager, and cultural program coordinator. As of October 2005, the executive director, programs director, chief administrative officer, cultural resources coordinator, and geospatial information systems coordinator positions remained vacant. The business manager position was abolished. Table 5 shows the turnover of key Trust staff in 2004 and 2005 and the current status of these positions.

Table 5: Turnover of Key Trust Staff in 2004 and 2005

Key positions	Date hired	Date vacated	Replacement hired
First executive director	Oct. 2001	March 2004	Oct. 2004
Second executive director	Oct. 2004	Sept. 2005	Vacant
Controller	July 2002	Nov. 2004	Sept. 2005
Programs director	June 2005	Sept. 2005	Vacant
Cultural resources coordinator	Sept. 2003	Aug. 2005	Vacant
Communications manager	Jan. 2003	May 2005	Vacant
Business manager	June 2002	Apr. 2005	Position abolished
Chief administrative officer	Dec. 2004	Sept. 2005	Vacant
Geospatial information systems coordinator	Aug. 2003	Sept. 2005	Vacant

Source: GAO analysis of the Trust's personnel records.

According to some stakeholders we spoke with, the turnover of Board members and other key staff has contributed to the Trust's inability to develop a strategic and performance plan with measurable goals and objectives as well as to delays in implementing programs. For example, the NEPA environmental assessment related to the grazing program was postponed when four Board members completed their 4-year terms in January 2005. Some staff stated that the lack of consistent leadership and the lack of progress in organizational and program development has contributed greatly to staff turnover.

Conclusions

To meet the mandated management goals of the Caldera, the Trust faces multiple challenges—balancing conflicting goals and objectives for resource development and use with preserving and protecting these resources for sustained future recreational enjoyment of the Caldera. While the Trust has made some progress in achieving its mandated goals, its further progress is in doubt because it has not developed a well-defined management control program, which is collectively encompassed in the mandates governing the Caldera's operations. Such a program would include strategic and performance plans, measurable goals and objectives and monitoring plans, annual performance reports, and a strategy for achieving financial self-sustainability. These mechanisms would help provide greater accountability for achieving results and enhancing decision making. Furthermore, an effective management control program—to include human capital initiatives designed to retain needed skills and provide timely replacement of lost skills—can ease the effects associated with turnover in the Board and staff.

Achieving financial self-sustainability by 2015 is only one of many goals and objectives set forth in the Preservation Act, but it is key to the Trust's success in managing and operating the Caldera without federal funds. The Trust assumes that it may have to continue to rely on federal funding after 2015, but this assumption is premature because the Trust has not focused on the actions it needs to take to become self-sustaining, such as expanding or establishing new revenue-generating programs or identifying other nonfederal revenue sources (donations). Furthermore, without developing programs to minimize risks associated with implemented programs, the Trust cannot manage the uncertainty surrounding liability and fire suppression costs, which could undermine its efforts to achieve financial self-sustainability. Finally, without an independent financial statement audit, the Trust cannot demonstrate to Congress and other stakeholders that it is developing a sound financial base and that reported financial information is credible.

Recommendations for Executive Action

To help ensure that the Trust meets its goals under the Preservation Act and to improve management oversight, accountability, and transparency under the Control Act and the Results Act, we are making the following seven recommendations to the Valles Caldera Board of Trustees.

To establish a more effective management control program, we recommend that the Board develop

- a strategic and performance plan that identifies measurable goals and objectives for protecting and preserving the Caldera, providing recreation, sustaining yield, and becoming financially self-sustaining;

- a plan for becoming financially self-sustaining that includes financial information detailing how and when the Trust will try to achieve this goal;

- 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; and

- a plan for the timely replacement of key personnel.

To increase accountability to Congress and other stakeholders, we also recommend that the Board

- obtain the annual financial statement audit for 2005,

- provide a status report or the auditor's final opinion on the Trust's financial condition in its January 2006 annual report to Congress, and

- arrange to conduct future annual financial audits in a timely manner.

Trust Comments and Our Evaluation

We provided the Valles Caldera Board of Trustees with a draft of this report for review and comment. The Board provided written comments that are included in appendix I. The Board generally agreed with the accuracy of the findings, validity of the conclusions, and soundness of the recommendations. It also provided additional insights into four specific areas. First, it stated that it has, over the last several years, engaged in extensive strategic planning sessions to lay the foundation for developing more detailed operating plans once the highest level strategic planning work is completed and sufficient experience has been obtained in conducting interim programs. It also said that it has adopted, in 2005, a set of strategic goals, the achievement of which is both measurable and time specific. We acknowledge that in 2005 the Board announced four broadly stated strategic goals. However, as stated in the report, the Trust has not developed strategic and performance plans that include all required elements of the Results Act, which provides a methodical and analytical approach to strategic planning.

Second, with regard to risks posed by fire and legal liabilities, the Board said it was in the process of completing a Fire Use Plan that addresses the use of management-ignited fire as well as the use of fire originating from natural ignitions and that Congress has adopted legislation to provide the Board with access to federal fire suppression funds. These actions will enhance the Board's ability to evaluate natural ignitions and apply the appropriate management response. We agree that it is important to complete the Fire Use Plan, which, according to the Board, will be finalized by May 2006. As mentioned in the report and in the Board's comments, having a sound fire management plan will provide greater assurance that proper management actions are taken in the event of a wildland fire. The Board also said it has pursued clarification of whether the Board can access the federal government's judgment fund and has obtained a legal opinion from an independent firm that concludes that legislation might be necessary to access the judgment fund but that the Trust could use its own funds to purchase liability insurance. We revised the report to include this clarification and agree that the Trust should use its own funds to purchase liability insurance.

Third, the Board agreed that the timely appointment of Board members and the management of its human resources are essential to achieving positive results. In this regard, it mentioned that it has revised its bylaws to effect the orderly transition of Board members, so as to mitigate the impact of possible delays in the appointment process. It also said it had adopted a new organizational structure and performance review process for employees. The change in the Board's bylaws has the effect of allowing the Board to make important decisions in the absence of a full Board due to delays in appointments of Board members. We agree this is important given that the replacement of Board members is out of its control. The Board also recognized that it has experienced a relatively high level of Trust employee turnover, which it said has "occurred in a constructive fashion, void of grievances or formal complaints." Nonetheless, the fact remains that high turnover, particularly of key employees, can cause disruption to an organization and affect its ability to accomplish established goals. As the report states, an effective management control program has a process in place for the timely replacement of key personnel lost to turnover. Establishing such a process is within the purview of the Board and important to effective management of an organization's human capital.

Finally, the Board stated that while the Trust was fully committed to the goal of financial self-sustainability, the Trust recognizes that to obtain that goal, it needs to streamline required federal overhead stemming from compliance with federal laws and statutes and to control administrative and operating costs. It said it was committed to developing the management plans required for conversion of financially attractive programs to regular status and acquiring capital resources. Furthermore, it stated that the Board takes the goal of financial self-sustainability seriously and on par with other provisions of the Preservation Act and thus disagreed with the implication in the report that it did not consider the financial self-sustainability goal as a priority. Because the Board's published management framework, entitled *Valles Caldera National Preserve Framework and Strategic Guidance for Comprehensive Management*, states that the Trust considers the financial self-sustainability goal as only one of many goals, to avoid ambiguity, we revised the report's language to state that the Trust considers the self-sustainability goal as one of many goals of equal priority. Regardless, the seriousness of the Board's actions in addressing this goal would, as mentioned in the report, be further enhanced by demonstrating a more aggressive approach to identifying additional revenue sources that would help the Trust come closer to achieving financial self-sustainability.

Scope and Methodology

We obtained and analyzed information from the Trust on its activities, relevant laws, regulations, program documents, and related materials, and met with Trust officials responsible for major activities, such as recreation, resource inventorying, construction, and financial management. Since the Caldera was initially under the management of the Forest Service, we interviewed Forest Service officials and reviewed available documentation supporting activities undertaken during this time. We also visited the Caldera to observe the actions taken to date toward meeting the Trust's statutory goals. The financial statements of the Trust have not been independently audited. We conducted limited testing of these data and discussed these data with key Trust officials. We describe issues related to these financial data in the body of this report. We assessed and determined that the nonfinancial data, such as participation in recreation activities and levels of livestock grazing, were sufficiently reliable for the purposes of this report. We conducted our work from January 2005 through October 2005 in accordance with generally accepted government auditing standards.

We are sending copies of this report to interested parties. We will also make copies available to others upon request. In addition, this report will be available at no charge on GAO's Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or nazzaror@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

Robin M. Nazzaro

Robin M. Nazzaro
Director, Natural Resources and Environment

List of Committees

The Honorable Pete V. Dominici
Chairman
The Honorable Jeff Bingaman
Ranking Minority Member
Committee on Energy and Natural Resources
United States Senate

The Honorable Richard Pombo
Chairman
The Honorable Nick J. Rahall II
Ranking Minority Member
Committee on Resources
House of Representatives

Comments from the Valles Caldera Trust

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October 31, 2005

Robin M. Nazzaro
Director
Natural Resources and Environment
United States Government Accountability Office
Washington, D.C. 20548

Dear Ms. Nazzaro:

Thank you for the opportunity to review and comment on the report entitled *Valles Caldera: Trust Has Made Some Progress, but Needs to Do More to Meet Statutory Goals* (GAO-06-98). The Board of Trustees of the Valles Caldera Trust acknowledges the general accuracy of the findings, the general validity of the conclusions, and the general soundness of the recommendations contained in the report, without fully endorsing the content of the report. As examples, the Trust wishes to provide the following additional insights into four specific areas addressed in the report.

The Trust Has Not Developed Strategic and Performance Plans with Measurable Goals and Objectives

The Trust has adopted a logical and sequential approach to planning involving extensive public input. The first step in that process was to complete the statutorily required comprehensive program for the management of the land, resources, and facilities within the Valles Caldera National Preserve, published in 2005 as the *Framework and Strategic Guidance for Comprehensive Management*. A second fundamental step in the Trust's strategic planning efforts, the *Valles Caldera National Preserve Master Plan for Interpretation*, was also completed in 2005 and is in the process of being placed on the Trust's website. During the past several years, the Board of Trustees has engaged in extensive strategic planning sessions to lay the foundation for developing more detailed operating plans once the highest level strategic planning work is completed and sufficient experience has been obtained in conducting interim programs to permit the preparation of more specific annual operating plans. This approach is evidence of the Trust's commitment to adaptive management in all phases of its operations. Also, in 2005, the Board of Trustees adopted a set of strategic goals, the achievement of which is both measurable and time specific.

Robin S. Nazzaro Page 2

The Trust Has Not Addressed Risks Potentially Posed by Fire and Legal Liabilities

The Trust is in the process of completing a Fire Use Plan that addresses the use of management ignited fire as well as the use of fire originating from natural ignitions. In Fiscal Year 2005, the U.S. Congress adopted legislation to provide the Trust with access to federal fire suppression funds. This action, coupled with the adoption of the Fire Use Plan, will greatly enhance the Trust's ability to evaluate natural ignitions and apply the appropriate management response. The process of determining the appropriate management response to a natural ignition requires thought beyond simply considering whether there is a threat to key resources or public infrastructure. The opinion of the Region 3 U.S. Forest Service Fire Manager stated in the report that the May 2005 fire "could have been left to burn" is at best an educated guess. Absent a full analysis of all of the factors involved with that particular fire and completion of the standard decision tree at the various required stages of such an analysis, whether that fire would have met the conditions necessary to be placed under a fire use strategy is uncertain.

Resolution of liability issues is of paramount importance to the future of the Preserve. In Fiscal Year 2005, the Trust aggressively pursued clarification on the question of the Trust's ability to qualify for access to the permanent judgment fund of the federal government for payment of judgments or compromise settlements. Furthermore, the Board of Trustees sought an independent legal opinion that concluded the Trust could use its own funds to procure general liability insurance from private providers.

Turnover of Board Members and Staff Contributed to Delays in Implementing Components of a More Effective Control Program Needed to Meet Statutory Goals

The Trust agrees that the timely appointment of Board members and the management of its human resources are essential to achieving positive results.

In reference to the "significant turnover among Board members," all Trustees appointed to the Board since the formation of the Trust have served their full terms on a voluntary basis. The timely appointment of Board members by the President falls clearly outside of the control of the Trust. To mitigate the impact of possible delays in the appointment process, the Board has set in place measures, such as modifying the Trust's Bylaws to effect the orderly transition of Board officers.

With regard to the Trust's management of human resources, while retention of valuable employees is essential to success, the converse is also true. During the formative years, the Trust will most likely progress through a number of phases as adaptive management is applied, not only to the ecological conditions of the Preserve, but also to matching employees to the skills required for achieving organizational goals. While the Trust has experienced a relatively high level of employee turnover, that these changes have occurred in a constructive fashion, void of grievances or formal complaints is evidence of the Trust's management acumen. As a further sign of the Trust's management adaptability, the Board, in concert with senior management, Robin S. Nazzaro Page 3

developed in 2005 a new organizational structure and performance review process for employees.

The Trust Has Not focused on the Actions It Needs to Take to Become Self-Sustaining

The Valles Caldera Preservation Act of 2000 (the "Act") clearly challenges the Trust to be financially self-sustaining defined as management and operating expenditures equal to or less than proceeds derived from fees and other receipts for resource use and development and interest on invested funds. While the Trust is fully committed to the goal of financial self-sufficiency, the Trust also recognizes that streamlining required federal overhead, those costs stemming from compliance with federal laws and statutes, will be a key component in successfully attaining that goal. An example of the Trust's commitment is the development of an innovative approach to compliance with the National Environmental Policy Act, which has been endorsed enthusiastically by the President's Council of Environmental Quality.

The Board of Trustees recognizes that a second important component of achieving financial self-sufficiency is careful attention to controlling administrative and operating costs. To this end, the Trust is committed to maintaining a compact and highly flexible staff as well as conducting operations and discharging its stewardship responsibilities without redundancy, free of bureaucratic processes to the maximum practical extent, and with strict adherence to rigorous cost-control principles, while constantly striving to implement innovative management strategies.

The Trust continues to have a critical need for early capital investments to develop the infrastructure and programs necessary to attain future financial sustainability. In the absence of substantial capital expenditures to date, the Trust has evaluated various interim programs and initiatives to determine their financial viability. The Trust is committed to developing the management plans required for conversion of financially attractive programs to regular status, as well as acquiring expanded capital resources.

Transcripts of the Congressional debate prior to the passage of the Act reveal considerable discussion about the intent and the interpretation of the financial sustainability goal. Much of the discussion centered on whether achievement of this goal was a mandatory requirement or merely a target. Notwithstanding this uncertainty, the implication in the report that the Trust does not consider the financial self-sufficiency goal as a priority is inaccurate. The present Board of Trustees has clearly stated at several public meetings in 2005 its intent to take the challenge of achieving financial sustainability very seriously and on par with all of the other provisions of the Act. The Board approaches this task with energy, enthusiasm, and dedication.

As the Trust gains experience in managing the Preserve, the Board of Trustees fully intends to document federal rules and regulations that in the view of the Trust are inappropriate, incompatible with the provisions of the Act, or unduly burdensome, particularly in the context of achieving financial self-sufficiency. Section 108(f)(4) of the Act specifically affords this opportunity to the Trust.

Robin S. Navarro Page 4

In closing, the Trust appreciates the professionalism displayed by the GAO examiners in conducting their investigation.

On behalf of the Board of Trustees, sincerely,

Tracy S. Hephner
Chairperson

Guiding Principles of the Valles Caldera Trust

1. **Future generations**. Administer the Preserve with the long view in mind, directing efforts toward the benefit of future generations.

2. **Protection**. Recognizing that the Preserve imparts a rich sense of place and qualities not to be found anywhere else, commit to the protection of its ecological, cultural, and aesthetic integrity.

3. **Integrity**. Strive to achieve a high level of integrity in the stewardship of the lands, programs, and other assets in the Trust's care. This includes adopting an ethic of financial thrift and discipline and exercising good business sense.

4. **Science and adaptive management**. Exercise restraint in the implementation of all programs, basing them on sound science and adjusting them consistent with the principles of adaptive management.

5. **Good neighbor**. Recognizing the unique heritage of northern New Mexico's traditional cultures, be a good neighbor to surrounding communities, striving to avoid negative impacts from Preserve activities and to generate positive impacts.

6. **Religious significance**. Recognizing the religious significance of the Preserve to Native Americans, the Trust bears a special responsibility to accommodate the religious practices of nearby tribes and pueblos, and to protect sites of special significance.

7. **Open communication**. Recognizing the importance of clear and open communication, commit to maintaining a productive dialogue with those who would advance the purposes of the Preserve and, where appropriate, to developing partnerships with them.

8. **Part of a larger whole**. Recognizing that the Preserve is part of a larger ecological whole, cooperate with adjacent landowners and managers to achieve a healthy regional ecosystem.

9. **Learning and inspiration**. Recognizing the great potential of the Preserve for learning and inspiration, strive to integrate opportunities for research, reflection, and education in the programs of the Preserve.

10. **Quality of experience**. In providing opportunities to the public, emphasize quality of experience over quantity of experiences. In so doing, and in reserving the right to limit participation or to maximize

revenue in certain instances, commit to providing fair and affordable access for all permitted activities.

GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

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