



Agency Financial Report Fiscal Year 2019

GULF COAST ECOSYSTEM RESTORATION COUNCIL
AGENCY FINANCIAL REPORT
FISCAL YEAR 2019

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This Agency Financial Report for fiscal year 2019 provides the financial and performance information for the Gulf Coast Ecosystem Restoration Council (RESTORE Council or Council), enabling the President, Congress, and the American people to assess the RESTORE Council's performance as provided by the requirements of the:

- ◆ *Improper Payments Information Act (IPIA) of 2002 as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA);*
- ◆ *Accountability of Tax Dollars Act (ATDA) of 2002;*
- ◆ *Reports Consolidation Act of 2000;*
- ◆ *Government Management Reform Act of 1994;*
- ◆ *Government Performance and Results Act (GPRA) of 1993 as amended by the Government Performance and Results Act Modernization Act (GPRAMA) of 2010;*
- ◆ *Chief Financial Officers (CFO) Act of 1990;*
- ◆ *Federal Managers' Financial Integrity Act (FMFIA) of 1982; and*
- ◆ *Digital Accountability and Transparency Act of 2014 (DATA Act).*

This report is available on the internet at <https://www.restorethegulf.gov/reports/performance-and-accountability-reports>

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**MESSAGE FROM THE EXECUTIVE DIRECTOR
GULF COAST ECOSYSTEM RESTORATION COUNCIL
NOVEMBER 19, 2019**

I am pleased to submit the Agency Financial Report (AFR) for the Gulf Coast Ecosystem Restoration Council (Council) for fiscal year 2019. The AFR provides an assessment of the Council's financial information and outlines the Council's accomplishments in implementing the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act).

The RESTORE Act dedicates 80 percent of all Clean Water Act administrative and civil penalties arising from the *Deepwater Horizon* (DWH) oil spill to the Gulf Coast Restoration Trust Fund (Trust Fund) and established the Council as an independent entity within the Federal government. The Council was formally established in 2012 with a clear mission to implement a long-term, comprehensive plan for the ecological and economic recovery of the Gulf Coast region. The Council, consisting of the five Gulf Coast states (States) directly impacted by the DWH oil spill and six Federal agencies, is committed to working with Gulf communities and partners to invest in actions, projects, and programs that will ensure the long-term environmental health and economic prosperity of the Gulf Coast region.

In fiscal year 2019, the Council obligated \$51.2 million through grants and interagency agreements to carry out projects and programs under the RESTORE Act, bringing the total amount awarded to \$254.9 million: \$177.0 million from the Council-Selected Restoration Component and \$77.9 million from the Spill Impact Component. Now that State Expenditure Plans have been approved by the Council and each of the States, projects and programs under the Spill Impact Component are being awarded at an increasing pace. Also, as the Council works to award the few remaining Initial Funded Priorities List (FPL) projects, it has continued its collaborative efforts and taken steps to develop and approve the next FPL. The Council completed a Planning Framework in 2019 to advance its vision for a healthy and productive Gulf ecosystem achieved through collaboration on strategic restoration projects and programs. The Planning Framework lists priority restoration approaches and techniques, their relationship to the Comprehensive Plan goals and objectives, and associated geographic areas. This Framework will support decision-making for the next FPL (FPL 3) as well as future funding decisions.

As the Council continues to work towards achieving the goals and objectives of the Comprehensive Plan, it continues to exercise sound management of its funding and resources, and we are pleased to report that the 2019 financial statement audit resulted in an unmodified opinion with no material weaknesses or significant deficiencies and that the

financial statements present fairly, in all material respects, the financial position of the Council. In accordance with guidance from the Office of Management and Budget (OMB), I have determined, to the best of my knowledge and belief, that the performance and financial data included in this report are complete and reliable, and that the internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations are operating effectively.

The Council looks forward to serving the people of the Gulf through its continuing efforts in carrying out comprehensive ecosystem restoration in order to preserve and enhance the long-term environmental health and economic prosperity of the Gulf Coast region.

Ben Scaggs
Executive Director

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

OVERVIEW

This Agency Financial Report (AFR) presents the financial management performance of the Council for fiscal year 2019. The Council has chosen to publish a separate fiscal year 2019 Annual Performance Report on its website at <https://www.restorethegulf.gov/reports> concurrent with the release of the fiscal year 2021 President's Budget Request.

Background

Building on prior efforts to help ensure the long-term restoration and recovery of the Gulf Coast region and spurred by the 2010 *Deepwater Horizon* (DWH) oil spill, in 2012 Congress passed and the president signed the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (33 U.S.C § 1321(t) and *note*)(RESTORE Act or Act).

The Act provides for planning and resources for a regional approach to the long-term health of the natural ecosystems and economy of the Gulf Coast region. The Act dedicates 80 percent of all administrative and civil penalties paid under the Clean Water Act (CWA), after the date of enactment, by responsible parties in connection with the DWH oil spill, to the Gulf Coast Restoration Trust Fund (Trust Fund) for ecosystem restoration, economic recovery, and tourism promotion in the Gulf Coast region. There are two additional Gulf restoration efforts; the first is related to the restoration of natural resources injured by the spill accomplished through a separate Natural Resource Damage Assessment (NRDA) under the Oil Pollution Act (33 U.S.C § 2701 et. seq.) (OPA). The second is being administered by the National Fish and Wildlife Foundation (NFWF) using funds from the settlement of criminal charges against BP, PLC (BP) and Transocean Deepwater, Inc. (Transocean).

In January 2013, the United States announced that Transocean and related entities agreed to pay \$1 billion (plus interest) in civil penalties for violations of the Clean Water Act arising out of the DWH oil spill. In accordance with this settlement, \$816 million has been deposited into the Trust Fund. This amount is comprised of 80 percent of the civil penalties and interest. In November 2015, the U.S. District Court for the Eastern District of Louisiana (the "Court") ordered Anadarko Petroleum Corporation to pay a \$159.5 million civil fine in connection with the DWH oil spill; in accordance with the Court order, \$128 million (which includes interest) has been deposited into the Trust Fund. In April 2016, a federal court in New Orleans entered a consent decree resolving civil claims against BP arising from the *Deepwater Horizon* oil spill ([United States vs. British Petroleum Exploration & Production, Inc.\(BP\) et al.](#)), resolving, among other things, the U.S. government's civil and administrative

claims against BP under the Clean Water Act and its claims against BP for natural resources damage under the Oil Pollution Act, as well as certain related economic damage claims of the Gulf States and local governments.

This settlement of civil claims against BP totals more than \$20 billion and is the largest civil recovery by the U.S. from any defendant under an environmental statute as well as the largest recovery of damages for injuries to natural resources. Pursuant to the consent decree, over a fifteen-year period, BP will pay \$5.5 billion (plus interest) as a penalty under the Clean Water Act; \$8.1 billion in natural resource damages (including \$1 billion previously paid under the OPA; up to \$700 million (including interest) for adaptive management and to address injuries to natural resources that were unknown to the Trustees as of July 2, 2015; and \$600 million for other claims, including claims under the False Claims Act, royalties, and reimbursement of NRDA costs and other expenses arising out of the DWH oil spill.

The Act provides for planning and resources for a regional approach to the long-term health of the natural ecosystems and economy of the Gulf Coast region. The Act dedicates 80 percent of all administrative and civil penalties paid under the Clean Water Act (CWA), after the date of enactment, by responsible parties in connection with the DWH oil spill, to the Gulf Coast Restoration Trust Fund (Trust Fund) for ecosystem restoration, economic recovery, and tourism promotion in the Gulf Coast region. There are two additional Gulf restoration efforts; the first is related to the restoration of natural resources injured by the spill accomplished through a separate Natural Resource Damage Assessment (NRDA) under the Oil Pollution Act (33 U.S.C § 2701 et. seq.) (OPA). The second is being administered by the National Fish and Wildlife Foundation (NFWF) using funds from the settlement of criminal charges against BP, PLC (BP) and Transocean Deepwater, Inc. (Transocean).

The Council has oversight of the expenditure of 60 percent of the funds made available from the Trust Fund, e.g., the Council-Selected Restoration Component and the Spill Impact Component of the Act. Under the Council-Selected Restoration Component of the Act, 30 percent of available funding is administered for Gulf-wide ecosystem restoration and protection according to the 2013 Initial Comprehensive Plan: Restoring the Gulf Coast's Ecosystem & Economy (Initial Comprehensive Plan) developed by the Council. The remaining 30 percent is allocated to the states under the Spill Impact Component of the Act, according to a formula and regulation approved by the Council in December 2015. Spill Impact Component funds will be spent according to individual State Expenditure Plans (SEPs), developed by each state Council member, that will contribute to the overall economic and ecological recovery of the Gulf. The SEPs must adhere to criteria set forth in the Act and are subject to approval by the Council chair in accordance with those criteria.

MISSION AND ORGANIZATION

The Council was established in July 2012 pursuant to the RESTORE Act. The Council is charged with helping to restore the ecosystem and economy of the Gulf Coast region by developing and overseeing Trust Fund expenditures in the implementation of the Comprehensive Plan and approval of SEPs and carrying out other responsibilities.

The Council is comprised of the Governors of Alabama, Florida, Louisiana, Mississippi, and Texas, the Secretaries of the U.S. Departments of Agriculture, the Interior, the Army, Commerce, and Homeland Security, and the Administrator of the U.S. Environmental Protection Agency. In 2012, the Secretary of Commerce became the Council's first Chairperson. In March 2016, the Secretary of Agriculture became the Council Chairperson, and in January 2018, the Administrator of the U.S. Environmental Protection Agency became the current Council Chairperson.

U.S. Environmental Protection Agency (Chair)
Andrew Wheeler
Administrator

State of Alabama
Kay Ivey
Governor

U.S. Department of Agriculture
Sonny Perdue
Secretary

State of Florida
Ron DeSantis
Governor

U.S. Department of the Army
Mark T. Esper
Secretary

State of Louisiana
John Bel Edwards
Governor

U.S. Department of Commerce
Wilbur Ross
Secretary

State of Mississippi
Phil Bryant
Governor

U.S. Department of Homeland Security
Chad Wolf
Acting Secretary

State of Texas
Greg Abbott
Governor

U.S. Department of the Interior
David Bernhardt
Secretary

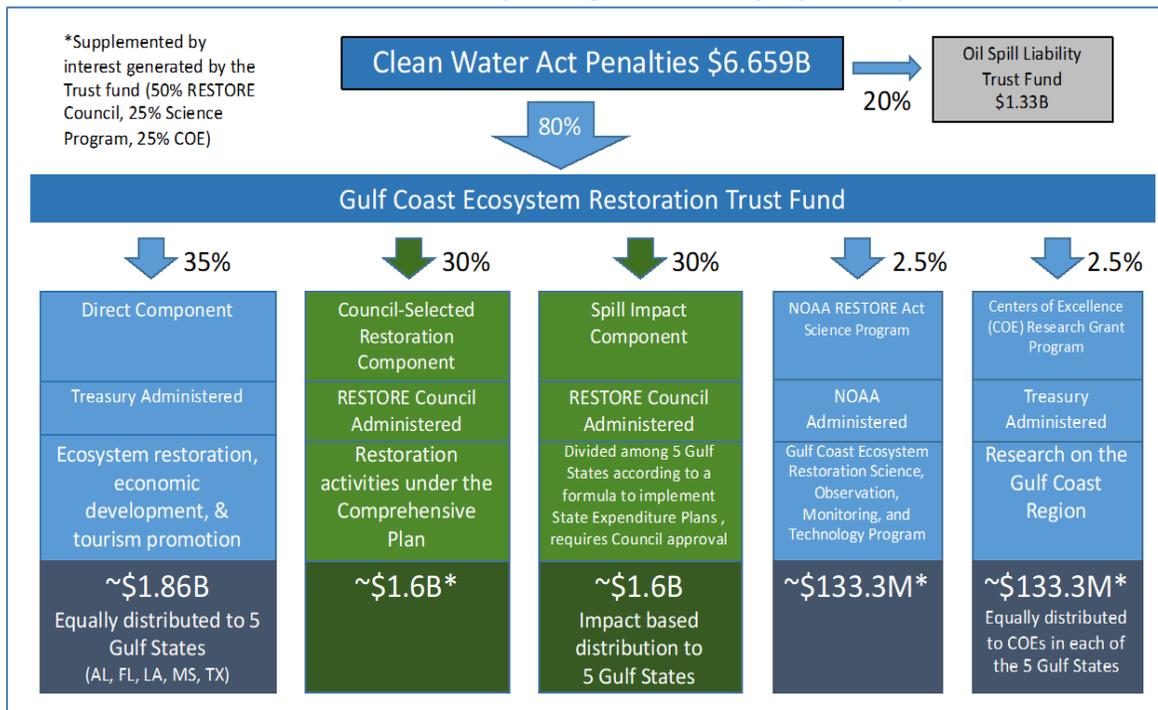
The RESTORE Act

Spurred by the *Deepwater Horizon* oil spill, the RESTORE Act was signed into law on July 6, 2012. The RESTORE Act envisions a regional approach to restoring the long-term health of the valuable natural ecosystems and economy of the Gulf Coast region. The RESTORE Act dedicates 80 percent of administrative and civil penalties paid under the Clean Water Act, after the date of enactment, by responsible parties in connection with the *Deepwater Horizon* oil spill to the Trust Fund for ecosystem restoration, economic recovery, and tourism promotion in the Gulf Coast region. This effort is in addition to the restoration of natural resources injured by the spill that is being accomplished through a separate Natural Resource Damage Assessment (NRDA) under the Oil Pollution Act. A third and related Gulf restoration effort is being administered by the National Fish and Wildlife Foundation using funds from the settlement of criminal charges against BP and Transocean.

One of the Council’s primary responsibilities was to develop a Comprehensive Plan to restore the ecosystem and the economy of the Gulf Coast region, and to update the Plan at least every five years. State Expenditure Plans, developed under the Spill Impact Component, are also submitted to the Council for approval in accordance with the RESTORE Act. Pursuant to the RESTORE Act, the Council approved the initial Comprehensive Plan in August 2013, which outlines an overarching framework for an integrated and coordinated approach for region-wide Gulf Coast restoration. The Council updated the Comprehensive Plan in December 2016 in recognition that future success depends upon collaboration among Council members, other Gulf restoration funding partners and the public. Collaboration is needed to break down potential bureaucratic stovepipes and leverage resources to ensure the greatest possible benefit from the Council’s investments.

The funds supporting the Council’s efforts are defined by the RESTORE Act, which divides funds made available from the Trust Fund into five components and sets parameters for how these funds will be spent. See Figure 1 on the following page.

Figure 1. Allocation of the Gulf Coast Restoration Trust Fund based on settlements with BP, Transocean and Anadarko;
RESTORE Council oversight components are highlighted in green.



PERFORMANCE

GOALS, OBJECTIVES, AND RESULTS

Council Goals

The task of restoring the gulf environment is a multi-generational undertaking. A comprehensive approach to Gulf restoration must include the engagement of a wide and diverse array of stakeholders, including federal, state and local governments, Tribes, private businesses, non-governmental organizations (NGOs) and the general public. By working closely with our restoration partners, the Council believes it can make significant progress towards comprehensive Gulf restoration and provide substantial environmental and economic benefits to current and future generations.

A significant component in assisting the Council achieve ecosystem restoration of the Gulf is through its Comprehensive Plan. The Council updated its 2013 Initial Comprehensive Plan (Initial Plan) during 2016 with the intention to provide strategic guidance that will help the Council more effectively address complex and critical challenges inherent to ecosystem restoration in the Gulf of Mexico by:

- Ensuring consistency with the Priority Criteria referenced in the Act;
- Reinforcing the Council's goals, objectives and commitments;
- Setting forth a Ten-Year Funding Strategy, including a Council vision for ecosystem restoration;
- Increasing collaboration among Council members and partner restoration programs;
- Refining the process for ensuring that the Council's decisions are informed by the best available science; and
- Improving the efficiency, effectiveness and transparency of Council actions.

To provide the overarching framework for an integrated and coordinated approach for region-wide Gulf Coast restoration and to help guide the collective actions at the local, state, tribal, and federal levels, the Council has adopted five goals.

1. ***Restore and Conserve Habitat*** – Restore and conserve the health, diversity, and resilience of key coastal, estuarine, and marine habitats.
2. ***Restore Water Quality and Quantity*** – Restore and protect the water quality and quantity of the Gulf Coast region's fresh, estuarine, and marine waters.
3. ***Replenish and Protect Living Coastal and Marine Resources*** – Restore and protect healthy, diverse, and sustainable living coastal and marine resources.
4. ***Enhance Community Resilience*** – Build upon and sustain communities with capacity to adapt to short- and long-term changes.
5. ***Restore and Revitalize the Gulf Economy*** – Enhance the sustainability and resiliency of the Gulf economy.

The Council will work to coordinate restoration activities under the Council-Selected Restoration Component and the Spill Impact Component to further the goals. While the Council does not have direct involvement in the activities undertaken by the States or local governments through the Direct Component, the Council will strive, as appropriate, to coordinate its work with those activities. In addition, the Council will actively coordinate with the Gulf Coast Ecosystem Restoration Science Program (administered by NOAA) and the Centers of Excellence Research Grants Program (administered by Treasury), as well as other *Deepwater Horizon*-related funding streams, including Natural Resource Damage Assessment (DWH NRDA), and National Fish and Wildlife Foundation Gulf Environmental Benefit Fund (NFWF GEBF), to the degree practicable.

Council Objectives

The Council will select and fund projects and programs that restore and protect the natural resources, ecosystems, water quality, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region. Projects and programs not within the scope of the following Objectives for ecosystem restoration will not be funded under the Council-Selected Restoration Component.

1. **Restore, Enhance, and Protect Habitats** – Restore, enhance and protect the extent, functionality, resiliency, and sustainability of coastal, freshwater, estuarine, wildlife, and marine habitats.
2. **Restore, Improve, and Protect Water Resources** – Restore, improve, and protect the Gulf Coast region’s fresh, estuarine, and marine water resources by reducing or treating nutrient and pollutant loading; and improving the management of freshwater flows, discharges to and withdrawals from critical systems.
3. **Protect and Restore Living Coastal and Marine Resources** – Restore and protect healthy, diverse, and sustainable living coastal and marine resources including finfish, shellfish, birds, mammals, reptiles, coral, and deep benthic communities.
4. **Restore and Enhance Natural Processes and Shorelines** – Restore and enhance ecosystem resilience, sustainability, and natural defenses through the restoration of natural coastal, estuarine, and riverine processes, and/or the restoration of natural shorelines.
5. **Promote Community Resilience** – Build and sustain Gulf Coast communities’ capacity to adapt to short- and long-term natural and man-made hazards, particularly increased flood risks associated with sea-level rise and environmental stressors.

Promote ecosystem restoration that enhances community resilience through the re-establishment of non-structural, natural buffers against storms and flooding.

6. **Promote Natural Resource Stewardship and Environmental Education** – Promote and enhance natural resource stewardship through environmental education efforts that include formal and informal educational opportunities, professional development and training, communication, and actions for all ages.
7. **Improve Science-Based Decision-Making Processes** – Improve science-based decision-making processes used by the Council.

Performance Goals and Indicators for FY2019

The Annual Performance Plan for fiscal year 2019 identified the following performance goals:

1. Promote a Gulf-wide comprehensive approach to restoration by:
 - a. Examination of stressors and environmental drivers with Council members, the Non-Government Organization (NGO) community, interested stakeholders and the public during fiscal year 2018 results in project proposals for gulf-wide restoration efforts on a watershed-estuary scale rather than random acts of restoration. Proposed projects will substantially improve the restoration or conservation of key watersheds without regard to political boundaries or provide foundational support for future efforts towards gulf-wide restoration.
 - b. Promoting coordination and collaboration among members and other restoration efforts of Gulf restoration to maximize the Council's "return on investment."
2. Council-Selected Restoration Program Performance Excellence through:
 - a. Drafting improved Grant and Interagency Agreement Submission Guidelines is developed to facilitate the submission of effective and coordinated proposals by evaluating the efficacy of concepts, lessons learned and best practices for potential inclusion in the next FPL development process.
 - b. Advance efficiency of the Environmental Compliance processes to support Council actions.
 - c. Programmatic Staff Review of Grant and Interagency Agreements. The programmatic component of the Council staff will review all grant and Interagency Agreement applications for funding under the Initial FPL meeting timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability. This will include review of submissions for best available science and environmental compliance with NEPA and other environmental federal regulations.

- d. Compliance Review of Grant and Interagency Agreements. The grants and compliance component of the Council staff will review all grant and Interagency Agreement applications for funding under the Initial FPL meeting timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability. The review will ensure compliance with all administrative and regulatory requirements under the RESTORE Act, Part 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and other federal regulatory requirements.
3. Spill Impact Component Performance Excellence by:
 - a. Timely review (e.g., 60-day review for SEPs) of State Expenditure Plans while ensuring public comment was duly considered and other Council Member input is addressed.
 4. Operational Excellence
 - a. Effective oversight of Grant and Interagency Agreement post-award cash disbursement processes supports the prevention of improper payments.
 - b. Metrics and milestones are employed to measure program effectiveness.
 - c. Ensure all Applicant/Recipient Guidance Materials are updated. The Council will publish comprehensive guidance to inform potential applicants of the new statutory and administrative requirements for proposals, SEPs, grant applications and IAA applications.
 - d. Ensure all RAAMS System Guidance and Technical Resources are current.
 5. Management Excellence
 - a. Requisite reports are submitted in a timely manner.
 - b. OIG audit findings and recommendations are addressed in a timely manner.
 - c. Council workforce is managed in accordance with the 21st Century Cross-Agency Priority Goal and its Sub-goals.
 - d. Organizational risk is assessed and risk mitigation factors properly employed.
 - e. Selection of a new grant/IAA system proceeds on track.

Analysis of Results

1. Assessment of the Council's Progress Toward Program Goals

Council-Selected Restoration Component

The Council's 2013 Comprehensive Plan identified five (5) Program Goals which were further refined in the 2016 Comprehensive Plan Update along with seven (7) associated Council Objectives, as previously discussed. The RESTORE Act gave the Council

responsibility for oversight of the Council-Selected Restoration Component which utilizes a collaborative decision-making process to select awards through a Funded Priority List (FPL) mechanism to accomplish ecosystem restoration in the Gulf of Mexico as guided by the Council's Goals and Objectives.

Funds are provided to the state members through grants, while Interagency Agency Agreements (IAAs) are utilized to provide funding to the federal members of the Council. To date, two FPLs have been completed. The first FPL approved in December 2015 focused on the first two goals (Restore and Conserve Habitats and Restore and Conserve Water Quality). The second FPL focused on providing resources to Council members to enable them to more fully meet the commitments and planning articulated in the 2016 Comprehensive Plan.

Spill Impact Component

Spill Impact Component funds will be invested in projects, programs, and activities developed by the States and identified in approved State Expenditure Plans (SEPs). The RESTORE Act allocates 30 percent of the Trust Fund to the Gulf Coast States under a formula established by the Council through a regulation and spent according to individual SEPs. As of fiscal year 2019, each of the five states has a SEP approved by the Council. These projects and programs will be implemented through grants to the States in a manner that is consistent with the requirements of the RESTORE Act as well as the goals and objectives of the Comprehensive Plan.

Assessment of Results from the Council Programs

Over the four fiscal years of 2016 through 2019, the following awards have been made: 24 grants and 22 IAAs under FPL 1, 5 grants and 5 IAA's under FPL 2, and 13 SEP awards (Table 1). The Council Selected Restoration Component has provided \$176,991,482 (Table 2a, next page) in funding over this time period, with \$103,592,469 in grants to the states and \$52,571,537 transferred to federal members through IAAs for restoration activities in the Gulf. As indicated above, FPL 1 purposely focused on the first two Council Goals resulting in \$130,835,800 to support the Restore and Conserve Habitat Goal (\$83,822,263 in grants to states and \$43,013,537 in IAAs), and \$25,328,206 in support of the Council goal to Restore Water Quality and Quantity (\$15,770,206 in grants and \$9,558,000 in IAA's). In addition, the states have received \$42,628,745 through Spill Impact grants to support the Restore and Conserve Habit Goal, and \$32,142,888 to support the goal to Restore Water Quality and Quantity (Goal 2, Water Quality was amended to include Water Quantity in the 2016 Comprehensive Plan Update). (Table 2b). The states also received Spill Impact funds to support the goals to Enhance Community Resilience (\$2,827,150) and Restore and Revitalize the Gulf Economy (\$338,943).

In total, 90.7% of the funding from the Council-Selected Restoration and Spill Impact Components has supported Restore and Conserve Habitat (\$173,464,545 / 68.1%) (Table 2c) and Restore Water Quality and Quantity (\$57,471,094 / 22.6%).

Table 1. Number of awards (grants and IAA) by program and year.

Year	FPL 1		CPS (FPL2)		SEP
	Grants	IAA	Grants	IAA	
2016	1	1	0	0	2
2017	13	8	0	0	2
2018	6	9	5	4	4
2019	4	4	0	1	5
Totals	24	22	5	5	13

Table 2a. RESTORE Council-Selected Component funding by Goals and Fiscal Year (F-Federal IAA; S-State Grant; T-Total)

Year	GOAL			Totals
	Restore and Conserve Habitat	Restore Water Quality and Quantity	All Goals	
2016	F- \$500,000 S-\$7,259,216	F-\$0 S-\$0	F-\$0 S-\$0	F-\$500,000 S- \$7,259,216
2017	F-\$22,879,667 S-\$39,988,854	F-\$7,358,000 S-\$11,427,706	F-\$0 S-\$0	F-\$30,237,667 S-\$51,416,560
2018	F-\$8,610,826 S-\$19,108,430	F-\$2,200,000 S-\$0	F-\$8,233,596 S-\$10,493,880	F-\$19,044,422 S-\$29,602,310
2019	F-\$11,023,044 S-\$21,465,763	F-\$0 S-\$4,342,500	F-\$2,100,000 S-\$0	F-\$13,123,044 S-\$25,808,263
Total to Date	F-\$43,013,537 S-\$87,822,263	F-\$9,558,000 S-\$15,770,206	F-\$10,333,596 S-\$10,493,880	F-\$62,905,133 S-\$114,086,349 T-\$176,991,482

Table 2b. Spill Impact Component Funding by Council Goal and Fiscal Year

GOAL	2016	2017	2018	2019	Total to Date
Restore and Conserve Habitat	\$4,640,675	\$19,467,856	\$18,520,214	\$0	\$42,628,745
Restore Water Quality and Quantity	\$1,374,612	\$292,503	\$17,077,742	\$13,398,031	\$32,142,888

GOAL	2016	2017	2018	2019	Total to Date
Enhance Community Resilience	\$0	\$0	\$0	\$2,827,150	\$2,827,150
Restore and Revitalize the Gulf Economy	\$0	\$0	\$0	\$338,943	\$338,943
TOTALS	\$6,015,287	\$19,760,359	\$35,597,956	\$16,564,124	\$77,937,726

Table 2c. Summary of funding for all programs in support of Council goals. (F-Federal IAA; S-State Grant; T-Total)

GOAL	2016	2017	2018	2019	Total to Date
Restore and Conserve Habitat	\$12,399,891	\$82,336,377	\$46,239,470	\$32,488,807	\$173,464,545
Restore Water Quality and Quantity	\$1,374,612	\$19,078,209	\$19,277,742	\$17,740,531	\$57,471,094
Enhance Community Resilience	\$0	\$0	\$0	\$2,827,150	\$2,827,150
Restore and Revitalize the Gulf Economy	\$0	\$0	\$0	\$338,943	\$338,943
All Goals	\$0	\$0	\$18,727,476	\$2,100,000	\$20,827,476
TOTALS	\$13,774,503	\$101,414,586	\$84,244,688	\$55,495,431	T-\$254,929,208 F-\$62,905,133 S-\$192,024,075

The Council's second FPL completed in 2017 focused on providing financial resources to members to meet Council commitments defined in the Comprehensive Plan Update (e.g., enhanced member collaboration in project/program development, focusing on a watershed approach to restoration, and better defining best available science parameters). Designated as the Commitment and Planning Support (CPS), this FPL provided \$10,493,880 for grants to the five states over a five-year period (fiscal year 2018- fiscal year 2022) and \$10,333,596 to the federal members to support efforts under the CPS FPL which support all five of the Council's goals (Table 2c).

Council recipients are required to monitor the performance of all projects towards the goal of ecosystem restoration. The Council currently has 56 performance-level metrics (<https://www.restorethegulf.gov/sites/default/files/GO-Res Metrics 20191018.pdf>) for grants to states and IAA's with the federal members funded through the Council-Selected

Restoration Component and for grants funded under the Spill Impact Component of the RESTORE Act. These metrics are used to monitor and evaluate the efficacy of projects and programs in meeting the mission goals and objectives of the Council and track annual performance. The FPL and SEP projects funded during fiscal years, 2016, 2017, 2018, and 2019 are already achieving results as shown in Table 3 which summarizes results by Council Goal and Objective. The information in the table summarizes the accomplishments (for fiscal year 2018 and fiscal year 2019) resulting from funding under the Initial FPL, FPL2 and the SEP awards made to date. For each metric measure, the associated Council Goal and Objective is provided.

Table 3. Performance-level metrics results from projects funded under the Comprehensive Plan Component and Spill-Impact Component Funding

Metric Category	Metric Measure	Goals	Objective	Year		Total
				2018	2019	
Land Acquisition	Acres Acquired in fee simple HC003	Restore and Conserve Habitat; Restore Water Quality and Quantity	Restore, Enhance and Protect Habitats	7,243 acres	215 acres	7,458 acres
	Miles Acquired HC004	Restore and Conserve Habitat; Restore Water Quality and Quantity	Restore, Enhance and Protect Habitats	8 miles	0	8 miles
Improved Management Practices	Acres under Best Management Practices HM005	Restore and Conserve Habitat; Restore Water Quality and Quantity; Enhance Community Resilience	Restore, Improve and Protect Water Resources; Promote Community Resilience	0	827 acres	827 acres
	Acres under improved management HM006	Restore and Conserve Habitat; Restore Water Quality and Quantity	Restore, Enhance and Protect Habitats	5,164 acres	2294 acres	7,458 acres

Metric Category	Metric Measure	Goals	Objective	Year		Total
				2018	2019	
	Miles under improved management HM007	Restore and Conserve Habitat; Restore Water Quality and Quantity	Restore, Enhance and Protect Habitats	8 miles	0	8 miles
Land Restoration	Acres restored HR004	Restore and Conserve Habitat; Restore Water Quality and Quantity	Restore, Enhance and Protect Habitats	1,481 acres	0	1,483 acres
Marine Habitat Restoration	Acres restored - Oysters habitat HR006	Restore and Conserve Habitat	Restore, Enhance and Protect Habitats	317 acres	0	317 acres
Removal of Invasive Species	Acres restored HR008	Restore and Conserve Habitat	Restore, Enhance and Protect Habitats	57 acres	176acres	233 acres
Wetland Restoration	Acres restored HR013	Restore and Conserve Habitat; Restore Water Quality and Quantity	Restore, Enhance and Protect Habitats	398 acres	51acres	449 acres

Metric Category	Metric Measure	Goals	Objective	Year		Total
				2018	2019	
Research and Planning	Number of studies used to inform management PRM010	All	Improve Science-based Decision-Making Processes	6 studies	6studies	12 studies
	Number of planning tools developed PRM012	All	Improve Science-based Decision-Making Processes	0	2 tools	2 tools
	Number of management plans developed PRM003	All	Planning Phase	0	4 plans	4 plans
Monitoring Activities	Number of streams/sites being monitored PRM006	All	Improve Science-based Decision-Making Processes	0	130 sites	130 sites
	Acres being monitored PRM007	All	Improve Science-based Decision-Making Processes	0	2202 acres	2202 acres
	Number of people enrolled to implement best management practices - COI003	All	Promote Natural Resource Stewardship and Environmental Education; Economy	0	4 individuals	4 individuals
	Number of users engaged online COI004	All	Promote Natural Resource Stewardship and	345 users	1389 users	1734 users

Metric Category	Metric Measure	Goals	Objective	Year		Total
				2018	2019	
			Environmental Education			
	Number of subgrants/agreements to disseminate education and outreach materials COI006	All	Promote Natural Resource Stewardship and Environmental Education	5 subgrants/agreements	0	5 subgrants/agreements
Building institutional capacity	Number of participants that successfully completed training COI007	All	Promote Natural Resource Stewardship and Environmental Education	258 participants	123 Participants	381 participants
Economic benefits	Number of jobs created - temporary jobs COI103	Restore and Revitalize the Gulf Economy	Gulf Economy	75 jobs	91 jobs	166 jobs
	Number of local contracts COI104	Restore and Revitalize the Gulf Economy	Gulf Economy	1 contract	1 contract	2 contracts

To date, Council funds have been used to acquire 7,458 acres of land and improved management practices on 8285 acres, primarily in support of the Council’s goal to Restore and Conserve Habitat (Table 3). It should be noted that most land acquisition and improved management practices also have direct connection to improving water quality and quantity. Council funds under Council-Selected Restoration and Spill Impact Components are being used to restore land, marine habitat, wetlands and remove invasive species (2,480 acres) which support the Council’s goal to Restore and Conserve Habitat. Funds invested through the Council-Selected Restoration and Spill Impact Components are also providing support for research and planning, monitoring activities, outreach and education, and providing economic benefits in support of the Council’s goal to Restore and Revitalize the Gulf Economy.

2. Summary of Performance in Terms of Historical Trends

Meeting Council Goals

As noted in the previous section, ecosystem restoration efforts by the Council have primarily focused on two of the Council Goals: Restore and Conserve Habitat and Restore and Conserve Water Quality and Quantity. Funding trends by fiscal year are shown in Chart 1 for all funding sources in support of the Council’s goal to Restore and Conserve Habitat and the Restore Water Quantity and Quality in Chart 2. The cumulative funding for both goals by fiscal year (Chart 3) indicates the higher funding in support of the goal to Restore and Conserve Habitat (68.1% of all funds).

Chart 1. Funding trends for grants and IAA’s from FPL 1 and SEPs in support of the Restore and Conserve Habitat Goal by fiscal year.

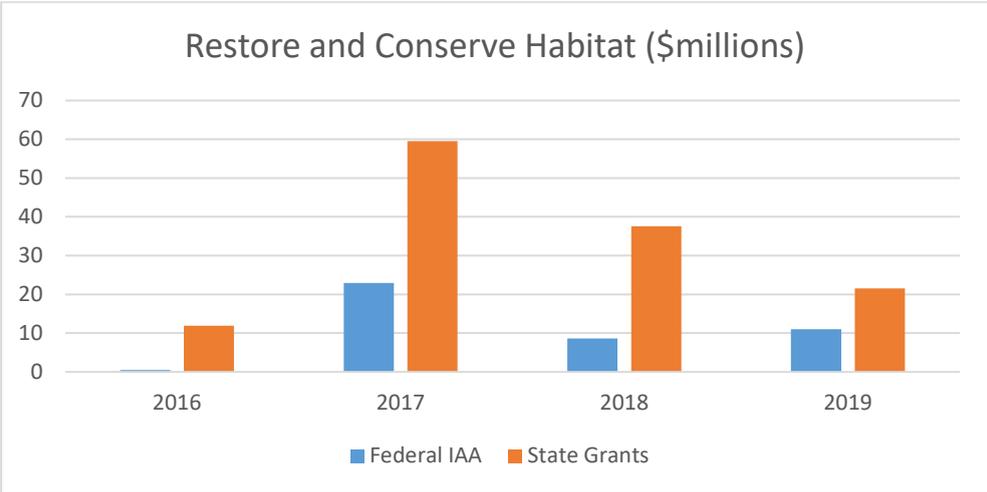


Chart 2. Funding trends for grants and IAA's from FPL 1 and SEPs in support of the Restore and Conserve Water Quality and Quantity Goal by fiscal year.

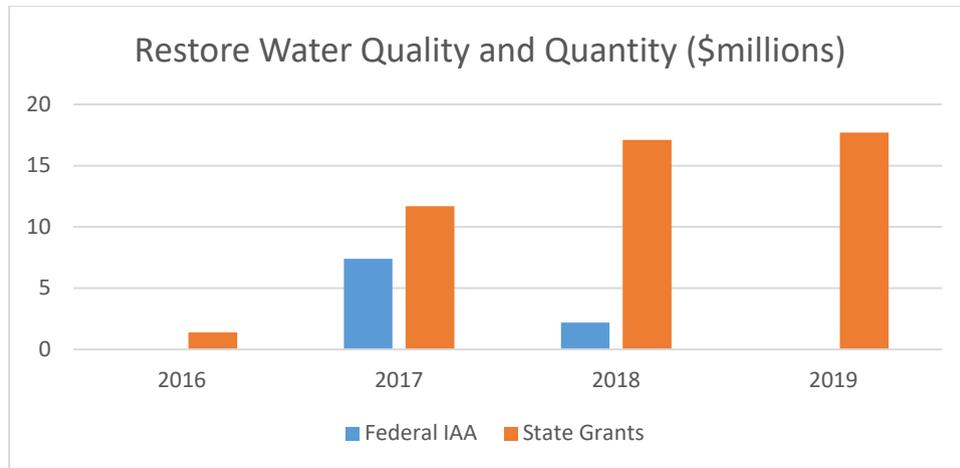
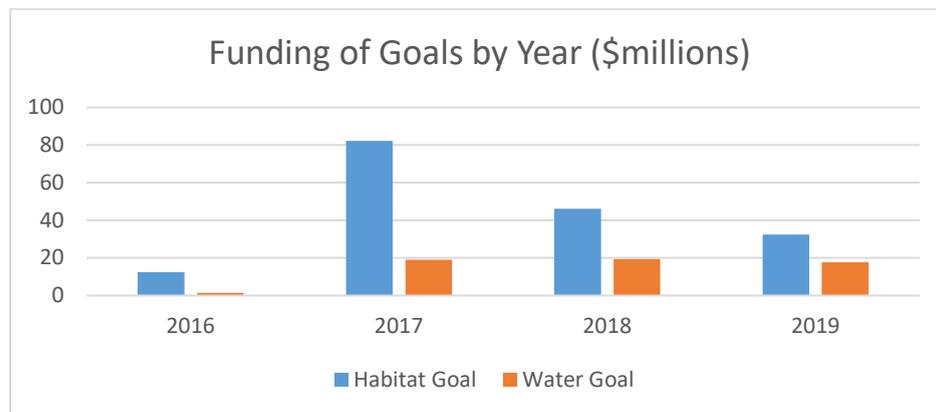


Chart 3. Funding trends (all sources) by fiscal year in support of two of the Council's Goals.



Meeting Council Objectives

The Council identified seven (7) objectives in its Comprehensive Plan to support the Council's Goals. The Council uses these objectives to select and fund projects and programs that restore and protect the natural resources, ecosystems, water quality, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region. Projects and programs not within the scope of the following Objectives for ecosystem restoration will not be funded under the Council-Selected Restoration Component.

The initial Council focus on restoring and conserving habitat and restoring water quality and quantity goals are reflected in the level of funding supporting the associated objectives to Restore, Enhance and Protect Habitats (\$146,230,931 from all funding sources) and Restore, Improve and Protect Water Resources (\$42,363,642), which represents 57.4% and

16.7% , respectively, of all Bucket 2 and 3 funds (F-Federal IAA; S-State Grant; T-Total) as shown in Table 4.

Table 4. Total funding by Objective and Fiscal Year

Objective	2016	2017	2018	2019	Total to Date
Restore, Enhance, and Protect Habitats	\$7,259,216	\$57,400,938	\$49,081,970	\$32,488,807	\$146,230,931
Restore, Improve and Protect Water Resources	\$0	\$18,785,706	\$19,477,936	\$4,100,000	\$42,363,642
Protect and Restore Living Coastal and Marine Resources	\$1,374,612	\$292,503	\$1,299,806	\$9,298,031	\$12,264,952
Restore and Enhance Natural Processes and Shorelines	\$0	\$0	\$0	\$0	\$0
Promote Community Resilience	\$0	\$0	\$0	\$2,827,150	\$2,827,150
Promote Natural Resource Stewardship and Environmental Education	\$500,000	\$750,000	\$0	\$0	\$1,250,000
Improve Science-based Decision-Making Processes	\$4,640,675	\$24,185,439	\$0	\$0	\$28,826,114
All Objectives	\$0	\$0	\$18,727,476	\$2,438,943	\$21,166,419
Other Objective	\$0	\$0		\$338,943	\$338,943
TOTALS	\$13,774,503	\$101,414,586	\$88,587,188	\$51,152,931	T-\$254,929,208 F- \$62,905,133 S-\$192,024,075

Funding by Watershed

The use of a watershed/estuary-based approach for comprehensive ecological restoration was captured as a fundamental component of the Comprehensive Plan Update following completion of FPL 1 which included funding in 10 key watersheds. Linking projects to

environmental stressors by watershed or estuary is scientifically sound and offers operational advantages which assist in leveraging ecosystem restoration program resources. While the use of a watershed/estuary-based approach is a good framework, it is important to note that there are features of the gulf-wide ecosystem that extend beyond coastal watershed boundaries, including private lands in upper watersheds, and marine and offshore habitats.

The watersheds that have received the most funding as a total of all funding sources (Table 5) are the Mississippi River Delta (\$73,557,857) and Mississippi Sound (\$52,336,495), representing 28.9% and 20.5% of total funds (Figure 4). The focus of the federal IAA's (Figure 5) is primarily been toward a Gulf wide focus (\$21,267,383) and the Mississippi River Delta (\$13,893,084); the "Other" category includes funds to support the CPS FPL (\$10,333, 596) and other non-watershed focused efforts. The states have funded work in several watersheds through both the Council-Selected Restoration and Spill Impact Components (with the relatively large funding levels under "Other" capturing stand up of SEPs in each of the five states (\$24,518,939)) as shown in Charts 4 and 5.

Table 5. Total funding by Watershed and Fiscal Year. (F-Federal IAA; S-State Grant; T-Total)

Watershed	2016	2017	2018	2019	Total to Date
APALACHICOLA BAY	\$0	\$13,899,856	\$0	\$387,726	\$14,287,58
GALVASTON BAY	\$0	\$0	\$8,077,000	\$0	\$8,077,000
GULFWIDE	\$500,000	\$17,717,583	\$3,049,800	\$221,038	\$21,488,421
LAGUNA MADRE	\$0	\$4,378,500	\$1,317,567	\$404,318	\$6,100,385
MATOGORDA BAY	\$0	\$6,012,000	\$0	\$0	\$6,012,000
MOBILE BAY	\$0	\$358,000	\$6,125,453	\$3,908,500	\$10,391,953
MISSISSIPPI RIVER DELTA	\$7,259,216	\$26,920,277	\$27,820,214	\$11,558,150	\$73,557,857
MISSISSIPPI SOUND	\$1,374,612	\$2,928,847	\$17,077,742	\$30,955,294	\$52,336,495
OTHER	\$4,640,675	\$19,760,359	\$18,727,476	\$3,717,905	\$46,846,415
PENSACOLA BAY	\$0	\$6,555,164	\$2,200,000	\$0	\$8,755,164
SUWANNEE WATERSHED	\$0	\$2,884,000	\$0	\$0	\$2,884,000
TAMPA BAY	\$0	\$0	\$4,191,936	\$0	\$4,191,936
TOTALS	\$13,774,503	\$101,414,586	\$88,587,188	\$51,152,931	T-\$254,929,208 F-\$ 62,905,133 S-\$192,024,075

Chart 3. Total funding from the RESTORE Council-Selected Restoration and Spill Impact Components by watershed from Fiscal Year 2016 through 2019.

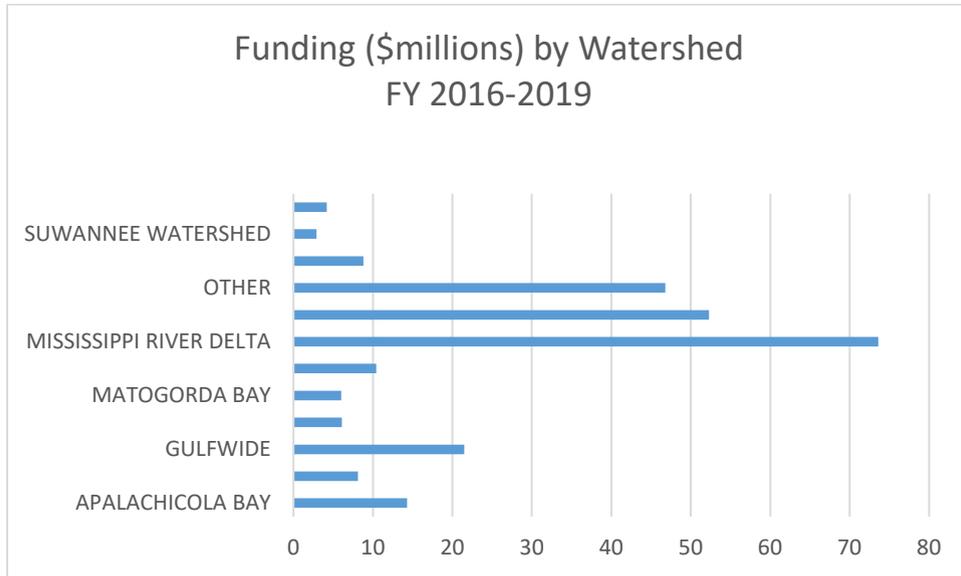
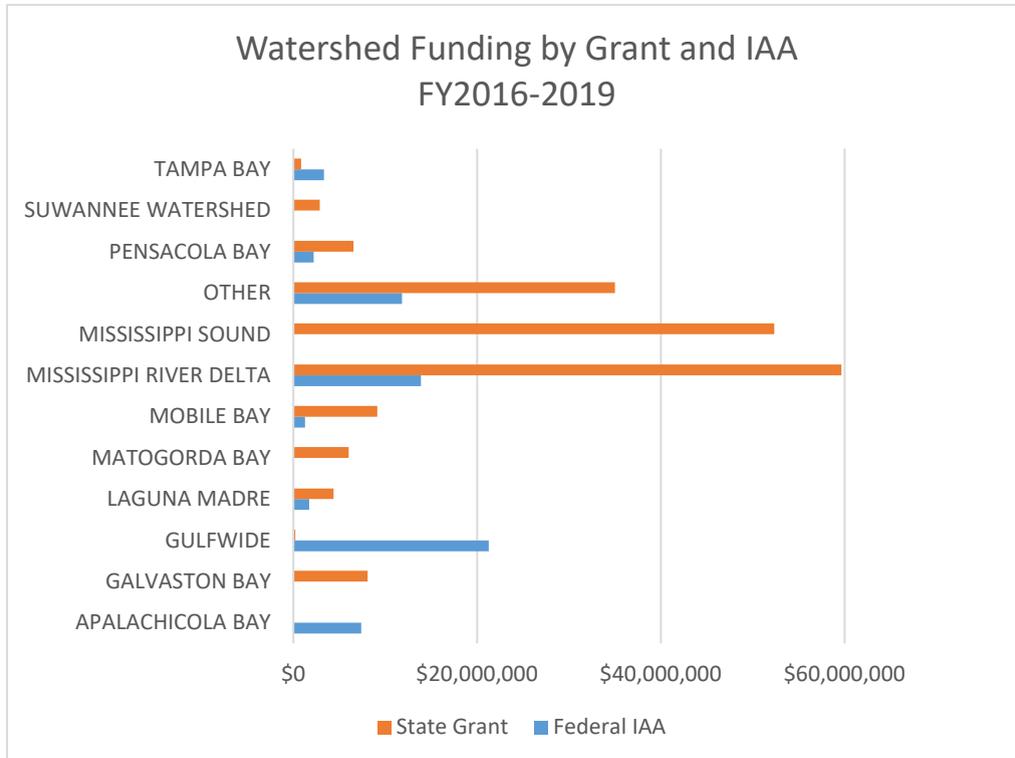


Chart 4. Grant and IAA funding from the RESTORE Council-Selected Restoration and Spill Impact Components by watershed from Fiscal Year 2016 through 2019.



3. Summary of Strategies and Resources Used to Achieve Goals

The RESTORE Council is using several coordinated and strategic approaches to improve their ability to efficiently and effectively accomplish the goals of the Comprehensive Plan. A collaborative process is being used to help ensure that Council-Selected Restoration Component (Bucket 2) funded projects and programs complement restoration being accomplished through the Spill Impact Component, as well as other funding streams. The funding available through the Council, as well as the other DWH-related funding sources (including other components of the RESTORE Act, Natural Resource and Damage Assessment (DWH NRDA), and National Fish and Wildlife Foundation Gulf Environmental Benefit Fund (NFWF GEBF) presents an unprecedented opportunity to restore Gulf ecosystem conditions and functions, representing one of the most substantial investments in landscape-level restoration in U.S. history. However, it is critical to note that these funds will not fully address all the ecosystem restoration needs of the Gulf given the multiple stressors impacting the region, ranging from man-made sources like the DWH oil spill disaster, water quality/quantity issues and the annual offshore hypoxic zone, as well as naturally-occurring impacts including hurricanes. Because of these large-scale stressors and ever-changing conditions of these coastal environments, it is infeasible to restore the Gulf to conditions that were present at a specific time in the past.

In 2015, the Council approved its first funding decisions in the [Initial FPL](#) (FPL 1). This first FPL was organized around ten key watersheds/estuaries across the Gulf to concentrate and leverage available funds to address critical ecosystem needs in high priority locations. In FPL 1, the Council approved funding for projects and programs that could provide near-term “on-the-ground” ecological results, while also building a planning and science foundation for future success. FPL 1 included planning funds for large-scale ecosystem restoration projects.

Comprehensive Plan Update

Upon completing FPL 1, the Council conducted an internal and external review of the processes and policies used to develop this first round of funding decisions. The goal of this review was to learn from the FPL 1 process in order to improve subsequent funding decisions to maximize, to the degree practicable, the use of strategies and resources to achieve the goals of the Council. Lessons from this review informed the Council’s Comprehensive Plan update ([2016 Comprehensive Plan Update](#)), and are reflected in the commitments and other policies contained therein. One of the key lessons for the Council pertains to collaboration. Specifically, the Council recognized the need to further collaborate among its members and with other restoration programs and stakeholders in order to advance the most effective restoration projects in future FPLs.

Commitment and Planning Support FPL

The Council recognized that meeting its Comprehensive Plan commitments requires resources to support the personnel, travel, and logistics necessary for more effective collaboration and planning. In 2018, the Council approved funding to support this planning and collaboration. A major challenge to Gulf-wide ecosystem restoration is coordinating efforts within each state, among Council members, among stakeholders, and across the Gulf restoration efforts. This funding was approved in a second FPL titled “[Funded Priorities List: Comprehensive Plan Commitment and Planning Support](#)” (FPL 2). Prior to the CPS FPL, there was no designated funding to support Council member efforts to plan and coordinate restoration activities under Bucket 2. Council members had to rely upon general, tax-generated or appropriated funds to support such work. The FPL 2 funding provides the necessary resources for Council members to stimulate and encourage the coordination and collaboration necessary to achieve the commitments of the Comprehensive Plan. Specifically, the CPS FPL funding will provide funds necessary for members to:

- Strengthen ecosystem restoration proposals for future FPL(s) under the Council-Selected Restoration Component;
- Enhance the efficiency of future FPL development processes; and
- Facilitate long-term planning and leveraging efforts across funding streams.

Planning Framework

During FY 2019 the Council continued to advance its vision for “A healthy and productive Gulf ecosystem achieved through collaboration on strategic restoration projects and programs”. In addition to this vision statement, the 2016 Comprehensive Plan Update defines foundational goals and objectives and describes the Council’s commitment to enhanced collaboration among members, potential funding partners, and the public. The 2016 Comprehensive Plan Update is designed to ensure future Council investments address the highest priority restoration needs of the Gulf of Mexico (Gulf).

The Planning Framework describes the Council’s focus on building the next FPL toward meeting the Council’s goals. The Planning Framework identifies priorities that purposefully and strategically link past and future restoration funding decisions. For example, the Council intends to continue building on previous investments from the 2015 Initial FPL on habitat and water quality, while expanding opportunities to meet other Comprehensive Plan goals and objectives in the future. In this way, the Planning Framework draft serves as a “bridge” between the Council’s overarching goals and objectives identified in the 2016 Comprehensive Plan Update and the specific restoration projects and programs approved in future FPLs.

While the Planning Framework was developed to support decision-making for FPL 3, the Council views it as a “living” document that may be broad enough to serve as a foundation for future FPLs. As part of the process of developing future FPLs, this Planning Framework will be reviewed and revised as needed to incorporate outcomes and lessons learned from previously implemented projects (including monitoring data from previously implemented projects), scientific and technical developments, changing policy, public input, and other planning considerations. In addition to RESTORE Act activities, the Council will consider restoration activities funded by DWH NRDA, NFWF GEBF, and other restoration efforts in the Gulf of Mexico region as it determines future funding priorities.

4. Summary of Significant Underlying Factors that Affected the Performance (including factors outside of the Council’s control as well as those the Council could control)

There are myriad natural and man-made factors that could potentially affect performance of the projects and programs funding through the Council. Therefore, the Council must consider a wide range of past, ongoing, and emerging environmental threats which could impact performance of awards under the Council-Selected Restoration and Spill Impact components of the RESTORE Act. For example, sea-level rise combined in some areas with ongoing subsidence can pose a significant risk to coastal ecosystems and communities, and to the Council’s own coastal restoration investments. Water quality degradation is another environmental issue impacting resilience and sustainability leading to, among many other impacts, the largest hypoxic regions (“Dead Zone”) in the U.S., which forms each year off the Louisiana coast and can reach the size of the State of New Jersey. The Council is committed to using the best available science to consider relative sea-level rise, water quality, and other risks as it makes coastal restoration funding decisions. The Council is also committed to working with a broad range of stakeholders interested in coastal resilience.

There are also inherent risks the Council will consider regarding the efficacy of individual projects and/or programs themselves ranging from impacts to performance (due to unforeseen events like impacts from a hurricane) to changes in cost beyond projected contingency plan levels, which could potentially impact the ability to complete a project or program.

5. Identification of Anticipated and Unaccepted Risks

There are several strategies that the Council has employed to anticipate and prepare for risk with associated risk mitigation strategies. The Council has completed an Enterprise Risk Assessment and has developed a risk profile that has identified strategic, operational, compliance, financial and reporting risks, assessed their likelihood and impact, and determined an overall risk rating with a categorization of critical, high, medium and low.

This analysis highlighted seven critical risks (high likelihood and high impact). One of the risks speaks to the potential for overlapping project funding for the same purpose. This could take the form of project duplication within the Council-Selected Restoration Component, or a project funded by either the Spill Impact Component, or by one of the other Deepwater Horizon funding streams, including NRDA or the NFWF GEBF. The emphasis and funding provided through the CPS FPL to support collaboration among the Council members and the other DWH funding streams specifically addresses this risk.

Further, the Council has also approved a Submission Guidelines and Review Process policy document that consists of several components to reduce risks by avoiding project duplication, ensuring alignment with Council Goals and Objectives, and providing for adequate levels of project monitoring during and following completion of the project or program. This critical policy document is utilized by Council members to prepare Bucket 2 proposals that comply with the RESTORE Act and are consistent with the Comprehensive Plan goals and objectives, among other matters. The following are emphasized in these guidelines:

- RESTORE Act Priority Criteria: Every proposal for Council-Selected Restoration Component funding is reviewed to ensure that it meets one of the four Priority Criteria defined in the RESTORE Act, including:
 - Projects that are projected to make the greatest contribution to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region, without regard to geographic location within the Gulf Coast region.
 - Large-scale projects and programs that are projected to substantially contribute to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast ecosystem.
 - Projects contained in existing Gulf Coast State comprehensive plans for the restoration and protection of natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region.
 - Projects that restore long-term resiliency of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands most impacted by the *Deepwater Horizon* oil spill.
- Spill Impact Component Eligible Activities: All projects and programs in a SEP must meet at least one of the eleven eligible activities listed in the RESTORE Act:

- Restoration and protection of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches and coastal wetlands of the Gulf Coast region.
- Mitigation of damage to fish, wildlife, and natural resources.
- Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan, including fisheries monitoring.
- Workforce development and job creation.
- Improvements to or on State parks located in coastal areas affected by the Deepwater Horizon oil spill.
- Infrastructure projects benefiting the economy or ecological resources, including port infrastructure.
- Coastal flood protection and related infrastructure.
- Planning assistance.
- Administrative costs of complying with the Act.
- Promotion of tourism in the Gulf Coast region, including recreational fishing.
- Promotion of the consumption of seafood harvested from the Gulf Coast region.

The Council developed State Expenditure Guidelines that provide guidance to Gulf states for ensuring that each SEP has the information needed to comply with the RESTORE Act.

- Best Available Science: The RESTORE Act requires the Council to “undertake projects and programs, using the best available science (BAS) that would restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, and economy of the Gulf Coast.” In the 2016 update to its Comprehensive Plan, the Council strengthened its commitment to using BAS and delivering and measuring success using common standards and monitoring protocols, and the development of indicators and metrics of restoration and conservation success by project, region, and/or watershed.
 - Using best available science, summarize risks and uncertainties associated with the proposed activity, along with any proposed measures to mitigate such risks and uncertainties. In general, risks and uncertainties should be considered in both the near- and long-term, and with respect to the anticipated lifespan of the proposed project or program. This section may provide perspective on such risks and uncertainties relative to the potential benefits of the proposed project or program. For example, a long-term risk to the project or program posed by sea level rise might be offset by the potential near- and mid-term environmental benefits of the activity. Conversely, a potential benefit of the proposed project or program might be the mitigation of future risks associated with sea level

rise, subsidence and/or storms.

- The proposal should discuss whether the project or program is vulnerable to applicable climate risks under varying future scenarios, including but not limited to sea level rise, alterations in rainfall patterns, and/or potential increases in hurricane intensity. Consider how such risks might affect the benefits and duration of the project or program. The proposal should describe any design or other measures taken to mitigate these risks.
 - Other applicable risks and uncertainties might include questions and unknowns relating to construction feasibility, unanticipated cost increases, land rights, regulatory review, project timing, public opposition, and/or the potential for unanticipated adverse environmental and/or socio-economic impacts. Any relevant scientific uncertainties and/or data gaps should also be discussed (including the appropriate citations). Proposed measures to mitigate risks should be discussed. For proposals that involve only planning (no construction), this section should discuss how the foregoing risks and uncertainties would be addressed in the planning process.
- Environmental Compliance: As a federal entity, the Council must comply with all applicable federal environmental laws and other requirements (such as Executive Orders) when approving funding under both the Council-Selected Restoration and the Spill Impact Components. The environmental laws that apply to a proposal are a function of the specific activities being proposed, and their possible direct and indirect influence on the environment: the National Environmental Policy Act, Endangered Species Act, Magnuson-Stevens Fishery Conservation and Management Act, National Historic Preservation Act, and the Fish and Wildlife Coordination Act. Other environmental laws and requirements may apply at the award or construction stage of a project or program. The Council does not disburse Spill Impact Component funding for activities in approved SEPs until it has confirmed that all applicable laws have been addressed.

6. Summary of Plans to Improve Performance

In its Comprehensive Plans, the Council has committed to delivering results, measuring impacts, and implementing/improving adaptive management. Ongoing coordination around science and monitoring has already reaped tangible benefits such as: alignment of overlapping tasks across entities, shared work products, and plans for future leveraging of shared resources. The Council is also exploring opportunities to create consistency and collaborate with NRDA efforts where appropriate. For example, the intersection between

the CMAWG efforts with the NRDA Cross-TIG Monitoring and Adaptive Management Workgroup may yield important programmatic and science efficiencies.

Further, Programmatic staff of the RESTORE Council are engaged throughout the award period and provide the following:

- Review performance outcome reports
- Assist Grant Specialists in evaluating milestone reporting in financial and performance progress reports
- Hold informal progress check-in conversation or meetings
- Coordinate with ERM Specialist and Grant Specialists in
 - identifying projects for monitoring and
 - conducting reviews
- Conduct field site visits as needed or as opportunities arise; and
- Provide technical assistance to recipients.

7. Summary of Procedures Management Designed and Followed to Provide Reasonable Assurance that Performance Information is Reliable and Relevant

Funded under the initial FPL, the Council Monitoring and Assessment Program (CMAP) is a network of diverse experts who collaborate around Gulf-wide regional monitoring to measure impacts of investments in restoration. The Council Monitoring and Assessment Workgroup (CMAWG), comprised of technical staff from each Council member agency, is partially supported by CMAP funds and will largely be responsible for developing monitoring standards and protocol recommendations for RESTORE Council approval. In 2018, Council Staff and CMAWG members updated the Observational Data Plan Guidance to assist projects and programs in providing the Council with a plan for data collection and compilation. Data will be used to evaluate if funded projects are meeting or exceeding project goals and restoration targets.

Data collected for Council-funded activities can only be useful for reporting and evaluation if users are able to find the data, assess its utility, and understand how it was generated. To enhance current and future use of data, Council staff and partners developed the Council Metadata Records Library and Information Network (MERLIN) in 2018. MERLIN is an online metadata records tool developed in partnership with US Geological Survey and NOAA's National Centers for Environmental Information. MERLIN houses metadata--records that describe information about data. The development of this tool supports the Council's 2018 approval of the use of the ISO 19115 metadata standard for all Council funded projects to promote consistency in the data collection for Council-funded activities.

8. Summary of Risks to the Agency's Achievement of its Goals and Objectives

The Council is taking preemptive and proactive actions to identify and mitigate risks, to the degree practicable, to ensure the goals and objectives of the RESTORE Act and Comprehensive Plan will be achieved. Procedural policies that enhance coordination among Council members and with other *Deepwater Horizon* funding streams will reduce duplicative funding and enable leveraging of investments across programs. Tracking of performance through metrics and regular communication will bring to light performance challenges, enabling mitigation strategies to be employed. Further, the CMAWG and Council programmatic staff will review metrics and provide recommendations to adaptively manage projects and programs as new insights are garnered from results of ecosystem restoration efforts. However, there are still unforeseen events, both natural (e.g., hurricanes) or man-made which could impact the successful completion of some projects funded by either the Council-Selected Restoration or Spill Impact components that are beyond the ability of the Council to control.

ANALYSIS OF THE FINANCIAL STATEMENTS

Apportionments

The Council financial statements should be viewed considering the status of the funds available to and used by the Council. Table 6 below shows the current status of the Council-managed Trust Fund components, the Council-Selected Restoration Component and the Oil Spill Impact Component. The Council-Selected Administrative Funds and Council-Selected Program Expense Funds are subcategories of the Council-Selected Funds and are used by the Council to carry out its operations. The apportionments received by the Council are used to develop programs, carry out operations and fund projects.

Table 6: Trust Fund Apportionments Received Summary

Trust Fund Balance (After Sequestration)	Council Selected Administrative Funds	Council Selected Funds			Spill Impact Funds
		Council Selected Program Expense Fund	Council Selected-Projects and Programs Funds	Total	
TRUST FUND DEPOSITS	\$16,024,518	\$518,126,066			\$510,738,792
Apportionment FY13	-360,000	-	-	-	-
Apportionment FY14	-896,214	-1,067,950	-	-1,067,950	-
Apportionment FY15	-1,241,229	-2,307,158	-	-2,307,158	-
Apportionment FY16	-1,107,649	-3,157,558	-156,553,618	-159,711,176	-6,400,000
Apportionment FY17	-1,375,568	-4,078,906	-	-4,078,906	-70,800,000
Apportionment FY18	-1,417,740	-4,544,671	-30,611,276	-35,155,947	-22,300,001
Apportionment FY19	-1,445,181	-4,317,211	-5,717,000	-10,034,211	-94,310,000
Total Apportioned to the Council	-7,843,581	-19,473,454	-192,881,894	-212,355,348	-193,810,001
Balance Available in Trust Fund	\$8,180,937	\$305,770,718			\$316,928,791

Operational Costs

To best serve the communities of the Gulf Coast region, the Council strives to implement the Comprehensive Plan and accomplish the requirements of the RESTORE Act in an effective and efficient manner, at the minimum cost possible in order to maximize the funds available for restoration projects and programs. The Council has managed its fiscal resources through a strategy of incremental growth corresponding to the development of the Council-Selected Restoration Component and Spill Impact Component programs.

Table 7 shows the Council’s historical funding and operational cost history. The imputed revenue column identifies the value of the services provided by Council members, offset by non-reimbursed costs incurred. The table also identifies the funds apportioned each year, recoveries from reduced or cancelled obligations, and unspent funds carried forward to each subsequent year. Carry-forward funds are primarily the result of under-execution in the travel and salaries/benefits budget categories. The use of carry-forward funds requires Council approval if a proposed expense exceeds a certain threshold. In fiscal year 2019, the Council utilized \$1.2 million in carry-forward funds for the grants management system replacement project and \$586,000 was used for operations in lieu of requesting new funding. Carry-forward funds of \$1.12 million will be used in fiscal year 2020 to support administrative and programmatic operational expenses, and \$784,000 will be used to complete the development and implementation of the two grants management replacement systems – Grant Solutions and the Program Information Platform for Ecosystem Restoration (PIPER). The latter amount is the amount remaining from the original budget of \$1.2 million.

Table 7: Revenue and Operational Cost History (dollars in thousands)

Council Operational Cost History	Carry-forward from PY	New apportionment	Recoveries from PY obligations	Current year trust fund revenue	Imputed revenue	Total revenue	Funded obligations incurred	Non-reimbursed costs incurred	Total Cost of Operations	Carry-forward
FY13 Operational Costs	\$ -	\$ 360	\$ -	\$ 360	\$ 1,089	\$ 1,503	\$ 360	\$ 1,089	\$ 1,503	\$ -
FY14 Operational Costs	\$ -	\$ 1,964	\$ 79	\$ 2,043	\$ 1,120	\$ 3,163	\$ 920	\$ 1,120	\$ 2,040	\$ 1,123
FY15 Operational Costs	\$ 1,123	\$ 3,548	\$ 2	\$ 4,673	\$ 728	\$ 5,401	\$ 3,751	\$ 728	\$ 4,479	\$ 922
FY16 Operational Costs	\$ 922	\$ 4,265	\$ 374	\$ 5,561	\$ 101	\$ 5,738	\$ 4,337	\$ 101	\$ 4,514	\$ 1,224

FY17 Operational Costs	\$ 1,224	\$ 5,454	\$ 19	\$ 6,697	\$ -	\$ 6,697	\$ 4,608	\$ -	\$ 4,608	\$ 2,089
FY18 Operational Costs	\$ 2,089	\$ 5,962	\$ -	\$ 8,051	\$ -	\$ 8,051	\$ 5,447	\$ -	\$ 5,447	\$ 2,604
FY19 Operational Costs	\$ 2,604	\$ 5,792	\$ -	\$ 8,396	\$ -	\$ 8,396	\$ 5,769	\$ -	\$ 5,769	\$ 2,627

Operational Cost Trends

The Council achieved a steady-state level of operations that was consistent with the full implementation of its administrative infrastructure in fiscal year 2015, and no longer required non-reimbursed support from other federal agencies as of fiscal year 2017, other than for federal benefits as provided by OPM to all agencies. Costs increased in fiscal year 2015 due the establishment of the Council’s New Orleans headquarters office; development of its administrative and programmatic infrastructure; development and deployment of its core administrative systems; implementation of its grants, science, and environmental compliance programs; acquisition and deployment of its website; and the design and development of the automated grants management system.

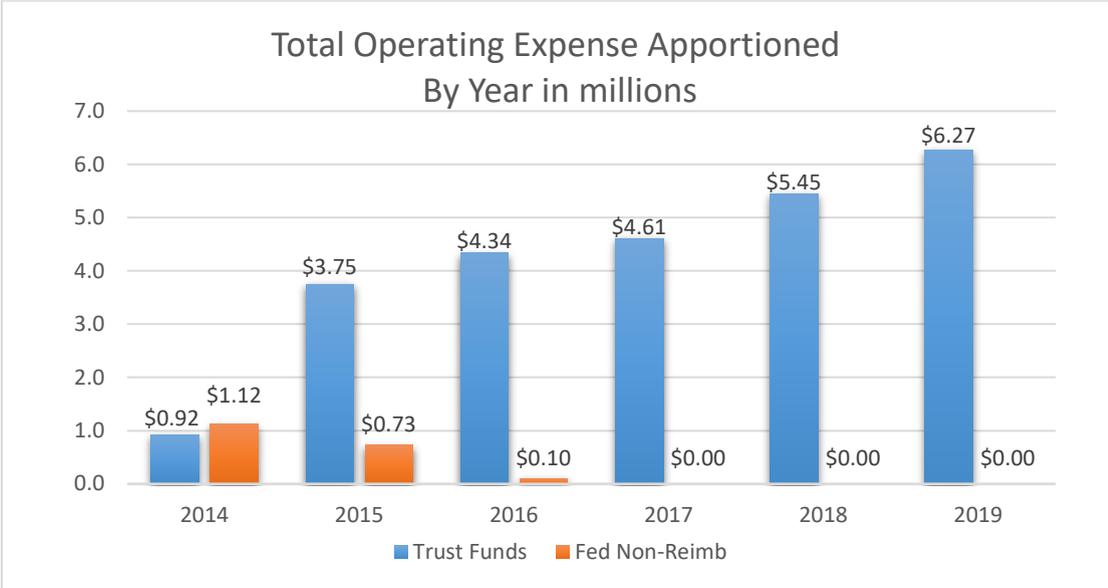
Costs continued to increase each year as the Council brought on additional staff commensurate with the maturation of operations. In fiscal year 2016 additional costs were incurred due to the completion and deployment of the Restoration Assistance and Awards Management System (RAAMS), the Council grants management system. In fiscal year 2017 costs increased slightly as the Council stood up its information technology (IT) administrative infrastructure in order to enable compliance with the Federal Information Security Modernization Act of 2014 (FISMA) and as the Council incurred the costs of a full year of RAAMS hosting expense, system support and helpdesk services. Finally, the increase in costs in fiscal year 2018 reflects the hiring of the permanent executive director, additional staff and contractor support; FISMA compliance activities; a three-year IT equipment refresh; and the development of Metadata and FPL Collaboration tools.

The increase in fiscal year 2019 is primarily attributable to hiring two new employees and a contractor to assist with workload in the grants, finance, and external affairs offices and the development of two automated systems that will replace RAAMS in fiscal year 2020. The replacement of RAAMS is required because the commercial developer of the software advised the Council that it would be ending support of the software. As a result, the Council developed a two-system replacement strategy that will utilize a federal grants management service provider, Grant Solutions, and the development of a program-focused system, the

Program Information Platform for Ecosystem Restoration (PIPER) system. PIPER will be comprised of a suite of modules designed to manage program information, including proposal development and program information associated with awards, scope of work, ecological restoration metrics, geospatial information, and environmental compliance documentation while Grant Solutions will support grant administrative, budgetary and compliance activities. The Council anticipates that this “unified” solution will be an effective replacement for RAAMS that will enhance the grants management process. In addition, there were increases for the cost of contractual support for IT systems and staff travel to conduct site visits, support collaboration, and attend public meetings, workshops, and training.

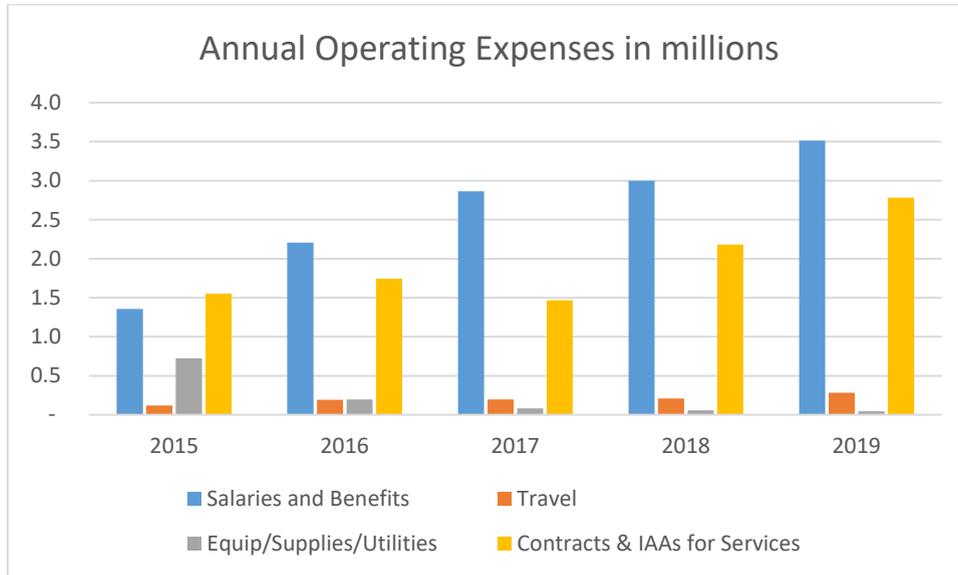
Chart 6 presents the Council’s operating expenses (obligations) incurred for fiscal year 2019 and 2018 by cost category (see also the Schedule of Spending on Page 77 for fiscal year 2019 and fiscal year 2018 expenditures).

Chart 6: Annual Total Cost of Operations (in millions)



As of September 30, 2019, the Council operating expense cost drivers were personnel compensation and benefits, interagency agreements and contracts for services, and travel. In fiscal year 2019 there was a slight increase in operational and grant expenses over fiscal year 2018. The increase in costs of operations was due to the recruitment of a financial analyst and expert consultants and new contracts for the grant system implementation and transition, administrative and public engagement support, and IT security services.

Chart 7: Historical comparison of Funded Annual Obligations by Expense Category (in millions)



Administrative Expenses

The RESTORE Act specifies that of the Council-Selected Restoration Component amounts received by the Council, not more than 3% of the funds may be used for administrative expenses, including staff. This is further detailed in the Treasury regulation implementing the Act at 31 CFR §34.204(b), “Limitations on administrative costs and administrative expenses” (as amended September 28, 2016), which provides that “Of the amounts received by the Council under the Comprehensive Plan [Council-Selected Restoration] Component, not more than three percent may be used for administrative expenses. The three percent limit is applied to the amounts it receives under the Comprehensive Plan [Council-Selected Restoration] Component before the termination of the Trust Fund. Amounts used for administrative expenses may not at any time exceed three percent of the total of the amounts received by the Council and the amounts in the Trust Fund that are allocated to, but not yet received by the Council under § 34.103.”

The Council worked with OMB to segregate administrative expense funds through the apportionment process. The Treasury regulation implementing the Act at 34 CFR § 34.2 provides the definition of administrative expenses that guides the Council in properly classifying certain expenses as administrative and the remaining categories of expenses as programmatic.

The Council oversees projects and programs during the post-award period. Since the Council will cease operations upon the expenditure of all funds available from the Trust Fund, a long-term forecast for its administrative and operational expenses is developed

based on the projected closeout date of all grants. Based on the Consent Decree payment schedule and the projected closeout timeframe for grants awarded, Council operations have been projected through 2040 to ensure that operational costs are fiscally prudent and well managed through the life of the program. This analysis projects that the cumulative administrative expense will be approximately \$42.7 million which is less than the \$48.5 million that will be available for such expenses from the aggregate current and future deposits into the Trust Fund (not including accrued interest).

Table 8 shows the funds deposited into the Trust Fund as of September 30, 2019 for the Council-Selected Restoration component, and the amount of funds available for administrative expenses. The amount apportioned for administrative expenses is well below the amount of administrative funds available in the Trust Fund and is equal to 3% of the total funds apportioned for the Council-Selected Restoration Component. Of the \$523.9 million, including interest, deposited into the Trust Fund for the Comprehensive Plan component, \$518.3 million was made available to the Council. Due to sequestration, \$5.6 million was withheld in fiscal year 2019, but these funds will be returned at the start of fiscal year 2020. Of the \$15.5 million available for administrative expenses, \$7.7 million still remains in the trust fund. Overall, only 1.5% of the available administrative funds have been drawn down.

Table 8: Three Percent Analysis

STATUS OF 3% ADMINISTRATIVE EXPENSE FUNDS (as of 09/30/2019)	
Trust Funds-Comprehensive Plan	
Amount Available	\$523,911,350.00
Sequestration for 2019	(5,644,138.00)
Total Amount Available	518,267,212.00
Administrative Expense Funds Available (Total Amount Available x 3%)	15,548,016.36
Total Administrative Funds Apportioned through 2019	(7,843,581.00)
Balance of Administrative Funds Remaining in the Trust Fund	\$7,704,435.36

Projects and Programs

The first FPL for \$156.6 million was approved in fiscal year 2016, followed by the approval of four additional projects that had been proposed for future funding (“Category 2” projects) on the Initial FPL, and in fiscal year 2018 Commitment and Planning Support FPL was approved. The Louisiana and Mississippi SEPs were approved in fiscal year 2017, followed by approval of the Florida SEP in fiscal year 2018, and the Texas and Alabama SEPs in fiscal year 2019. Although the Initial FPL was approved in December 2015, projects and grant/IAA applications needed to be developed; therefore, the funding has been awarded

at a slower pace. Similarly, although SEPs were approved, the projects included in the plans must be fully developed and planning completed before funding can be awarded. The table below identifies the funds awarded annually by Component. In fiscal year 2019, four FPL grants totaling \$21.465 million, five FPL IAAs totaling \$13.123 million, and five SEP grants totaling \$16.564 million were approved and awarded. The six remaining Initial FPL projects are expected to be awarded in fiscal year 2020 while nine Category 2 projects may be funded once the projects meet all environmental compliance requirements. However, funding for numerous projects in the five SEPs as not yet been awarded, and these project and program applications are being submitted at a rapidly increasing pace.

Table 9: Projects and Programs Funds Awarded (dollars in millions)

Projects And Programs	2016	2017	2018	2019	Total to Date
FPL1	\$ 7.76	\$ 81.65	\$ 34.26	\$ 32.49	\$ 156.16
FPL2	0	0	18.73	2.1	20.83
SEP	6.02	19.76	35.6	16.56	77.94
TOTALS	\$13.78	\$101.41	\$88.59	\$ 51.15	\$ 254.93

In fiscal year 2020, the Council plans to continue collaborative efforts to develop and evaluate proposals for the next FPL which has been divided into two components. The first component, FPL 3a, is expected to be approved by the Council in fiscal year 2020, while the second component, FPL 3b, is expected to be approved in fiscal year 2021. The Council will also continue to award and administer grants and interagency agreements to achieve the goals and objectives of the Council-Selected Restoration and Spill Impact Components of the Act. The Council will be deploying the two components of its unified grants management system, Grant Solutions and PIPER, and expects operational costs to stabilize in fiscal year 2020.

Costs Incurred by Program

Costs incurred through fiscal year 2015 primarily consisted of salaries and benefits, contracts, and interagency agreements for administrative services, automated services in support of program and grant activities, and travel. Upon the approval of the Initial FPL and SEPs in fiscal year 2016 the first four grant and IAA awards were issued, however, due to the large, complex and diverse planning, design, engineering and implementation requirements for large restoration efforts, expenditures have been incurred at a slower

rate. In fiscal year 2019, the Council continued awarding and administering grants and IAAs and funding administrative and programmatic expenses.

In fiscal year 2020, the Council expects that the liquidation rate (rate of disbursements) for grants and IAAs will increase as projects achieve long-term milestones in the planning process including design, engineering and permitting.

Table 10: Total Council Incurred (Actual) Costs to Date *(in dollars)*

Year(s)	Administrative Expense	Programmatic Operating Expense	Council-Selected Projects and Programs	Spill Impact Projects and Programs	TOTAL COST
2013-2015	\$2,764,301	\$3,428,477	\$0	\$0	\$6,192,778
2016	1,467,244	3,061,711	226,400	496,553	5,251,908
2017	1,382,651	3,408,642	17,439,961	3,716,366	25,947,620
2018	1,087,320	4,009,184	7,281,852	1,813,877	14,192,233
2019	1,451,259	5,366,030	31,822,483	14,067,879	52,707,651
TOTAL	8,152,775	19,274,044	56,770,696	20,094,675	104,292,190

Variance Analyses

Below are the Council variance analyses of its financial statements for fiscal year 2019 and fiscal year 2018, respectively. The analyses measure the Council financial and operational data between fiscal year 2018 and fiscal year 2019. The analyses provide key data on the Council expenses, revenue and grants between budgeted and actual cost.

Assets

Assets for the Council for fiscal years 2019 and 2018, respectively, are shown in the table and chart below.

Table 11 Council Assets

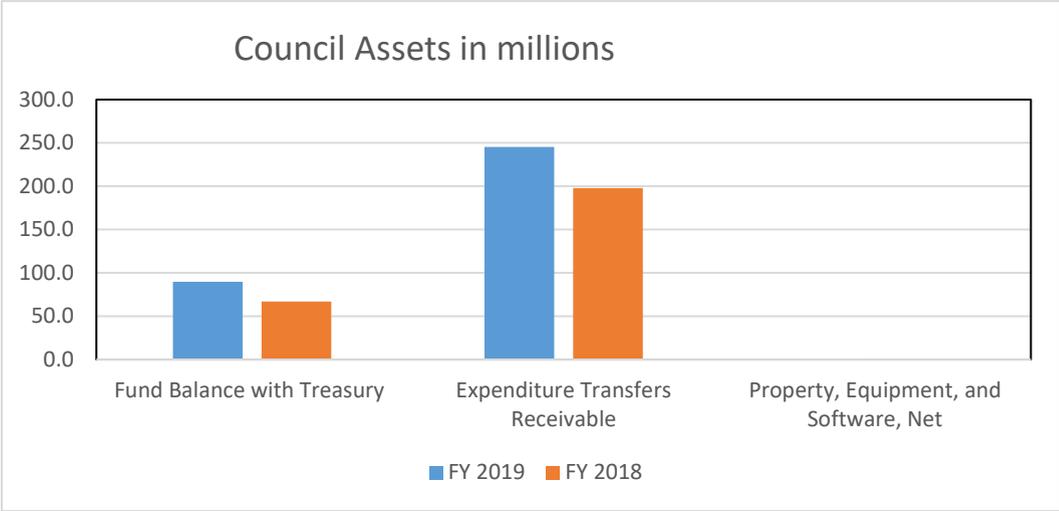
Council Assets	FY 2019	FY 2018	Increase/(Decrease)	% Change
Fund Balance with Treasury	\$ 89,852,937	\$ 66,878,541	\$ 22,974,396	34.35%
Expenditure Transfers Receivable	245,172,698	197,849,306	47,323,392	23.92%
Property, Equipment, and Software, Net	271,700	429,674	(157,974)	-37%
Assets	\$ 335,297,335	\$ 265,157,521	\$ 70,139,814	-26.45%

As of September 30, 2019, Council total assets were \$335,297,335, an increase of \$70,139,814 or 26% over fiscal year 2018.

The Fund balance with Treasury realized a 34.6% increase equal to \$22,974,396. The Fund Balance with Treasury account is the Council's cash account which equals the sum of the Council drawdowns from the Trust Fund less disbursements to liquidate the Council's obligations, make expenditures and pay liabilities. The Council draws funds quarterly based on recipient-generated projected cash requirements schedules included in every grant and IAA, and the Council's own projections of operations cash required. The primary cause of the increase is a result of recipient requests for reimbursement being submitted more slowly than their projected cash flow schedules anticipated.

The Expenditure Transfers Receivable saw an increase of 23.9%, equal to \$47,323,392. Expenditure Transfers Receivable is the Council's receivable from the Trust Fund and is increased when an apportionment from the Trust Fund is approved by OMB to provide the Council budget authority for operations, projects and programs under the Council-Selected and Spill Impact Components. The balance in the Receivable denotes the maximum amount of cash the Council may draw from the Trust Fund at any time. Although the Council could draw funds equaling the total amount of each appropriation, the Council has chosen to only draw funds in the amount necessary to liquidate obligations and expenses expected to come due in each quarter. This decision was made in order to maximize the length of time funds could remain in the Trust Fund to earn interest since 50% of such interest earned is assigned to the Council. The increase in the Receivable is primarily a result of apportionments that have been approved to provide budget authority for Council-Selected FPLs and SEP projects, but award of grants and IAAs, and the subsequent liquidation of such awards, have taken longer than anticipated. Property, Equipment, and Software is primarily composed of the Council grant system, RAAMS, and the decrease in the account is due to depreciation incurred.

Chart 8: Council Assets (in millions)



Liabilities

Liabilities for the Council for fiscal year 2019 and fiscal year 2018, respectively, are shown in the table below.

Table 12: Total Liabilities

Council Liabilities	FY 2019	FY 2018	Increase/ (Decrease)	% Change
Accounts Payable	\$ 465,911	249,182	\$ 216,729	87%
Grant Payable	20,941,149	4,408,167	16,532,982	375%
Employer Contribution on Payroll Taxes Payable	30,377	23,270	7,107	31%
Other Liabilities	528,281	447,784	80,497	18%
Liabilities	\$ 21,965,718	\$ 5,128,403	\$ 16,837,315	328%

At September 30, 2019, the Council’s total liabilities were \$21,965,718, an increase of \$16,837,315 or 328%, from fiscal year 2018. The Council’s accounts payable consists of outstanding invoices and accruals from both public and federal partners. The primary cause for the increase in fiscal year 2019 is attributed to the accrual of expenses for communications and audit support, technology services and contractual administrative and other support services. The council also had increases, which ranged between 1% and 2% for contracts for services with federal partners compared to fiscal year 2018.

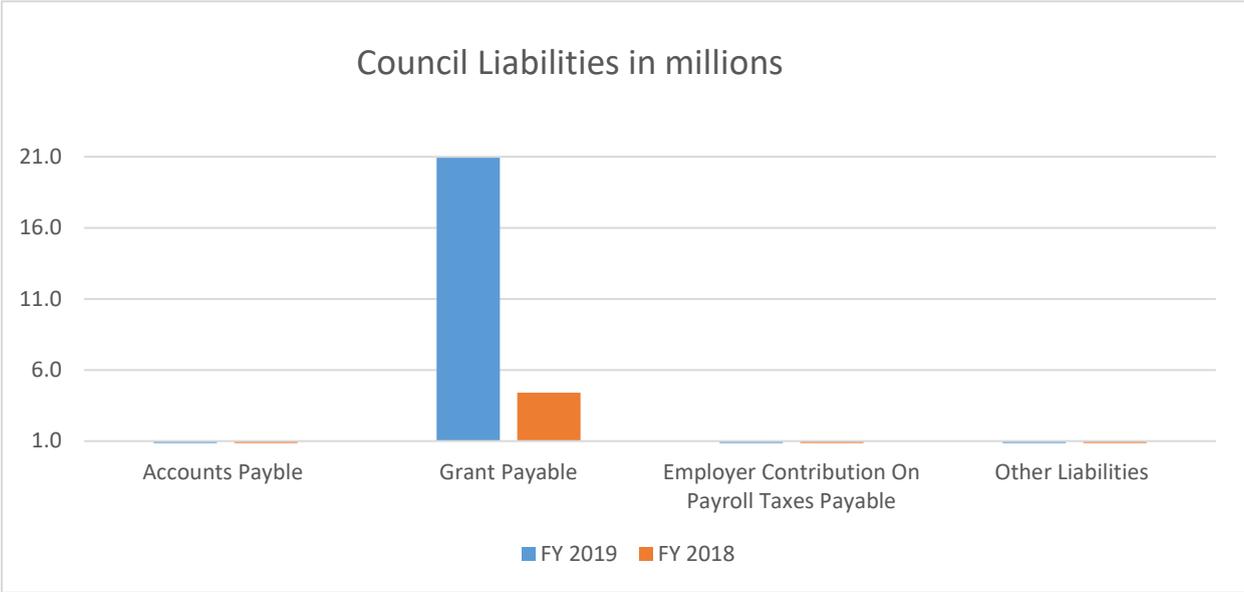
The Council Employer Contribution on Payroll reflects the Council’s unpaid contribution to selected payroll benefits such as the Federal Employee Retirement System, Federal Employee Health Benefits, Flexible Spending Account, Federal Insurance Contributions Act and hospital insurance taxes. The Council-Other liabilities is attributable to the payroll

accrual and the Council’s funded leave accrual. The increase in Other Liabilities increased as a result of year-end one-day and 11-day accrual on the Council payroll. These estimated accruals are reversed at the beginning of the new fiscal year with actual payroll liabilities.

The Total Liabilities increase in fiscal year 2019 is primarily attributable to an increase in the Grant Payables. The Council grant payables consist of invoices and accruals from both non-federal grant recipients and federal partners. The Council used the projected cash requirements prepared by each grant or IAA recipient to develop grant and IAA accruals; when coupled with the increase in grant awards in fiscal year 2017 and 2018 but a slower than expected liquidation rate, the liability increased. Based on our experience with recipient cash flow projections, this methodology will be refined in fiscal year 2020.

Comparative Liabilities by the Council are displayed in Chart 9 below.

Chart 9: Comparative Liabilities (in millions)



Net Position

Net Position for the Council for fiscal year 2019 and fiscal year 2018, respectively are shown in the table and chart below.

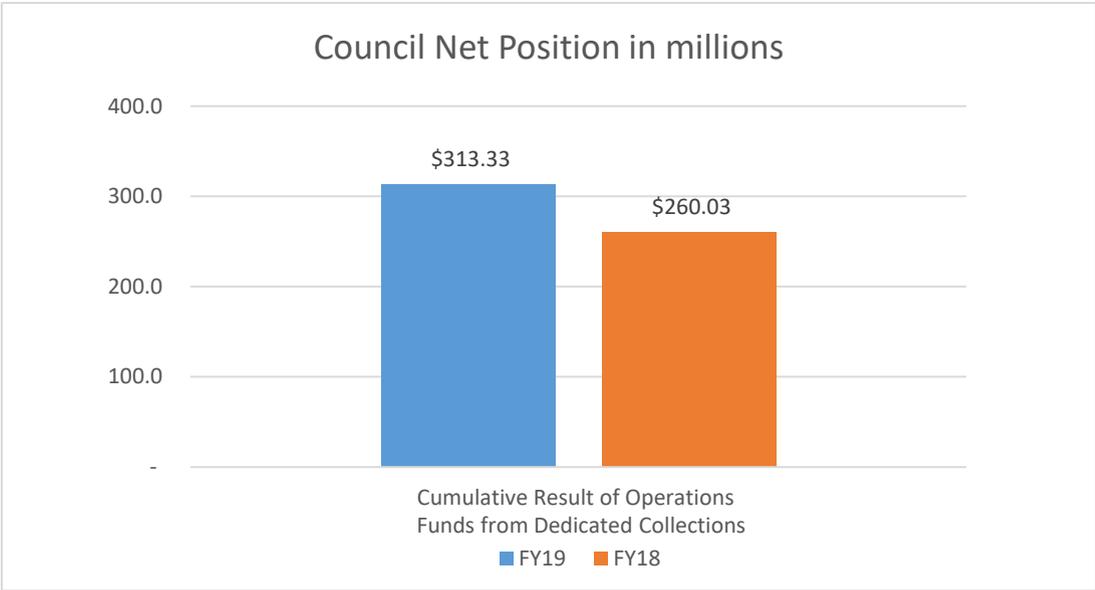
Table 13: Net Position

Net Position	FY 2019	FY 2018	Increase/(Decrease)	% Change
Cumulative Results of Operations -Funds from Dedicated Collections	\$313,331,617	\$260,029,118	\$53,302,499	20.50%
Net Position	\$313,331,617	\$260,029,118	\$53,302,499	20.50%

As of September 30, 2019, the Council's Net Position was \$313,331,617, an increase of \$53,302,499 or 21%, from fiscal year 2018. The Cumulative Results of Operations is the net difference between expenses and financing sources since the inception of Council activities, including apportionments, reimbursed and non-reimbursed revenues, expenses and imputed costs of employee benefits for life insurance and retirement. The increase in Net Position is due to the increase in financing sources, e.g., apportionments from the Trust Fund for the first two FPLs and SEP projects. In fiscal year 2019 funding was requested for anticipated new activity in the Spill Impact Component after the approval of the final three SEPS. However, project development and application, review and approval timelines coupled with long project completion or implementation timelines has resulted in large unobligated or unexpended balances, thus generating a significant increase in Net Position.

Comparative Net Position by the Council is displayed in chart 10.

Chart 10: Council Net Position (in millions)



Net Cost

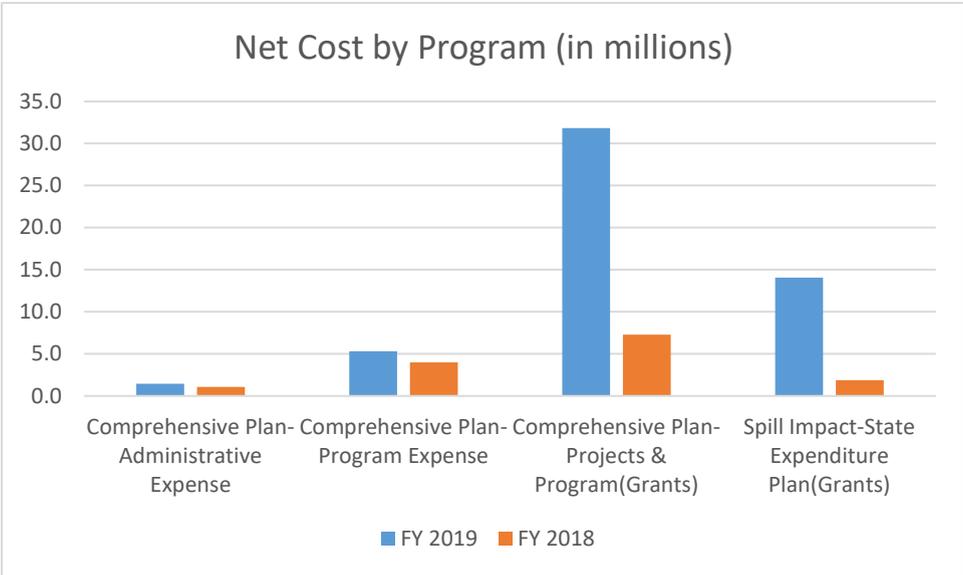
Council net costs assigned to programs for fiscal years 2019 and 2018, respectively are shown in the table and chart below.

Table 14: Net Cost

Council Net Cost	FY 2019	FY 2018	Increase/ (Decrease)	% Change
Comprehensive Plan-Administrative Expense	\$ 1,451,259	\$ 1,087,320	\$ 363,939	33%
Comprehensive Plan-Program Expense	5,328,530	3,971,684	1,356,846	34%
Comprehensive Plan-Projects & Program(Grants)	31,822,483	7,281,852	24,540,631	337%
Spill Impact-State Expenditure Plan(Grants)	14,067,879	1,851,377	12,216,502	660%
Net Cost	\$ 52,670,151	\$ 14,192,233	\$ 38,477,918	271%

The table above and the chart below present the expenses incurred for the Comprehensive Plan Administrative, Programmatic Expense, Projects and Programs, and Spill Impact Programs. Expenses are recorded as grants and IAAs are liquidated or accruals posted. As of September 30, 2019, the Council Net Costs were \$52,670,151, an increase of \$38,477,918 million, or 271% from fiscal year 2018. The increases for the Comprehensive Plan-Projects & Program(Grants) and Spill Impact-State Expenditure Plan(Grants) reflect the increase in grant and IAA awards and associated expenses.

Chart 11: Net Cost by Program in millions



Budgetary Resources Analysis

Budgetary Resources for the Council for fiscal year 2019 and fiscal year 2018 are shown on table 15.

Table 15: Budgetary Resources

The Council Budgetary Resources	FY 2019	FY 2018	Increase/ (Decrease)	% Change
Unobligated Balance Brought Forward, Oct 1	\$ 85,943,626	\$120,654,029	\$(34,710,403)	-29%
Recoveries of Prior Year Unpaid Obligations	6,801	389,778	\$(382,977)	-99%
Other Change in unobligated balance	613	431	182	42%
New Spending Authority (from offsetting collections, e.g. the Trust Fund)	105,819,392	58,933,688	46,885,704	80%
Total Budgetary Resources	191,770,432	179,977,926	11,792,506	6%
Obligations Incurred	57,773,585	94,034,301	\$(36,260,716)	-39%
Unobligated Balance End of Year - Apportioned	132,529,147	85,565,240	46,963,907	55%
Unobligated Balance End of Year - Unapportioned	1,467,700	378,386	1,089,314	288%
End of Year Status of Budgetary Resources	\$ 191,770,432	\$ 179,977,927	\$ 11,792,505	6%

At September 30, 2019, the Council budget and status of resources were \$191,770,432, a net increase of over \$11 million, or 6%, over fiscal year 2018. The increase is primarily attributable to the Council's apportionment for new spending authority for the Spill Impact Component program. However, since many of the grants to fund projects under the Spill Impact Component have not yet been applied for or approved, obligations incurred have not yet exhausted the new spending authority, and a number of projects for which funding was requested in prior years are still pending. The Unobligated Balance at End of Year Unapportioned represents carry-forward funding from fiscal year 2018 that was not reapportioned in fiscal year 2019.

Forward-Looking Information

In the 2015 Initial FPL, the Council focused in part on key watersheds/estuaries to concentrate its resources for greatest effectiveness. The 2016 Comprehensive Plan Update committed the Council to a watershed/estuary approach built using a collaborative approach and funded by the Commitment and Planning Support FPL. Building on this concept, the Council is using a Planning Framework to help develop and select activities for funding in FPL 3 and subsequent FPLs. Planning Frameworks are intended to support long-term desired outcomes for certain important areas and resources, thereby maximizing the effectiveness of Council investments while providing cohesion and consistency across FPLs. Planning Frameworks will also provide increased transparency and predictability for the public and our restoration funding partners. .

Summary Financial Condition

The changes reflected in the financial statements are a reasonable and accurate reflection of the Council's implementation of its programs and administrative infrastructure. The Council's financial condition as of September 30, 2019 is sound, and the Council has sufficient processes in place to ensure its budget authority is not exceeded and funds are utilized efficiently and effectively.

The Council has completed an enterprise-wide risk assessment and implemented a robust risk management program in accordance with OMB Circular A-123. The Council has documented and maintained effective internal control policies and procedures in place to ensure the Council is exercising sound fiduciary management of the Trust Funds for which it is responsible. The Office of Inspector General Audits for DATA Act Compliance and Quality have shown that the Council has met DATA Act requirements for completeness, accuracy and timeliness and is of higher quality.



The Council's accounting services provider, the U.S. Department of the Treasury Administrative Resource Center (ARC) in the Bureau of the Fiscal Service (Fiscal Service), prepared the Council's financial statements as required by the Accountability of Tax Dollars Act of 2002 and pursuant to the requirements of 31 U.S.C. § 3515(b). They have been prepared from, and are fully supported by, the books and records of the Council in accordance with Generally Accepted Accounting Principles (GAAP) recognized in the U.S., the standards of the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, Financial Reporting Requirements.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, changes in net position and budgetary resources of the Council, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements have been prepared from the books and records of the Council in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are, in addition to the financial reports, used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding they are those of an independent agency of the U.S. Government. The financial statements, footnotes, and the remainder of the required supplementary information appear in their entirety in the section "Financial Statements."

Financial Performance Measure Summary

The Council does not have an in-house financial accounting system and does not receive a Performance Measure Summary from the Treasury. The Council acquires travel, procurement, accounting, and financial services from the Treasury ARC. The Council verifies and reconciles all financial statements and reports prior to submission and has remained in compliance with all reporting thresholds.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

This section provides information on the Council's adherence with the objectives of the Federal Managers' Financial Integrity Act (FMFIA). FMFIA requires that CFO Act agencies establish controls to provide reasonable assurance that obligations and costs comply with applicable law; assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to

maintain accountability over the assets. It requires the agency head to provide an assurance statement of the adequacy of management controls and conformance of financial systems with government standards. The Council has provided its annual assurance statement, signed by the Executive Director, on the following page.

COUNCIL'S FMFIA STATEMENT OF ASSURANCE

November 19, 2019

The Council is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA).

The Council utilizes the services of the Department of Treasury Fiscal Services financial management system, Oracle Federal Financials. Annual examinations of their system indicate that the system complies with federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level.

The Council has established internal controls over its agreements, disbursements, and end-user controls, and relies on the controls over accounting, procurement and general computer operations that ARC has in place. The Council obtained the ARC 2019 Statement on Standards for Attestation Engagements (SSAE) Number 18, *Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting* report and reviewed it to assist in assessing the internal controls over the Council's financial reporting. After a thorough review of the results, the Council did not discover any significant issues or deviations in its financial reporting during fiscal year 2019.

The information presented on the Council's Statement of Budgetary Resources is reconcilable to the information submitted on the Council's year-end Report on Budget Execution and Budgetary Resources (SF 133). This information will be used as input for the fiscal 2018 actual column of the Program and Financing Schedules reported in the fiscal year 2020 Budget of the U. S. Government. Such information is supported by the related financial records and related data.

In fiscal year 2019, the Council continued to develop its comprehensive Federal Information Security Modernization Act (FISMA) program for its information systems. This program included the implementation of a defined Risk Management Framework that implements National Institute of Standards and Technology (NIST) defined security controls and requirement for periodic audits. This has resulted in the Council's ability to manage organizational risk and maintain an effective information security program.

For fiscal year 2019, the Council provides unqualified assurance that the objectives of Section 2 and Section 4 of FMFIA have been achieved. The Council is responsible for establishing and maintaining effective internal control over financial reporting and provides assurance that internal control over financial reporting as of June 30, 2019 was operating effectively.

The Council has implemented a process of continuous improvement of the controls and documentation for its financial and grants management and continues to develop its risk management program to be in compliance with the requirements and deadlines of OMB Circular A-123.

"/s/" original signed

Ben Scaggs

Executive Director

Gulf Coast Ecosystem Restoration Council

FINANCIAL SECTION

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

November 19, 2019

I am pleased to present our financial statements for fiscal year 2019. This report demonstrates our commitment to fulfill our fiduciary responsibilities to our constituents in the Gulf Coast region and to the American public. The audit report dated November 15, 2019, resulted in an unmodified (or “clean”) opinion.

In fiscal year 2019, the Council sustained an effective Information Assurance (IA) program as required by the Federal Information Security Modernization Act (FISMA). The Council's IA program uses the National Institute of Standards and Technology (NIST) Risk Management Framework (RMF); which is an effective methodology for managing IA risk to ensure FISMA compliance. The Council implemented NIST RMF security controls and performed periodic testing to validate the selected controls effectiveness. This action resulted in the Council having an effective Information Assurance (IA) program and indicates that the Council is managing IA risk to acceptable levels.

Internal control has been and continues to be a major consideration in the development and continued refinement of the Council's policies and procedures and automated systems. Administrative, finance, accounting, grants and interagency agreement policies and procedures have been developed and documented and continue to be refined as staff gains experience. Post-award grants management and oversight procedures have been developed to mitigate the risk of improper payments and address risks identified in the enterprise-wide risk assessment while also gathering information that will enhance the Council's ability to forecast cash requirements and manage the awards to ensure positive outcomes.

These financial statements fairly present our financial position, net cost, changes in net position, and budgetary resources and were prepared in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB.

“/s/” Original signed

Mary C Pleffner

Chief Financial Officer and Director of Assistance



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

The Honorable Andrew Wheeler
Administrator, Environmental Protection Agency
Chairperson, Gulf Coast Ecosystem Restoration Council
1200 Pennsylvania Ave, NW
Washington, DC 20004

Dear Chairperson Wheeler:

Under a contract monitored by our office, RMA Associates, LLC (RMA), an independent certified public accounting firm, audited the financial statements of the Gulf Coast Ecosystem Restoration Council (Council) as of September 30, 2019 and 2018, and for the years then ended, provided a report on internal control over financial reporting, and a report on compliance with laws, regulations, contracts, and grant agreements tested. The contract required that the audit be performed in accordance with government auditing standards and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*.

The audit of the Gulf Coast Ecosystem Restoration Council's financial statements is required by the Chief Financial Officer's Act, as amended by the Accountability of Tax Dollars Act of 2002. This audit was performed as part of our authority under Section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012.

In its audit of the Council, RMA found:

- the financial statements were fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested.

In connection with the contract, we reviewed RMA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express an opinion on the Council's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. RMA is responsible for the attached auditors' report dated November 15, 2019, and the conclusions expressed in the report. However, our review disclosed no instances where RMA did not comply, in all material respects, with U.S. generally accepted government auditing standards and OMB Bulletin No. 19-03.

I appreciate the courtesy and cooperation extended to RMA and my staff during the audit. If you wish to discuss this report, please contact me at (202) 622-1090, or a member of your staff may contact Deborah Harker, Assistant Inspector General for Audit, at (202) 927-5400.

Sincerely,

Richard K. Delmar
Acting Inspector General, Department of the Treasury

Enclosure
cc: Ben Scaggs, Executive Director

Independent Auditors' Report

Acting Inspector General
Department of the Treasury

Administrator, Environmental Protection Agency and
Chairperson, Gulf Coast Ecosystem Restoration Council

Report on the Financial Statements

We have audited the accompanying financial statements of the Gulf Coast Ecosystem Restoration Council (Council) which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements" or "basic financial statements"), for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence over the account balances and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The *Message from the Executive Director* and the *Other Information* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and certain provisions of other laws and regulations specified in OMB Bulletin No. 19-03, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the Council's internal control or on compliance. The section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 15, 2019

GULF COAST ECOSYSTEM RESTORATION COUNCIL

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

**GULF COAST ECOSYSTEM RESTORATION COUNCIL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

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GULF COAST ECOSYSTEM RESTORATION COUNCIL
BALANCE SHEET
AS OF SEPTEMBER 30, 2019, AND 2018
(In Dollars)

	2019	2018
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 3)	\$ 89,852,937	\$ 66,878,541
Expenditure Transfers Receivable (Note 4)	245,172,698	197,849,306
Total Intragovernmental	335,025,635	264,727,847
Property, Equipment, and Software, Net (Note 5)	271,700	429,674
Total Assets	\$ 335,297,335	\$ 265,157,521
Stewardship PP&E	-	-
Liabilities:		
Intragovernmental		
Accounts Payable (Note 6)	\$ 392,991	\$ 231,531
Grants Payable (Note 8)	5,567,383	3,254,929
Employer Contribution On Payroll Taxes Payable (Note 6)	30,377	23,270
Total Intragovernmental	5,990,751	3,509,730
With the Public		
Accounts Payable	\$ 72,920	\$ 17,651
Grants Payable (Note 8)	15,373,766	1,153,238
Other Liabilities (Note 7)	528,281	447,784
Total Liabilities With the Public	15,974,967	1,618,673
Total Liabilities	\$ 21,965,718	\$ 5,128,403
Commitments and Contingencies		
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections	313,331,617	260,029,118
Total Net Position	\$ 313,331,617	\$ 260,029,118
Total Liabilities and Net Position	\$ 335,297,335	\$ 265,157,521

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Dollars)

	2019	2018
Program Costs:		
Council-Selected Restoration - Administrative Expenses:		
Gross Costs	\$ 1,451,259	\$ 1,087,320
Less: Earned Revenue	-	-
Net Council-Selected Restoration - Administration Expenses	\$ 1,451,259	\$ 1,087,320
Council-Selected Restoration- Programmatic Expense:		
Gross Costs	\$ 5,366,030	\$ 4,009,184
Less: Earned Revenue	37,500	37,500
Net Council-Selected Restoration Programmatic Expenses	\$ 5,328,530	\$ 3,971,684
Council-Selected Restoration Projects and Programs (grants)		
Gross Costs	\$ 31,822,483	\$ 7,281,852
Less: Earned Revenue	-	-
Net Council Selected Restoration Projects and Programs (grants)	31,822,483	7,281,852
Total Net Council-Selected Restoration Program and Grant Costs	\$ 37,151,013	\$ 11,253,536
Spill Impact - State Expenditure Plan (grants)		
Gross Costs	\$ 14,067,879	\$ 1,851,377
Less: Earned Revenue	-	-
Net Spill Impact Costs (grants)	\$ 14,067,879	\$ 1,851,377
Net Cost of Operations (Note 9)	\$ 52,670,151	\$ 14,192,233

**GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

(In Dollars)

	2019	2018
Cumulative Results of Operations:		
Beginning Balances	\$ 260,029,118	\$ 215,206,706
Adjustments	-	-
Beginning Balances, as Adjusted	260,029,118	215,206,706
Budgetary Financing Sources:		
Transfers In/Out Without Reimbursement	105,789,392	58,873,688
Other	-	-
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	183,259	140,957
Other	-	-
Total Financing Sources	105,972,651	59,014,645
Net Cost of Operations	(52,670,151)	(14,192,233)
Net Change	53,302,500	44,822,412
Cumulative Results of Operations	\$ 313,331,618	\$ 260,029,118
Net Position	\$ 313,331,618	\$ 260,029,118

**GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF BUDGETARY RESOURCES**

**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Dollars)**

	2019	2018
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 85,943,626	\$ 120,654,029
Adjustment to Unobligated Balance Brought Forward, October 1	-	-
Unobligated Balance Brought Forward, October 1, as adjusted	85,943,626	120,654,029
Recoveries of Prior Year Unpaid Obligations	6,801	389,778
Other changes in unobligated balance	613	431
Unobligated balance from prior year budget authority, net	85,951,040	121,044,238
Spending authority from offsetting collections	105,819,392	58,933,688
Total Budgetary Resources	\$ 191,770,432	\$ 179,977,926
Status of Budgetary Resources:		
Obligations Incurred	\$ 57,773,585	\$ 94,034,301
Unobligated balance, end of year:		
Apportioned	132,529,147	85,565,240
Unapportioned	1,467,700	378,386
Total unobligated balance, end of year	133,996,847	85,943,626
Total Budgetary Resources	\$ 191,770,432	\$ 179,977,927
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 178,784,221	\$ 106,625,550
Obligations Incurred	57,773,585	94,034,301
Outlays (gross)	(35,522,216)	(21,485,852)
Recoveries of Prior Year Unpaid	(6,801)	(389,778)
Unpaid obligations, end of year	201,028,789	178,784,221
Uncollected payments:		
Uncollected payments from Federal sources, brought forward, October 1	(197,849,306)	(196,525,619)
Change in uncollected payments from Federal Sources	(47,323,392)	(1,323,688)
Uncollected payments from Federal sources, end of year	(245,172,698)	(197,849,307)
Memorandum entries:		
Obligated balance, start of year	\$ (19,065,085)	\$ (89,900,068)
Obligated balance, start of year, as adjusted	(19,065,085)	(89,900,068)
Obligated balance, end of year	\$ (44,143,910)	\$ (19,065,085)
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 105,819,392	\$ 58,933,688
Actual offsetting collections	(58,496,613)	(57,610,431)
Change in uncollected payments from Federal sources	(47,323,392)	(1,323,688)
Recoveries of prior year paid obligations	613	431
Budget Authority, net, (total)	-	-
Outlays, gross	\$ 35,522,216	\$ 21,485,852
Actual offsetting collections	(58,496,613)	(57,610,431)
Outlays, net, (total)	(22,974,397)	(36,124,579)
Agency outlays, net	\$ (22,974,397)	\$ (36,124,579)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY

A. Reporting Entity

The Gulf Coast Ecosystem Restoration Council (Council) was established under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) (Title I, Subtitle F of PL 112-141) and section 311 of the Federal Water Pollution Control Act (FWPCA) (33 U.S.C. 1321). The Council is comprised of governors from the five affected Gulf States (Alabama, Florida, Louisiana, Mississippi and Texas), the Secretaries from the U.S. Departments of the Interior, Commerce, Agriculture, and Homeland Security, as well as the Secretary of the Army and the Administrator of the U.S. Environmental Protection Agency.

The Council reporting entity is comprised of a General Fund and General Miscellaneous Receipts. The Council is a party to interagency transfers with the Gulf Coast Restoration Trust Fund (Trust Fund). The interagency transfers are processed through the Intra-Governmental Payment and Collection (IPAC) System.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

The financial statements have been prepared to report the financial position net costs, changes in net position and budgetary resources of the Council. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results. The Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Council in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the Council accounting policies which are summarized in this note.

These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Council's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

B. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Council's funds with Treasury in expenditure, receipt, and deposit fund accounts. Funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The Council does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

C. Expenditure Transfers Receivable

An Expenditure Transfers Receivable is established when an apportionment is approved by OMB and funds can be drawn from the Trust Fund. However, funds are left in the Trust Fund until needed for cash disbursements so that these monies can continue to be invested and earn interest.

D. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives.

The Council's capitalization threshold for general property and equipment is \$50,000. For leasehold improvements and software, the capitalization threshold is \$50,000.

Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Software	5
Equipment	5

E. Liabilities

Liabilities represent the amount of funds likely to be paid by the Council as a result of transactions or events that have already occurred.

The Council reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another Federal agency. Liabilities with the Public represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

F. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

G. Funds from Dedicated Collections

The RESTORE Act established in the Treasury of the United States a trust fund known as the Gulf Coast Restoration Trust Fund, which consists of deposits equal to 80% of all administrative and civil penalties paid by responsible parties in connection with the explosion on and sinking of the mobile offshore drilling unit Deepwater Horizon.

Pursuant to P.L. 112-141 Sec 1601-1608 (the RESTORE Act), 30% of administrative and civil penalty deposits in the Gulf Coast Restoration Trust Fund (020X8625) and 50% of interest revenue

collections from the amount in the Gulf Coast Restoration Trust Fund, available until expended, are transferred to the Gulf Coast Ecosystem Restoration Council.

H. Imputed Costs

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The Council received support from Council Members primarily through non-reimbursable details and support services. The Council recognized imputed costs and financing sources in fiscal years 2019 and 2018 to the extent directed by accounting standards.

NOTE 3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2019 and 2018 were as follows:

FUND BALANCE WITH TREASURY (CASH)		
ACCOUNT BALANCES		
	2019	2018
Fund Balances (General Fund):		
Council-Selected Restoration - Administration Costs	\$1,223,131	\$ 490,572
Council-Selected Restoration – Program Costs		
Programmatic Expense	2,625,296	1,042,078
Projects and Programs (grants)	53,328,131	49,335,747
Spill Impact Program (grants)	32,676,379	16,010,143
Total	\$89,852,937	\$ 66,878,541

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

STATUS OF FUND BALANCE WITH TREASURY		
	2019	2018
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$132,529,147	\$ 85,565,240
Unavailable	1,467,700	378,386
Obligated Balance Not Yet Distributed	201,028,788	178,784,221
Uncollected Payments from Federal Sources, End of Year	(245,172,698)	(197,849,306)
Total	\$89,852,937	\$ 66,878,541

The available unobligated fund balances represent the current-period amount available for obligation or commitment. Since the Council has no-year funds, at the start of the next fiscal year, this amount, along with recoveries not yet apportioned will be reapportioned.

The unavailable unobligated fund balances represent the amount of appropriations which have been recovered from prior year obligations. These balances are available for reapportionment.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 4. EXPENDITURE TRANSFERS RECEIVABLE

Expenditure Transfers Receivable represents the balance of funds from the Trust Fund due to the Council from the apportionments approved by OMB.

EXPENDITURE TRANSFERS RECEIVABLE		
	2019	2018
Funds Apportioned	\$105,819,392	\$ 58,873,688
Funds Received	(58,496,000)	(57,550,000)
Prior Year Receivable Carry Forward	197,849,306	196,525,618
Balance Expenditure Transfers Receivable	\$245,172,698	\$ 197,849,306

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2019 and 2018.

MAJOR CLASS		
Internal Use Software	2019	2018
Acquisition Cost	\$789,868	\$ 789,868
Accumulated Depreciation	(518,168)	(360,194)
Net Book Value	\$271,700	\$ 429,674

NOTE 6. INTRAGOVERNMENTAL LIABILITIES – ACCOUNTS PAYABLE

The Balance in Accounts Payable account consists of a number of interagency agreements for services from other federal agencies received but not yet billed. The table below provides additional detail.

INTRAGOVERNMENTAL LIABILITIES - ACCOUNTS PAYABLE AND PAYROLL TAXES		
	2019	2018
United States Department of Agriculture	\$357	\$ 357
United States Coast Guard	7,276	-
United States Department of Commerce	32,453	32,453
United States Department of Interior	70,000	-
Environmental Protection Agency	14,396	-
Program Support Center	60,253	-
United States Department of Geological Survey	94,997	131,413
The National Protection and Programs Directorate	384	-
National Oceanic and Atmospheric Administration	-	2,071
Office of Inspector General	44,836	41,735
Treasury Franchise Fund	983	1,003
Bureau of Indian Affairs	-	22,500
Payroll OPM	23,501	17,938
Payroll FICA	5,321	5,331
Total Intragovernmental Liabilities	\$354,757	\$ 254,801

NOTE 7. OTHER LIABILITIES

Other Liabilities as of September 30, 2019 and 2018 were as follows:

OTHER LIABILITIES		
	2019	2018
Other Liabilities		
Accrued Payroll and Leave	\$523,192	\$443,754
Employer Taxes Payable	5,089	4,030
Total Other Liabilities	\$528,281	\$ 447,784

NOTE 8. GRANTS PAYABLE

Grants Payable as of September 30, 2019 and 2018 was as follows:

GRANTS PAYABLE		
	2019	2018
Intragovernmental Grants Payable	\$5,567,383	\$ 3,254,929
Grants Payable With the Public	15,373,766	1,153,238
Total Grants Payable	\$20,941,149	\$ 4,408,167

NOTE 9. INTRAGOVERNMENTAL COST

Intragovernmental costs represent exchange transactions between the Council and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs are summarized as follows:

INTRAGOVERNMENTAL COSTS		
	2019	2018
Intragovernmental Costs	\$24,736,471	\$ 1,586,938
Public Costs	27,971,180	12,642,795
Total Costs	52,707,651	14,229,733
Total Intragovernmental Earned Revenue	(37,500)	(37,500)
Total Net Cost	\$52,670,151	\$ 14,192,233

NOTE 10. IMPUTED COSTS

The Council received support totaling \$183,258 in fiscal year 2019 and \$140,957 in fiscal year 2018. The table that follows identifies the level of support provided by agency/organization.

IMPUTED COSTS		
	2019	2018
Office of Personnel Management	\$183,258	\$ 140,957
Total	\$183,258	\$ 140,957

NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The 2019 Budget of the United States Government, with the "Actual" column completed for 2018 has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the periods ended September 30, 2019 and 2018, budgetary resources obligated for undelivered orders amounted to \$5,399,752 and \$79,874,306, respectively.

NOTE 13. RECONCILIATION OF NET COST AND BUDGET OUTLAYS

The Council has reconciled its budgetary outlays to its net cost of operations.

RECONCILIATION OF NET COST AND BUDGET OUTLAYS			
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC):	\$10,968,016	\$41,702,135	\$52,670,151
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Software, Net	-	(157,974)	(157,974)
Increase/(decrease) in assets:			
Accounts receivable	47,323,392	-	47,323,392
(Increase)/decrease in liabilities:			
Accounts payable	(161,460)	(55,271)	(216,731)
Salaries and benefits	(7,107)	(80,496)	(87,603)
Other liabilities	(2,312,454)	(14,220,528)	(16,532,982)
Other financing sources:			
Federal employee retirement benefit costs	(183,258)	-	(183,258)
Transfers out (in) without reimbursement	(105,789,392)	-	(105,789,392)
Other imputed finance	-	-	-
Total Components of Net Operating Cost Not Part of the Budget Outlays	(61,130,279)	(14,514,269)	(75,644,548)
Total Components of the Budget Outlays Not Part of Net Operating Cost	-	-	-
Net Outlays			\$(22,974,397)

NOTE 14. LEASES

The Council entered into an operating lease for 1,883 usable (2,399 rentable) square feet of office space with GSA in September 2014 in the Hale Boggs Federal Building/Courthouse in New Orleans. The Council entered their sixth year of occupancy effective October 1, 2019. The Council may relinquish space upon four months' notice. Thus, the Council's financial obligation will be reduced to four months of rent.

OTHER INFORMATION (UNAUDITED)

SCHEDULE OF SPENDING AND EXPLANATORY NOTES

GULF COAST ECOSYSTEM RESTORATION COUNCIL SCHEDULE OF SPENDING FOR THE YEARS ENDED SEPTEMBER 30, 2019 & 2018 (In Dollars)		
	2019	2018
What Money is Available to Spend?		
Total Resources	\$ 191,770,432	\$ 179,977,927
Less Amount Not Agreed to be Spent	(132,529,147)	(85,565,240)
Less Amount Not Available to be Spent	(1,467,700)	(378,386)
Total Amounts Agreed to be Spent	\$ 57,773,585	94,034,301
How was the Money Spent?		
Personnel Compensation	\$ 2,700,009	\$ 2,310,106
Personnel Benefits	812,525	687,546
Travel and transportation of persons	280,289	209,542
Transportation of things	3,673	1,189
Rent, Communications, and Utilities	10,517	5,859
Printing and reproduction	-	20,385
Other contractual services	2,782,829	2,183,629
Supplies and materials	11,473	6,879
Equipment	19,339	21,978
Grants, subsidies and contributions	51,152,931	88,587,188
Total Amounts Agreed to be Spent	\$ 57,773,585	\$ 94,034,301
Who did the Money go to?		
Federal	\$ 15,586,266	\$ 21,031,861
Non-Federal	42,187,319	73,002,440
Total Amounts Agreed to be Spent	\$ 57,773,585	\$ 94,034,301

In fiscal year 2018, the Council received a total of \$57,550,000 in funds from the Gulf Coast Restoration Trust Fund. Funds were disbursed to pay for salaries and benefits, travel, rent, communications, training, IT and office equipment, and services for human resources, security, website and grant system hosting and services, accounting, and auditing.

In fiscal year 2019, the Council received a total of \$105,819,392 in new authority, carried forward \$85,943,626 from fiscal year 2018, and obligated \$57,773,585 in total. This Funding covered salary and benefits costs for 23 Full-Time Equivalents (FTE). IAA's for accounting, procurement, travel, legal, audit, payroll, building security, website hosting and GIS support services, grant system

hosting and support services, were entered into with ARC, the Department of Commerce, Department of the Treasury Office of Inspector General, the USDA National Finance Center, Department of Homeland Security Immigration and Citizenship Service, Department of the Interior US Geological Service, and the Department of Commerce National Technical Information Services, respectively comprise “other contractual services.” Rent, communications and utilities costs included a lease for office space and cell phone equipment and service. Equipment consisted of RAAMS Grant Management Software and office and IT equipment. The Council has no revenue forgone and does not collect taxes.

MANAGEMENT CHALLENGES AND RESPONSE

The Treasury Inspector General (IG) has oversight responsibility over the Council. The 2019 Management and Performance Challenges (OIG-CA-20-001) Report and the Council’s response are as follows.



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 1, 2019

The Honorable Andrew Wheeler
Administrator, Environmental Protection Agency
Chairperson, Gulf Coast Ecosystem Restoration Council
1200 Pennsylvania Ave, NW
Washington, DC 20004

Re: 2020 Management and Performance Challenges (OIG-CA-20-001)

Dear Chairperson Wheeler:

As required by the Reports Consolidation Act of 2000, I am providing you, as Chairperson for the Gulf Coast Ecosystem Restoration Council (Council), my office's annual perspective of the most serious management and performance challenges facing the Council. In assessing these challenges, we remain mindful that the Council is still a relatively small entity with many responsibilities under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). This year, we continue to report the following two challenges noted from the prior year:

- Federal Statutory and Regulatory Compliance (repeat challenge)
- Grant and Interagency Agreement Compliance Monitoring (repeat challenge)

Although challenges still exist, I would like to acknowledge some noteworthy accomplishments in fiscal year 2019. This includes the Council's completion of a "Data Quality Plan" required by the Office of Management and Budget (OMB) in memorandum M-18-16, *Management of Reporting and Data Integrity Risk*. As reported in our prior year's letter, OMB required that Federal agencies develop and maintain a "Data Quality Plan" that considers the incremental risks to data quality in federal spending, and any controls that would manage such risks. I also want to commend the Council on the outcome of its second evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA).¹ With noted improvement, the Council's information systems security program and practices were assessed as effective for the period July 1, 2017 through June 30, 2018. For the fifth year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.²

¹ Public Law 113-283 (December 18, 2014).

² OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements/or Fiscal Years 20/8 and 20/7*, (OIG-19-017; November 15, 2018).

In last year's challenge letter, my office reported concerns related to the Council's need to implement a new grants management system as it was losing software vendor support for the Restoration Assistance and Award Management System (RAAMS). As of this writing, a new grants management system has not been deployed. The uncertainty of a fully operational grants management system poses risk to the Council's ongoing achievements made in the areas of Federal statutory and regulatory compliance and grant and interagency agreement compliance monitoring, which we continue to report as ongoing challenges in fiscal year 2020.

Challenge 1: Federal Statutory and Regulatory Compliance

Council must ensure that activities and projects funded by the RESTORE Act meet all environmental laws and regulations at the Federal and State level, and also ensure its compliance with applicable laws and regulations as a Federal entity. With the uncertainty of a successful transition from RAAMS to a new grants management solution, the Council's ability to comply with new as well as existing Federal requirements may be in question.

In fiscal year 2018, Council management selected Health and Human Services' (HHS) Grant Solutions to replace RAAMS. As a result of HHS' fit-gap analysis,³ Council management determined that it needed another component to capture scientific and project management program data. The result is a two-part software replacement that is expected to be deployed simultaneously in early fiscal year 2020. Council plans to move grant award and compliance data to Grant Solutions and house the scientific programmatic data in a new system called the Program Information Platform for Ecosystem Restoration (PIPER) being developed by the United States Geological Survey. A multi-system transition such as this may impact the workloads of existing staff who will have additional post deployment duties to ensure that the transfer of grant and programmatic data from RAAMS is accurate and timely. In addition to accurately transferring information from the single RAAMS database to two new independent systems, both staff and award recipients will also need to be trained in their respective new applications.

A successful transition to Grant Solutions and PIPER is critical to the Council's continued compliance with FISMA, the Digital Accountability and Transparency Act of 2014 (DATA Act), the recently enacted *Foundations/or Evidence-Based Policymaking Act of 2018*⁴ (Evidence Act), and future improper payment reporting required by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA).

DATA Act

DATA Act implementation is an ongoing government-wide initiative. Agencies must report spending data for publication on USA spending.gov on a recurring schedule. Our first audit of data quality found that the Council's management controls over its fiscal year 2017, second quarter DATA Act submission, reconciliation, and certification process were reasonably designed, implemented and operating effectively. That said, some of the Council's data was not complete, timely, accurate, or of quality resulting from the Bureau of the Fiscal Service's

³ Fit-gap analysis is the process of identifying how well a service or software solution fits an organization's requirements.

⁴ Public Law 115-435; (January 14, 2019).

Administrative Resource Center's (ARC) submission of information to the DATA Act Broker⁵ for publication on Beta.USAspending.gov.⁶ As of this writing, we are concluding our second audit of the Council's data quality related to its fiscal year 2019, first quarter financial and award data. This audit will include review of corrective actions to address ARC's submission errors.

Beginning in fiscal year 2019, OMB Memorandum M-18-16, *Management of Reporting and Data Integrity Risk* requires that agencies' Senior Accountable Officials (SAO) must consider the newly developed "Data Quality Plan" and the documented internal control contained therein when certifying quarterly data and preparing its annual assurance statement required by the *Federal Managers Financial Integrity Act of 1982*.⁷ The SAO's consideration of its "Data Quality Plan" is required through fiscal year 2021 at a minimum, or until the SAO determines that it can provide reasonable assurance over the data controls that ensure the quality of data submitted in accordance with the DATA Act. While we acknowledge that the Council's SAO developed a "Data Quality Plan," the SAO will have to identify risks associated with the transition of data from RAAMS to Grant Solutions and PIPER and update its plan to mitigate such risks.

The successful transition of data from RAAMS to Grants Solutions and PIPER is critical to the Council achieving the data quality reporting goal of the DATA Act.

EVIDENCE ACT

Over the past fiscal year, the Council was required to begin implementing government-wide reforms for making data accessible and useful for decision-making as mandated by the Evidence Act. Among several requirements, Federal agencies must submit annually to Congress and OMB, an evidence-building plan for identifying and addressing policy questions relevant to programs, policies, and regulations. Under Title II, the *Open, Public, Electronic, and Necessary Government Data Act* or the "OPEN Government Data Act," Federal agencies must develop a strategic information resources management plan that includes, among other things, an open data plan that requires agencies to develop processes and procedures making data collection mechanisms created on or after enactment to be available in an open format. The strategic information resources management plan and open data plan must be updated annually and made publicly available on the agency website. Federal agencies must also develop and maintain a data inventory to be included in the Federal Data Catalogue⁸ (www.Data.gov) developed and maintained by the General Services Administration.

⁵ The Broker is an information system that collects, maps, transforms, validates, and submits agency financial and award data into a format consistent with the DATA Act Information Model Schema.

⁶ OIG, *DATA Act: Council Met Reporting Requirements Under the DATA Act Despite Challenges*, (OIG-18-008; November 2, 2017).

⁷ Public Law 97-255 (September 8, 1982).

⁸ A single public interface on-line as a point of entry for sharing data assets with the public.

Given that Evidence Act implementation is expected to be an ongoing effort requiring coordination, OMB plans to provide iterative guidance in phases. "Phase I" includes, among other things, designating personnel for new positions and developing an open data plan⁹ to assess activities pursuant to a Federal agencies' respective evidence-based plans. Among the initial "Phase I" requirements is the designation of a Chief Data Officer who will participate in an Evidence Act orientation hosted by OMB and must serve on the newly created Chief Data Officer Council.¹⁰

Given the data-centric aspects of the Evidence Act, it will be incumbent upon the Council to ensure the integrity of its grant and programmatic data in transitioning to Grant Solutions and PIPER.

IPERIA

IPERIA requires the head of the agency or Federal entity to periodically review all programs and activities that are administered and identify all programs and activities that may be susceptible to significant improper payments. For fiscal year 2018, my office determined that the Council was compliant with all applicable requirements set forth in Part IV-A.3 of Appendix C to OMB Circular No. A-123, *Requirements for Payment Integrity Improvement* (OMB M-18-20). That said, the Council's total program and activity expenditures were less than OMB's threshold for reporting significant improper payments." We expect that in the upcoming year(s) as grant activity increases, the Council will meet OMB's threshold and screening for improper payments will become more critical. As such, we consider the transition of award data from RAAMS to Grant Solutions as a more immediate risk to meeting improper payment reporting requirements in fiscal year 2020.

While the Council met its Federal statutory and regulatory compliance requirements in fiscal year 2019, there is inherent uncertainty when developing and/or transitioning to new information technology systems. In addition to ensuring a timely transition, the quality and accuracy of award and scientific programmatic data needs to be maintained. This is critical with the growing demand for Federal agencies and entities to make their data as accurate and transparent as possible. Within this small agency it may be difficult to meet the growing list of data management requirements.

Challenge 2: Grant and Interagency Agreement Compliance Monitoring

Until the successful transition of award data from RAAMS to Grant Solutions is completed, ensuring adequate oversight of grants and interagency agreements (IAA) remains a challenge. Since prior year's letter, awards have increased from 37 to 55 grants and interagency

⁹ OMB, M-19-23, *Phase I Implementation of the Foundations/or Evidence-Based Policy Act of 2018: Learning Agendas, Personnel, and Planning Guidance*, (January 10, 2019).

¹⁰ The purpose of the council, among other things, is to establish government-wide best practices for the use, protection, dissemination, and generation of data; promote data sharing; consult with stakeholders; identify and evaluate new technology solutions; and identify ways to improve production of evidence for policymaking.

¹¹ OIG Letter to Director of OMB (OIG-CA-19-017; May 22, 2019).

¹² OMB M-18-20, "significant improper payments" are defined as the total amount of overpayments and underpayments in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000 (regardless of the improper payment percentage of total program outlays).

agreements valued at approximately \$204 million under the Council-Selected Restoration Component (\$143 million) and the Spill Impact Component (\$61 million) combined. Furthermore, approved State Expenditure Plans under the Spill Impact Component include projects exceeding \$823 million.

In response to this challenge in our previous two letters, Council officials acknowledged that adequate oversight of grants was a challenge. In fact, as part of its Enterprise Risk Management (ERM) risk management profile, Council identified oversight and monitoring of grant recipients among its top critical risks. After reviewing its human resources requirements, and in response to the increasing volume of grants and IAAs, the Council gave approval to hire a financial analyst, another grants management specialist, and reallocated an administrative personnel position to the program management team. Those positions will be helpful, but as in the past, recruitment and hiring takes time.

While the Council must change its mechanisms to manage and store award and programmatic data that continues to increase, its oversight responsibilities are also growing. We anticipate that monitoring the growing portfolio of grants and interagency agreements will continue to be a significant challenge in the near future.

Although the challenges highlighted in this letter are the most significant from my office's perspective, we communicate regularly with the Council's staff on existing and emerging issues. In addition, we remain actively engaged with affected Federal, State, and local government entities to ensure effective oversight of programs established by the RESTORE Act. Federal statutory and regulatory compliance and monitoring of grant and interagency agreements will be a central focus of our work going forward. Since the transition to the new grants and programmatic systems is central to meeting these challenges, we have included an audit of Council's implementation activities in our Annual Plan for Fiscal Year 2020.

We are available to discuss our views on the management and performance challenges and other matters expressed in this letter in more detail.

Sincerely,

/s/ Original signed
Richard K. Delmar
Acting Inspector General
Department of the Treasury

cc: Ben Scaggs, Executive Director



Gulf Coast Ecosystem Restoration Council

October 28, 2019

Richard K. Delmar
Acting Inspector General,
U.S. Department of the Treasury Washington, DC 20022

Re: Response to the OIG Report, 2020 Management and Performance Challenges (OIG-CA-20-001)

Thank you for the opportunity to review the Office of Inspector General's (OIG) 2020 Management and Performance Challenges (OIG-CA-20-001). As you have pointed out, the Council is a relatively small Federal entity with many responsibilities under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). We concur with your report that our two major challenges are Federal Statutory and Regulatory Compliance and Grant and Interagency Agreement Compliance Monitoring.

We appreciate your recognition of the Council's accomplishments which include the completion of a Data Quality Plan required by the Office of Management and Budget (OMB) memorandum M-18-16, Management of Reporting and Data Integrity Risk. We also appreciate the acknowledgement of the improvement of the Council's information systems security program which were assessed to be at an effective level through an evaluation of its information security program and practices under the Federal Information Security Modernization Act of 2014 (FISMA).

The Council recognizes the risk posed by a transition to a new grants system. Accordingly, the Council has implemented a rigorous transition process to transition to the new system that will ensure continued statutory and regulatory compliance and support grant and interagency agreement compliance monitoring. Additional discussion of this year's challenges follows.

Challenge 1: Federal Statutory and Regulatory Compliance

The Council has determined that Grant Solutions, developed and maintained by the U.S. Department of Health and Human Services, will be the replacement system for its current system, RAAMS. Grant Solutions operates as a federal shared service, is used by multiple

federal agencies, and is considered a leader in federal grants software and services. By leveraging Grant Solutions, the Council is taking advantage of compliance processes already built-in to that system. Grant Solutions is aware of current and future federal compliance regulations and works to ensure they are met for all their customers. There are no identified compliance deficiencies with Grant Solutions, and the Council anticipates a smooth transition. In anticipation of the increased workload associated with the transition, an additional contractor is being hired to assist with the system transition and to ensure that information is transferred in an accurate and timely fashion. The Council is actively engaged in the transition process and has already completed a pilot data migration between RAAMS and Grant Solutions to proactively check for migration-specific issues and concerns and ensure that data integrity is maintained. This initial pilot returned only minor issues, and subsequent “test” migrations are scheduled in the first quarter of FY20 to make certain that any issues can and have been addressed, to the maximum extent possible, before the final migration of data.

In addition to Grant Solutions, the Council is leveraging a system initially developed by the U.S. Geological Survey (USGS) for the submission of project proposal information by Council members. The Council has entered into an interagency agreement with USGS in order to further develop this system, the Program Information Platform for Ecosystem Restoration (PIPER), so that it is also capable of capturing Program-specific data pre-award and performance data post-award. The Council is actively engaged with its partners at USGS to ensure a seamless transition of performance and Programs data from its current system into the PIPER platform.

The Council recognizes that there will be a temporary workload increase associated with training both staff and recipients. A training plan has been developed with Grant Solutions to prepare staff and recipients prior to bringing the new system online. Efforts are also underway to leverage these training opportunities to incorporate and coordinate training on PIPER whenever possible. It should be noted that a number of the State Council members are already Grant Solutions users, and members will have access to PIPER for submission of project proposals in advance of the full transition, which is anticipated to facilitate and ease the transition from RAAMS.

Data Act

The Council has implemented processes and controls within its Data Quality Plan to ensure accurate data is sent to USA Spending. It was noted during the first audit that minor data elements were found to be not complete, timely, accurate, or of quality. As such the Council has met with the Bureau of Fiscal Service Transparency Team who manages the Data Act Broker Submission (DABS) through our interagency agreement and is ensuring checks are in place to look for future data discrepancies.

We concur that the Senior Accountable Official will have to identify risks associated with the transition of data from RAAMS to Grant Solutions and PIPER and update the Council's "Data Quality Plan" to mitigate such risks. The Council has a dedicated transition team for tracking data flows from the current grants system into Grant Solutions and PIPER. This team reviews data flows on a regular basis to determine how data will be transitioned to and preserved in Grant Solutions and/or PIPER. All grants spending data reported under the DATA Act for publication on USASpending.gov will be migrated to and housed within Grant Solutions. Grant Solutions has a documented history of assisting its partners with Financial Assistance Broker Submission (FABS) compliance, and the platform provides FABS reports to its clients that are up to date with regards to the current FABS submission format and requirements. The transition to Grant Solutions will alleviate some of the burden, currently being fulfilled by Council staff, in revising the queries and post-processing procedures currently necessary with each Broker revision.

Evidence Act

The Council is on track to meet Evidence Act requirements. This includes designating a Chief Data Officer and a Data Governance Board. The Council transition to Grant Solutions will facilitate a route for compliance. Grant Solutions, as a federal shared service, will ensure that users of the system meet Federal data standards in that the data will follow standard formats and can be pulled with standard reporting features.

IPERIA

The Council has implemented an Enterprise Risk Management program focused on addressing the major risks facing the Council, two of which involve the risk of improper payments. In general, RESTORE project and program post-award monitoring and oversight risk is reduced due to the limited number of non-federal grant recipients (six) and federal members (six). While an increase in grant activity will make the detection of improper payments more challenging, to mitigate those risks the Council has implemented a robust post-award compliance monitoring and oversight program. Additionally, ARC performs an annual payment recapture audit on behalf of the Council. In fiscal year 2018 the Council had disbursements equaling \$21,360,600, with an improper payment rate of 0.17% of total payments made. Although the Council has seen a significant increase in grant and IAA awards with an associated increase in disbursements, it believes that its risk management and post-award oversight and monitoring program will enable it to continue to meet Federal statutory and regulatory requirements while transitioning to a new grants management system.

Challenge 2: Grant and Interagency Agreement Compliance Monitoring

The Council has realized that as our grant portfolio grows the workload for monitoring compliance is also growing. With this increasing workload, and to ensure future compliance, the Council has hired two new grants specialists, a financial analyst, and has reallocated an administrative staff position to the program management team to handle the additional workload. During Fiscal Year 2020 the Council also will expand its grants support contract to include additional compliance-related activities and support the transition to the new grants management system. The Council is leveraging staff across its cross-functional post-award oversight program to ensure that compliance activities for grants and interagency agreements will continue throughout the transition to the new system. The timing of the final transition and “go live” will also be coordinated with reporting and other compliance activities to minimize disruption to these critical processes.

We appreciate the ongoing cooperation and support we receive from your staff. Their expertise has been invaluable and will be particularly important as we continue to fund projects. We look forward to working with you to address the challenges identified in this 2020 Management and Performance Challenges report.

Sincerely,

/s/ Original Signed
Ben Scaggs
Executive Director

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables show that there were no material weaknesses or significant deficiencies in fiscal year 2019. This information is consistent with the Council's FMFIA Statement of Assurance.

Table 15 - Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	NA	0

Table 16 - Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA - § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	NA	NA	0
Effectiveness of Internal Control over Operations (FMFIA - § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	NA	NA	NA	0
Conformance with Financial Management System Requirements (FMFIA - § 4)						
Statement of Assurance	Conform					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Non-Conformances</i>	0	0	NA	NA	NA	0
Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FMFIA)						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of compliance noted			No lack of compliance noted		
2. Applicable Federal Accounting Standards	No lack of compliance noted			No lack of compliance noted		
3. USSGL at Transaction Level	No lack of compliance noted			No lack of compliance noted		

PAYMENT INTEGRITY

Background

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. 111-204, 31 U.S.C. 3301 *note*) and the Improper Payments Eliminations and Recovery Improvement Act of 2012 (IPERIA) (P.L. 112-248; 126 Stat. 2390) requires agencies to periodically review all programs and activities and identify those that may be susceptible to significant improper payments, take multiple actions when programs and activities are identified as susceptible to significant improper payments, and annually report information on their improper payments monitoring and minimization efforts. Office of Management and Budget (OMB) Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* provides guidance to agencies to comply with IPERA and for agency improper payments remediation efforts. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative or other legally applicable requirements. See also <https://paymentaccuracy.gov/> for additional detailed information on improper payments.

In compliance with A-123 Appendix C, Part I. D, the Council used a systematic method to review all programs and activities to identify those susceptible to significant improper payments. In doing so, the Council considered the results of the payment recapture audit performed, and then used a qualitative method to further evaluate its programs. During fiscal year 2018, the Council did not have any programs or activities susceptible to significant improper payments. Although the total amount of all program and activity payments exceeded \$10,000,000, the total estimate for improper payments was less than 1.5 percent.

Programs of the Council Assessed for Risk

1. Council-Selected Projects and Programs, including expenses to administer
2. Oil Spill Impact Program

Risk Assessment Determination

1. Council-Selected Projects and Programs, Council expenditures for non-Federal persons, non-federal entities and federal employees totaled \$27,235,471 in fiscal year 2019. Of those disbursements, 11 percent were payments for salary, benefits and travel reimbursements to Council employees, 2 percent were payments to eight commercial vendors, and 87 percent were payments to five grant recipients.

2. The payment recapture audit, performed by the Council's financial services provider, the Bureau of Fiscal Services, Department of the Treasury, identified 1 out of 404 payments as overpayments, for a rate of .2 percent. In addition, the council identified one grant overpayment that was immediately recaptured. The total dollar value of improper payments was \$4343.60, a rate of .02 percent of total payments made. Payments recaptured totaled \$4343.60 and no erroneous or improper payments were outstanding at the end of the fiscal year.
3. Qualitative Assessment: The qualitative assessment, performed by the Council's financial service provider, the Bureau of Fiscal Services, Department of Treasury, resulted in a low-risk rating for the overall fund group. The following risk factors were considered in determining if the programs in the Council were likely to exceed 1.5 percent of all payments.
 - a. The Council had a very small number of contracts and contractors, e.g., six, and a small number of payments, e.g., 9 totaling \$ 909,103.70.
 - b. The Council had a very small number of grant recipients, e.g., five, and a small number of payments, e.g., 40 payments equaling \$22,226,410,30 both programs combined. Four of the grant recipients are states, and one recipient is a state governmental entity.
 - c. The Council requires every recipient of financial assistance to complete an Organizational Assessment, which is then evaluated and rated by the Council. the Council had one high-risk recipient due to the immature financial and management infrastructure of that entity.
 - d. For those recipients determined to be high risk, a 100 percent pre-audit of all payment requests prior to disbursement is required. Two payments totaling \$13,952,284 were pre-audited – 15 percent of grant payments made. No improper payments were made for this recipient.
 - e. As part of the risk review of each recipient, past audit reports are screened for significant deficiencies, findings or relevant management findings, and none were found for any grant recipient.

I. Payment Reporting

Table 17
Improper Payment Reduction Outlook
(\$ in millions)

Program or Activity	PY Outlays	PY IP %	PY IP\$	CY Outlays	CY IP %	CY IP\$
Council Selected Projects	\$16.4	.04%	\$.006	\$17.5	.03%	\$.0043
Spill Impact	4.4	0	0	9.7	0	0
Total	\$20.8	.03%	\$.006	\$27.2	.02%	\$.0043

Improper Payment Root Cause Categories

The root cause for the improper payments were administrative errors. The travel overpayment was made while processing a refund for cancelled airfare. The payment was credited to the individually billed account instead of the centrally billed account as listed on the travel voucher. The improper grant payment was made by a grant recipient while processing an ASAP drawdown. The overpayment was discovered, corrected and immediately returned by the recipient through the ASAP payment system.

Table 18
Improper Payment Root Cause Category Matrix

Reason for Improper Payment	Council-Selected Projects and Programs		Oil Spill Impact Program	
	Overpayments	Underpayments	Overpayments	Underpayments
Administrative Or Process Error	2	0	0	0

II. Recapture of Improper Payments Reporting

- a. The Payment Recapture Audit was an internal review and analysis of the Restore Council's accounting and financial records, supporting documents, and other pertinent information supporting its payments specifically designed to identify overpayments.
 - i. All required program and activity types were included in the Program.
 - ii. No Payment Recapture Audit Programs for any program or activity have been deemed not cost effective.
 - iii. No class of contract has been excluded.
 - iv. Number and amount of improper payments: 2 for a total of \$4343.60.
 - v. Amount of improper payments recaptured: \$4343.60.
 - vi. Recaptured payments were no-year funds and returned to their original purpose.
 - vii. There are no unrecovered improper payments.
- b. Overpayments Recaptured Outside of Payment Recapture Audits
An ASAP overpayment of \$3825 was recaptured by the recipient outside of the payment recapture audit. The recipient discovered the administrative error and immediately returned the funds through the ASAP system.

III. Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

The Department of the Treasury (Treasury) Fiscal Services Vendor Supplier Group (VSG) submits a file of active vendors on a daily basis through the Do Not Pay Business Center's Continuous Monitoring system. The results are received the following day and any matches are reviewed, including matches from the Social Security Administration (SSA) Death Master File and/or the System for Award Management (SAM) Excluded Party List System (EPLS). Matches from the SSA Death Master File are end-dated in the Oracle accounting system and the Travel Office is notified so that the travel record can be end dated in the Concur Government Edition travel system as well. When hits are identified for EPLS, the information is provided to the appropriate Treasury customer care branch for research. As a result of a match, the matched vendor will then be flagged as an active exclusion in SAM. The Treasury customer care branch consults with the Council to determine how to proceed. Options may include deactivating the vendor, de-obligating all open orders with the vendor, recovering payments made to the vendor, or the like.

Table 19
Results of the Do Not Pay Initiative in Preventing Improper Payments

	Number of Payments reviewed for possible improper payments	Dollars (\$) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars (\$) of payments stopped	Number (#) of potential improper payments reviewed and determined accurate	Dollars (\$) of potential improper payments reviewed and determined accurate
Reviews with the Do Not Pay databases	1050	\$27,235,471	0	0	0	0
Reviews with databases not listed in IPERIA as Do Not Pay Databases	0	0	0	0	0	0

V. Barriers

None

VI. Accountability

Agency managers, accountable officers, and program officials are held accountable for establishing and maintaining sufficient internal controls that effectively prevents IPs from being made and promptly detect and recapture IPs that are made.

VII. Agency Information Systems and Other Infrastructure

With respect to Council grant recipients and subrecipients, the Council has a detailed monitoring and oversight protocol. The protocol requires that all high-risk grant recipients will have every request for reimbursement manually reviewed, along with copies of all paid invoices, in addition to furnishing semi-annual financial reporting to the Council. The protocol includes a requirement for the Council to reconcile recipient semi-annual reports to their cash draws and cash drawdown projections. The Council will review recipients' time & attendance and labor hour reporting systems and associated payrolls and other supporting material (e.g., invoices and receipts) as part of site visits and desk reviews.

The Council has developed an enterprise risk management program, and conducted tests of the financial controls for travel claims, purchase card purchases, purchase requests and grant obligations to ensure that published agency controls were followed, and no deviations were found.

VIII. Sampling and Estimation

Due to the rate of IPs, sampling and estimation are not applicable at this time.

FRAUD REDUCTION REPORT FY 2019

The Fraud Reduction and Data Analytics Act of 2015 (Pub. L. 114-186), was passed to improve Federal agency financial and administrative controls and procedures to assess and mitigate fraud risks, and to improve Federal agencies' development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments. The Council enterprise risk management assessment, profile, control activities, testing and monitoring include the Council's efforts at fraud prevention. The Council had implemented rigorous financial and administrative controls, with particular focus on controls and monitoring of its two financial assistance programs, the Council-Selected Projects and Programs, and the Spill Impact Program. To enhance the Restore Council's risk mitigation effort, the Fiscal Year 2019 Risk Profile was updated with the main effort focused on the top 7 critical risks. Each risk was reviewed, and it was determined that effective controls were in place. The Council's Seventeen Principles of Internal Control checklist has been updated to demonstrate how the Council meets the requirements outlined in the Green Book and OMB Circular A-123. The Council staff has commenced with administrative desk reviews to assess expenditure compliance with recipients and site visits with member state recipients to review their internal controls, policies and procedures utilized to execute Restore Act grants. In 2019 we also fully implemented a vigorous Internal Control Testing program that ensured we were following our Agency Policies and procedures further reducing the risk of fraud for GCERC.

REDUCE THE FOOTPRINT

- a. The Council entered into a ten-year occupancy agreement (lease) with GSA for 2,399 sf of office space in New Orleans in September 2014. The amount of square footage leased has not changed.
- b. The Council has no direct lease facilities that are subject to the Reduce the Footprint policy and thus has no operating costs to report.
- c. At the end of FY 2019, the Council had 22 General Schedule (GS) employees with two part time .5 FTE GS employees in the areas of Public Engagement and General Counsel support. We also employed 4 Contractor positions and one full time Executive Support position through an MOU with EPA. Council staff who are local to the New Orleans metropolitan area work in the Council's office space, while other staff members work remotely from home offices throughout the Gulf Coast. The distributed workforce reduces the amount of square footage required for office space

and minimizes to the greatest extent possible the footprint of the Council. The Council is not undertaking a reduction to the office space it currently occupies.

- d. The Council does not own any buildings; therefore, we have not disposed of owned buildings, nor have any such reduction targets.

BIENNIAL REVIEW OF USER FEES

The Council does not charge any user fees for services and things of value.