



# Audit Report



OIG-22-011

## FINANCIAL MANAGEMENT

**Audit of the Gulf Coast Ecosystem Restoration Council's  
Financial Statements for Fiscal Years 2021 and 2020**

November 15, 2021

Office of Inspector General  
Department of the Treasury

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<https://www.restorethegulf.gov/reports/performance-and-accountability-reports>

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OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D. C. 20220

November 15, 2021

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

Dear Chairperson Regan:

Under a contract monitored by our office, RMA Associates, LLC (RMA), a certified independent public accounting firm, audited the financial statements of the Gulf Coast Ecosystem Restoration Council (Council) as of September 30, 2021 and 2020, and for the years then ended. The contract required that the audit be performed in accordance with government auditing standards and Office of Management and Budget (OMB) Bulletin No. 21-04, *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 12, 2021, 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. 21-04.

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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) 528-8997, or a member of your staff may contact Deborah Harker, Assistant Inspector General for Audit, at (202) 486-1420.

Sincerely,

/s/

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

Enclosure

cc: Mary Walker, Executive Director

**SECTION I**

**Independent Auditors' Report**

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## Independent Auditor's 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, 2021 and 2020, 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 audits. We conducted our audits 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. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 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.

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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, 2021 and 2020, 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 audits were 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

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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. 21-04, 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. 21-04.

### ***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. This 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.

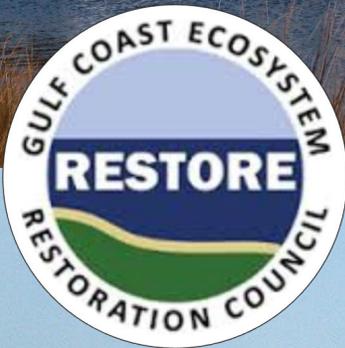
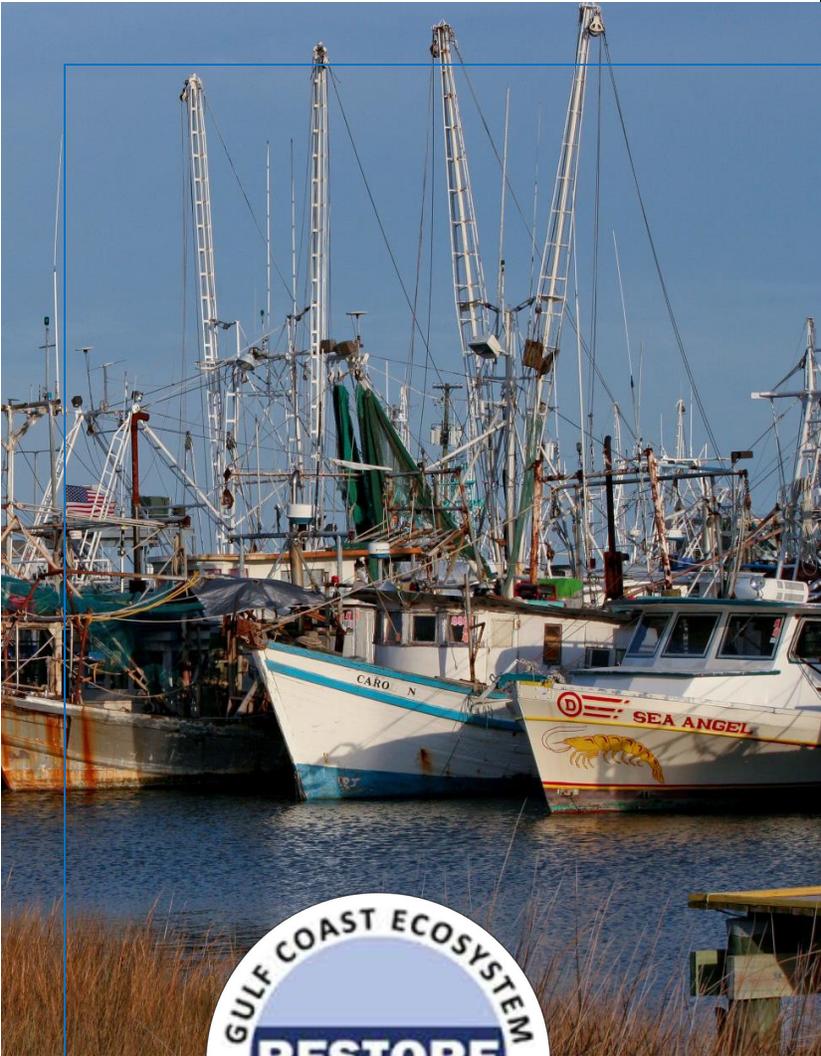
*RMA Associates*

Arlington, VA  
November 12, 2021

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**SECTION II**  
**Gulf Coast Ecosystem Restoration Council**  
**Agency Financial Report**  
**Fiscal Year 2021**

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# Agency Financial Report Fiscal Year 2021

**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**AGENCY FINANCIAL REPORT**  
**FISCAL YEAR 2021**

# **GULF COAST ECOSYSTEM RESTORATION COUNCIL**

## **AGENCY FINANCIAL REPORT**

### **FISCAL YEAR 2021**

*This Agency Financial Report for fiscal year 2021 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:*

- ◆ *Payment Integrity Information Act of 2019*
- ◆ *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>. Cover photos courtesy of: National Oceanic and Atmospheric Administration*

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**MESSAGE FROM THE EXECUTIVE DIRECTOR**  
**Gulf Coast Ecosystem Restoration Council**  
**November 12, 2021**

I am pleased to submit the Agency Financial Report (AFR) for the Gulf Coast Ecosystem Restoration Council (Council) for fiscal year 2021 (FY 2021). 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 dedicated 80% 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 the mission of implementing 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 as well as 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 FY 2021, the Council obligated \$113.7M through grants and interagency agreements to carry out projects and programs under the RESTORE Act, bringing the total amount awarded to \$510.7M: \$203.1M from the Council-Selected Restoration Component, or "Bucket 2" and \$307.6M from the Spill Impact Component, or "Bucket 3."

The Council approves projects and programs for Bucket 2 funding as set forth in Funded Priorities Lists (FPLs). The Council develops FPLs through collaboration among its members and with feedback from stakeholders across the Gulf and approved its 2021 Funded Priorities List 3b (FPL 3b) in April 2021. The Council was initially planning to develop FPL 3 during FY 2020 as a single action, consisting of a list of restoration projects and programs addressing ecosystem needs across the Gulf coast. As a result of the Council's collaborative process, the Council decided to develop FPL 3 in two phases. On February 12, 2020, the Council approved the first phase, referred to as 2020 Funded Priorities List 3a (FPL 3a) which included two projects in Louisiana and Alabama totaling \$158M. On April 28, 2021, the Council approved 2021 FPL 3b, totaling \$302M consisting of \$140.4M in Category 1 activities (normally funded) and \$161.5M for Category 2 activities (subject to future funding approval). In finalizing 2021 FPL 3b, the Council adhered to the FPL development processes committed to by the Council, as described in its [FPL 3 Proposal Submission Guidelines and Review Process](#). The Council initially considered 24 proposals to address ecosystem needs in Texas, Mississippi, Florida, and Alabama, as well as Gulfwide (covering two or more states). The final selection of the 20 activities was unanimously approved by the members. The selection process included best available science and other proposal reviews and was based on consideration of the ecosystem priorities of each Council member as well as the other criteria set forth in the RESTORE Act.

As the Council continues to work towards achieving the goals and objectives of the Comprehensive Plan in order to advance its vision of a "healthy and productive Gulf

ecosystem achieved through collaboration on strategic restoration projects and programs,” it emphasizes sound management of its funding and resources. This is evidenced by the 2021 financial statement audit that resulted in an unmodified opinion with no material weaknesses or significant deficiencies and a finding that the financial statements presented the financial position of the Council fairly, in all material respects.

In accordance with guidance from the Office of Management and Budget, I have determined that to the best of my knowledge and belief, 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 Coast 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.

Mary S. Walker  
Executive Director

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### I. Purpose, Responsibility, and Scope

This Agency Financial Report (AFR) presents the financial management performance of the Council for fiscal year 2021. The Council has chosen to publish a separate fiscal year 2021 (FY 2021) Annual Performance Report on the [Council's website](#) concurrent with the release of the fiscal year 2023 President's Budget Request.

Signed into law in July 2012, the [RESTORE Act](#) (33 U.S.C §1321(t) and *note*) was enacted as an amendment to the *Federal Water Pollution Control Act* (Clean Water Act or CWA) and created the Gulf Coast Ecosystem Restoration Council (Council) as well as the Gulf Coast Restoration Trust Fund (Trust Fund). Pursuant to the Act, the Trust Fund receives 80% of the civil and administrative penalties assessed under the CWA resulting from the 2010 *Deepwater Horizon* (DWH) oil spill. The Council is composed 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 (Administrator). The Administrator is the current Council Chairperson.

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 administers the expenditure of 60% of the funds deposited in the Trust Fund. The majority of the Trust Fund's receipts are from BP Exploration & Production Inc. ("BP") over a 15-year period ending in 2031, pursuant to a 2016 settlement among the United States, the five Gulf states and BP. Funding for RESTORE projects is limited to amounts available in the Trust Fund. Under the Council-Selected Restoration Component of the Act (aka "Bucket 2"), 30% of available funding is administered for Gulfwide ecosystem restoration and protection. The Council's Bucket 2 funding decisions are guided by criteria set forth in the RESTORE Act, the Council's [Initial Comprehensive Plan: Restoring the Gulf Coast's Ecosystem and Economy](#) (2013 Initial Comprehensive Plan), [2016 Comprehensive Plan Update: Restoring the Gulf Coast's Ecosystem and Economy](#) (2016 Comprehensive Plan Update), and other policies, including the Council's [2019 Planning Framework](#). The remaining 30% is allocated to the states under the Spill Impact Component (aka "Bucket 3") of the Act, according to a formula and regulation approved by the Council in December 2015. Spill Impact Component funds are spent according to individual State Expenditure Plans (SEPs), developed by each state Council member, that 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.

### **A. RESTORE Council Goals**

Restoring an area as large and complex as the Gulf Coast region is a costly, multi-generational undertaking. Gulf habitats are also continually degraded and lost due to development, infrastructure, sea-level rise, altered riverine processes, ocean acidification, salinity changes and other human-caused factors. Water quality in the coastal and marine environments is degraded by upstream pollution and hydrologic alterations spanning multiple states and involving the watersheds of large and small rivers alike. Stocks of marine and estuarine species are depleted by over-utilization and conflicting resource use. Some of the region's environmental problems, such as wetland loss and hypoxia, span areas the size of some U.S. states. This degradation represents a serious risk to the cultural, social, and economic benefits derived from the Gulf ecosystem.

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 fifth goal focuses on reviving and supporting a sustainable Gulf economy. This goal pertains to expenditures by the Gulf Coast states authorized in the RESTORE Act under the Direct Component (administered by the Department of the Treasury) and the Spill Impact Component and ensures that these investments can be considered in the context of comprehensive restoration. This goal does not apply to the Council-Selected Restoration Component.

To achieve all five goals, the Council supports ecosystem restoration that can enhance local communities by giving people desirable places to live, work, and play, while creating opportunities for new and existing businesses of all sizes, especially those dependent on natural resources. In addition, the Council will support ecosystem restoration that builds local workforce capacity.

The Council coordinates 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 actively coordinates with the Gulf Coast Ecosystem Restoration Science Program (administered by the National Oceanic and

Atmospheric Administration) and the Centers of Excellence Research Grants Program (administered by the Treasury Department).

### **B. RESTORE Council Objectives**

The Council selects and funds 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 that are not aligned with 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.

### **C. Performance Goals and Indicators for Fiscal Year 2021**

The Annual Performance Plan for FY 2021<sup>1</sup> identified the following performance goals:

1. Promote a Gulfwide comprehensive approach to restoration by:
  - a. A Gulfwide comprehensive approach is applied to consideration of restoration efforts through the cooperative examination and analysis of outcomes and lessons learned from previously implemented projects (including project

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<sup>1</sup> The [2021 Annual Performance Plan](#) was prepared during FY2019 as required under the Government Performance Results Act and used to communicate the agency’s strategic objectives and performance goals.

monitoring data), scientific and technical developments, changing policy, public input, and other planning considerations by Council members, the NGO community, interested stakeholders and the public.

- b. The Council determination of future funding priorities is informed by consideration of the entirety of restoration activities funded by the RESTORE Act, DWH NRDA, NFWF GEBF, and other restoration efforts in the Gulf of Mexico region.
  - c. Coordination and collaboration among members and other restoration efforts of Gulf restoration maximize the Council's "return on investment."
  - d. Application of best available science (BAS), and adaptive and data management principles maximize the quality, objectivity, and integrity of information used in the selection and execution of RESTORE projects under both the Council-Selected Restoration and State Expenditure Plan components of the RESTORE Act, and clearly documents and communicates risks and uncertainties. In 2021, the Council employed a variety of activities that promote enhanced application of BAS at all stages of project/program development, execution and documentation.
2. Council-Selected Restoration Performance Excellence: Effective and efficient implementation and administration of the Council-Selected Restoration Program to achieve the goals of the Act.
- a. Efficiency of the Environmental Compliance processes to support Council actions is advanced through:
    1. Effective processes for the determination of environmental compliance of Category 2 projects for funding consideration by the Council are developed to support the evaluation of the efficacy of moving Category 2 projects under the FPL 1 to Category 1.
    2. The efficiency and effectiveness of Council environmental compliance is enhanced by the Council participation in the interagency regulatory efficiency team and the sharing of efficiency tools and practices.
  - b. Programmatic Staff Management of Grant and Interagency Agreements.
    1. The programmatic component of the Council staff complete review of grant and Interagency Agreement applications for funding under FPL 3 meet the 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.
    2. Post-award management and oversight ensures that grants funded under the FPL 1 and FPL 3 are on schedule to achieve intended results.
  - c. Compliance Staff Management of Grant and Interagency Agreements.
    1. The grants and compliance component of the Council staff review of grant and Interagency Agreement applications for funding under FPL 3 meet timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability.
    2. Post-award management and oversight is carried out for all grants and Interagency Agreements. Pre- and post-award reviews 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, support mitigation of applicable critical risks in the Council Risk Profile and IPERIA, and meet other federal regulatory requirements.

3. Spill Impact Component Performance Excellence: Effective and efficient implementation and administration of the Spill Impact Program achieve the goals of the Act.
  - a. Programmatic Staff Management of Grants.
    1. The programmatic component of the Council staff review of grant and Interagency Agreement applications for funding under the SEP processes meet timelines established by Council Standard Operating Procedures. This includes review of submissions for best available science and environmental compliance with NEPA and other environmental federal regulations.
    2. Post-award management and oversight ensures that grants and agreements are on schedule to achieve intended results.
  - b. Compliance Staff Management of Grants.
    1. The grants and compliance component of the Council staff review of grant applications for funding under each state's SEP, meet timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability.
    2. Post-award management and oversight will be carried out for all grants and Interagency Agreements.
    3. Pre- and post-award reviews ensure compliance with all administrative and regulatory requirements under the RESTORE Act, 2 C.F.R. Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, support mitigation of applicable critical risks in the Council Risk Profile and IPERIA and meet other federal regulatory requirements.
4. Operational Excellence: An administrative infrastructure that supports teamwork, collaboration, synergy between functional areas and overall operational excellence to provide excellent services, programs and outcomes to the Gulf Coast region is maintained.
  - a. Effective oversight of grant and interagency agreement post-award cash disbursement processes supports the prevention of improper payments.
  - b. Grant and IAA drawdowns are compliant with award terms and conditions, and consistent with the progress achieved and milestones met.
  - c. Applications include relevant and adequate justification for the selection of particular metrics and an adequate proposal for scientific monitoring.
  - d. Reported progress towards metrics provides a useful gauge of the success of the project or program. Reports include a description of the methodology for quantifying results for each metric and monitoring the achievement of the metrics.

5. Management Excellence: Council staff will provide exceptional service to the Council members and their accompanying state and federal agencies, as well to the many stakeholders associated with restoration of the Gulf of Mexico ecosystem by meeting programmatic, administrative, and customer service objectives.
  - a. Requisite reports submitted in a timely manner.
  - b. OIG audit findings and recommendations addressed in a timely manner.  
All Council operations required by the RESTORE Act are monitored and audited by the Department of Treasury OIG, and audit recommendations are promptly implemented.
  - c. Records are managed in accordance with NARA guidelines.
  - d. Workforce:
    1. Decisions regarding human resources and HR requirements support the transition from an entrepreneurial start-up operation to a steady-state operational mode.
    2. Workforce initiatives support the 21st Century Cross-Agency Priority Goal and its Sub-goals:
      - a) Enabling simple and strategic hiring practices,
      - b) Improving employee performance management and engagement, and
      - c) Reskilling and redeploying human capital resources.
  - e. Organizational Risk Assessed and Risk Mitigation Factors Employed.
    1. Organizational risk assessment recommendations meet all OMB Circular A-123 requirements; documentation of tactical level risk mitigation activities is completed.
    2. Administrative and financial policies and procedures are continually reviewed and updated as necessary.
    3. Enterprise Risk Management practices are fully integrated into the Agency's day to day decision-making and management practices.
    4. Completion of project and program site visits serve as useful tools to provide technical assistance to our recipients while simultaneously mitigating critical risks on the Council's risk profile.

#### **D. Council-Selected Restoration Component**

Under the Council-Selected Restoration Component of the Act ("Bucket 2"), the Council administers 30% of the amounts in the Trust Fund. The Council's Bucket 2 funding decisions are guided by criteria set forth in the RESTORE Act, the Council's *Initial Comprehensive Plan: Restoring the Gulf Coast's Ecosystem and Economy* ([2013 Initial Comprehensive Plan](#)), the *2016 Comprehensive Plan Update: Restoring the Gulf Coast's Ecosystem and Economy* ([2016 Comprehensive Plan Update](#)) and other policies, including the [Council's 2019 Planning Framework](#).

Pursuant to the Act, only Council members (state and federal) are eligible to submit proposals for Bucket 2 funding. Council approval of Bucket 2 funding requires the affirmative vote of at least three state members and the Chair. The other five federal members do not formally vote on Council funding. The Council uses Funded Priorities Lists (FPLs) that set

forth approved projects and programs. The Council develops FPLs through collaboration among its members and with feedback from stakeholders across the Gulf.

Funds for approved FPL projects are disbursed to Council members via grants to state members and interagency agreements (IAAs) with federal members. As part of the grant and IAA process, all activities for which funding is sought are carefully reviewed to ensure consistency with the approved FPL and compliance with the RESTORE Act and all other applicable requirements, including compliance with all applicable federal environmental laws and the application of best available science criteria (BAS) as required by the Act and further defined by the Council.

### **1. RESTORE Act Priority Criteria**

In selecting projects and programs under Bucket 2, the RESTORE Act requires that the Council give the highest priority to activities that address one or more of the following criteria:

- a. 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.
- b. 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.
- c. 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.
- d. 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.

### **2. FPL Proposal Submission Guidelines and Review Process**

In 2019, the Council developed updated guidance for its members on the content and review process for Bucket 2 funding proposals. This updated guidance is called the *Gulf Coast Ecosystem Restoration Council: Council-Selected Restoration Component Funded Priorities List 3 Proposal Submission Guidelines and Review Process (2019 Submission Guidelines)*. The primary purpose of the 2019 Submission Guidelines is to help Council members develop effective proposals for potential funding in FPL 3. The Council implemented FPL 3 in two phases; therefore, the 2019 Submission Guidelines pertained to submission of proposals for both 2020 FPL 3a and 2021 FPL 3b. Only Council members are eligible to submit proposals for potential funding under Bucket 2. Federally recognized tribes may submit proposals via a federal Council member sponsor. The 2019 Submission Guidelines is divided into three sections:

- a. Section 1- Proposal Evaluation Criteria and Related Information** - discusses the statutory criteria that FPL 3 proposals must address to be considered for funding under Bucket 2, along with other legal requirements pertaining to best available science (BAS) and environmental compliance. This section also discusses the FPL

categories and Planning Framework that will help guide the selection of projects and programs for inclusion in FPL 3.

- b. **Section 2 - Guidance for FPL Proposal Content** - describes the information to be included in FPL 3 proposals.
- c. **Section 3 - FPL Proposal Review Process and Public Engagement** - outlines how the Council would review and consider FPL 3 proposals to ensure compliance with the RESTORE Act, BAS, and consistency with the goals, objectives, and commitments set forth in the Comprehensive Plan. It also describes the opportunities for the public to engage in the FPL 3 development process.

### **3. *FPL Categories***

FPLs include activities in two categories. Category 1 activities are approved for Bucket 2 funding. Such approval requires a Council vote as set forth in the RESTORE Act. To be approved in Category 1, a project or program must have documentation demonstrating that all applicable environmental laws have been addressed. For example, a construction project would need documentation demonstrating compliance with the National Environmental Policy Act and other applicable laws.

Category 2 activities are Council priorities for potential future funding, but are not approved for funding. These are projects and/or programs that are not yet in a position to be approved by the Council but are considered worthy of potential future funding by the Council. As appropriate, the Council will review the activities in Category 2 to determine whether to: (1) move an activity to Category 1 and approve it for funding, (2) remove it from Category 2 and any further consideration, or (3) continue to include it in Category 2. In these reviews, the Council can consider feasibility; environmental compliance; and scientific, technical, policy and/or other related issues. A Council vote and FPL amendment are required to move an activity from Category 2 to Category 1, or to remove an activity from Category 2 and any further consideration.

### **4. *Eligible Activities and Definitions***

The Council considers proposals from members that address planning or implementation phases, or both, of projects or programs. Following are the definitions of these phases from the Council's 2016 Comprehensive Plan Update:

- a. **Planning** – FPL submissions may include: planning and development of ecosystem restoration projects and programs; cost estimates; feasibility analysis; engineering and design; environmental compliance and permitting; scientific elements, including evaluation and establishment of monitoring requirements and methods to report outcomes and impacts; and public engagement.
- b. **Implementation** – FPL submissions may include: construction; public outreach and education; and measurement, evaluation, and reporting of outcomes and impacts of restoration activities.

As set forth in the 2016 Comprehensive Plan update, following are the Council's definitions of "activity," "project," and "program." These definitions are applicable to proposals for Council-Selected Restoration Component funding. FPL proposals should indicate whether

the proposed activity is a project or a program. If it is the latter, the activity should be consistent with the following definition of program.

- a. **Activity:** A general term that includes both projects and programs, and may also be used to describe components of a project or program. For example, on the Initial FPL, all the funded projects and programs on the list could be referred to as restoration “activities.”
- b. **Project:** A single ecosystem restoration and/or conservation activity that cannot be separated into stand-alone sub-activities. A project may be “scalable,” meaning that its scope, size, and/or cost can be expanded or reduced as needed and appropriate. A project can be separated into a “planning” or “implementation” phase or can include both. One or more members can conduct a project. For example, a single project might restore marsh in a specific geographic location. Another example of a project might be the planning, engineering, and design required to advance a marsh restoration proposal to a construction-ready status.
- c. **Program:** A suite of intrinsically-linked restoration and/or conservation activities that must be implemented together in order to achieve the desired outcome. A program should generally be covered by one unified Council environmental compliance review and have a common set of performance measures to effectively assess and measure outcomes. A program’s sub-activities may be related in terms of geography, environmental stressors, resources, restoration and/or protection activities, and more. A program can be separated into a “planning” or “implementation” phase or can include both. One or more members can conduct a program. For example, a single program might be a Gulfwide environmental monitoring effort.

#### ***5. Council’s Funded Priorities Lists (FPL)***

The Council has completed three FPLs, including:

##### **a. 2015 Initial Funded Priority List (2015 Initial FPL)**

In 2015, the Council approved the [2015 Initial Funded Priority List \(2015 Initial FPL\)](#) for approximately \$156.6M in restoration activities such as hydrologic restoration, land conservation, and planning for large-scale restoration projects. The funding for the 2015 Initial FPL came from the settlement of CWA civil penalties against Transocean Deepwater Inc. and related entities. When it approved the 2015 Initial FPL, the Council did not know the amount and timing of additional funding that could be obtained from the then-ongoing litigation with British Petroleum (BP).

During FY 2021, three awards from the 2015 Initial FPL were funded with \$4.0M in a state grant and \$2.77M in IAA’s to two federal members (Table 1), which includes \$0.3M additional funding for an award to DOI Bureau of Indian Affairs for a project previously completed and closed.

Table 1: List of 2015 Initial FPL awards made during FY 2021

| Council Member                           | 2015 Initial FPL Projects Approved during FY 2021   | Award Amount (\$ M) |
|--|---|---------------------|
| Alabama                                  | Comprehensive Living Shoreline Monitoring (Planning and Implementation)                               | \$4.00              |
| DOI (additional funds to original award) | Gulf of Mexico Habitat Restoration via Conservation Corps Partnerships/Youth Conservation Corps (BIA) | \$0.30              |
| EPA                                      | Gulf of Mexico Conservation Enhancement Grant Program   | \$2.47              |

**b. 2017 Commitment and Planning Support FPL (2017 CPS FPL)**

A review of the process used to develop the 2015 Initial FPL was conducted that included input from both Council members and the public. Following completion of this review, the Council developed the 2016 Comprehensive Plan Update ([2016 Comprehensive Plan Update](#)) which further emphasized the Council’s commitments to collaborate among members, potential funding partners, and the public; increase public engagement and transparency; and refine its best available science (BAS) practices.

To advance these commitments, the Council approved a second FPL in January 2018, referred to as the *2017 Commitment and Planning Support FPL* ([2017 CPS FPL](#)). Rather than funding specific restoration projects or programs, the 2017 CPS FPL dedicates funds over a five-year period to help Council members meet 2016 Comprehensive Plan Update commitments and identify potential areas for future FPL proposal development.

Council members have used 2017 CPS FPL funds to pay for travel to meetings and to develop and implement processes for working with potential funding partners (including other *Deepwater Horizon* funding sources), stakeholders, and the public to generate project ideas. Council members held meetings throughout the Gulf to discuss ecosystem restoration concepts and potential techniques to address environmental challenges and stressors throughout the Gulf.

**c. Funded Priorities List 3**

It was through this collaborative process that the Council recognized that developing FPL 3 in two phases would enable the Council to fund projects requiring near-term attention and take advantage of important partnership opportunities to advance large-scale ecosystem restoration.

**i. FPL 3a-2020**

2020 [FPL 3a](#), which was approved by the Council on February 12, 2020 adhered to the FPL development process committed to by the Council, including BAS, public engagement and transparency, and the Planning Framework. Where applicable, the final project descriptions were modified based upon internal and external reviews and public comments.

In 2020 FPL 3a the Council approved approximately \$14.2M for planning, engineering and design, and permitting for the River Reintroduction into Maurepas Swamp (Maurepas

project). The 2020 FPL 3a \$130M project (2020 FPL 3a [project description](#)) aims to restore processes that will enhance ecosystem health and reduce or minimize future loss of approximately 45,000 acres of bald cypress-water tupelo forest in coastal Louisiana by reintroducing Mississippi River water into the Maurepas Swamp.

In addition, through the FPL collaborative planning process, Alabama identified an opportunity for a large-scale, multi-member, multi-project, coordinated program in the Perdido Watershed (2020 FPL 3a [project description](#)). 2020 FPL 3a approved \$26.9M in planning and implementation funds, and budgeted at \$1.12M for an additional implementation component. This project involves the acquisition and placement into state conservation management of approximately 10,000 - 12,000 acres of habitat that will serve as a cornerstone for advancing the vision of a large-scale, coordinated program in the Perdido watershed.

## **ii. FPL 3b-2021**

Upon approving 2020 FPL 3a in February 2020, the Council continued its focus on identifying projects and programs to address other Gulf Coast ecosystem needs through 2021 [FPL 3b](#) funding. Using 2017 CPS FPL resources, Council members (members) continued to collaborate among themselves and with stakeholders to identify and shape project and program concepts for potential inclusion in 2021 FPL 3b. In the early stages of collaboration, members identified and discussed potential priorities, which ranged from broad programmatic goals to specific project concepts. Throughout this process, project and program concepts were reviewed and discussed by all members, further refined, and in some cases, dropped from further consideration based on feedback and other factors (e.g., availability of alternative funding sources). These discussions helped members further shape their respective project and program concepts as they developed 2021 FPL 3b proposals.

To manage resources and time, the Council chose to limit each member to a submission limit of no more than five proposals for 2021 FPL 3b funding (as was done in the 2015 Initial FPL). Proposals submitted by a federal member on behalf of a Federally recognized tribe did not count toward this limit. Members could submit fewer than five proposals or none at all during the submission window from March 9 to April 24, 2020. The Council then reviewed all proposals for compliance with the RESTORE Act, consistency with the Comprehensive Plan and 2019 Planning Framework, and compliance with all applicable environmental laws. Additionally, the Council refined the process that was used in the [2015 Initial FPL](#) to review all proposals for the use of BAS to support the Council's 2016 Comprehensive Plan Update commitment to science-based decision-making, all 2021 FPL 3b proposals underwent a revised BAS review process ([BAS Review Fact Sheet](#)) that included three anonymous external science reviews (including reviews by experts from within and outside the Gulf Coast region) and an internal BAS Review Panel. The purpose of this internal panel was to use Council member-agency technical expertise to consider external reviews, identify ways to further strengthen the scientific basis of each proposal and, as applicable, identify potential synergies between proposals not identified prior to their submission.

Following a 50-day public review and comment period, 2021 FPL 3b was approved by the Council on April 28, 2021. Total funding for 2021 FPL 3b was for \$302M with \$79.37M for activities in Texas, \$68.85M in Mississippi, \$41M in Alabama, \$73.75M in Florida and \$39M for activities Gulfwide. These funds include \$140.45M for Category 1 activities across the Gulf coast. In addition, the Council has budgeted \$161.54M for Category 2 activities. The activities included in 2021 FPL 3b are listed in Table 2, along with their location and the types of work being funded. All associated environmental compliance documentation may be found on the [RESTORE Council’s website](#).

Table 2: The activities included in 2021 FPL 3b, as approved by the Council in FY 2021, are listed below, along with their location and the types of work that will be funded.

| Activity   | Geographic Area  | Type                      | Amount Category 1   | Amount Category 2   |
|--|--|---------------------------|---------------------|---------------------|
| Shoreline Protection Through Living Shorelines                               | Texas  | Planning                  | \$1,286,250         | -----               |
|  |  | Implementation            | -----               | \$10,963,750        |
| Texas Coastal Water Quality Program  | Texas  | Planning                  | \$3,262,500         | -----               |
|  |  | Implementation            | -----               | \$19,237,500        |
| Texas Land Acquisition Program for Coastal Conservation                      | Texas  | Planning                  | \$1,579,500         | -----               |
|  |  | Implementation            | \$22,720,500        | -----               |
| Wind-Tidal Flat Restoration Pilot  | Texas  | Planning & Implementation | \$321,000           | ----                |
| Chenier Plain Ecosystem Restoration Program                                  | Texas  | Planning                  | \$1,700,000         | -----               |
|  |  | Implementation            | -----               | \$18,300,000        |
| <b>Total Funding for Activities in Texas</b>                                 |  |                           | <b>\$30,869,750</b> | <b>\$48,501,250</b> |
| Coastal Nearshore Habitat Restoration and Development Program in Mississippi | Mississippi Sound  | Planning                  | \$6,920,000         | -----               |
|  |  | Implementation            | -----               | \$27,680,000        |
| Water Quality Improvement Program for Coastal Mississippi Waters             | Mississippi Sound  | Planning                  | \$6,850,000         | -----               |
|  |  | Implementation            | -----               | \$27,400,000        |
| <b>Total Funding for Activities in Mississippi</b>                           |  |                           | <b>\$13,770,000</b> | <b>\$55,080,000</b> |
| Enhancing Hydrologic Connectivity in Justin’s Bay (Mobile Bay)               | Mobile Bay and Mobile-Tensaw Delta, AL                               | Planning                  | \$1,000,000         | -----               |
| Coastal Alabama Regional Water Quality Program                               | Mobile Bay and Mobile-Tensaw Delta, AL; Perdido Bay and River, AL-FL | Planning                  | \$16,130,750        | -----               |
|  |  | Implementation            | -----               | \$19,000,000        |

| Activity   | Geographic Area  | Type                      | Amount Category 1   | Amount Category 2   |
|--|--|---------------------------|---------------------|---------------------|
| Develop Ecological Flow Decision-Support for Mobile River and Perdido River Basins | Mobile Bay and Mobile-Tensaw Delta, AL; Perdido Bay and River, AL-FL | Planning & Implementation | \$3,400,000         | -----               |
| Perdido Watershed Water Quality Improvements and Restoration Assessment Program    | Perdido Bay and River, AL-FL   | Planning                  | \$1,500,000         | -----               |
| <b>Total Funding for Activities in Alabama</b>                                     |  |                           | <b>\$22,030,750</b> | <b>\$19,000,000</b> |
| Apalachicola Regional Restoration Initiative: Strategies 2 & 3                     | Florida  | Planning & Implementation | \$5,000,000         | -----               |
| Florida Gulf Coast Resiliency Program  | Florida  | Planning                  | \$5,600,000         | -----               |
|  |  | Implementation            | -----               | \$8,400,000         |
| Florida Gulf Coast Tributaries Hydrologic Restoration Program                      | Florida  | Planning                  | \$3,437,500         | -----               |
|  |  | Implementation            | -----               | \$10,312,500        |
| Florida Water Quality Improvement Program  | Florida  | Planning                  | \$6,750,000         | -----               |
|  |  | Implementation            | -----               | \$20,250,000        |
| Florida Strategic Gulf Coast Land Acquisition Program                              | Florida  | Planning                  | \$1,400,000         | -----               |
|  |  | Implementation            | \$12,600,000        | -----               |
| <b>Total Funding for Activities in Florida</b>                                     |  |                           | <b>\$34,787,500</b> | <b>\$38,962,500</b> |
| Gulf Coast Conservation Reserve Program  | Gulfwide (Florida, Alabama, Mississippi)                             | Planning & Implementation | \$3,100,000         | -----               |
| Enhancing Gulf Waters through Forested Watershed Restoration                       | Gulfwide (Florida, Alabama, Mississippi)                             | Planning & Implementation | \$23,000,000        | -----               |
| Gulf of Mexico Coast Conservation Corps Program                                    | Gulfwide (All five states)   | Implementation            | \$11,971,250        | -----               |

| Activity                                     | Geographic Area                                     | Type                      | Amount Category 1   | Amount Category 2 |
|--|---|---------------------------|---------------------|-------------------|
| Tribal Youth Coastal Restoration Program     | Gulfwide (Florida, Alabama, Mississippi, Louisiana) | Planning & Implementation | \$927,000           | -----             |
| <b>Total Funding for Activities Gulfwide</b> |   |                           | <b>\$38,998,250</b> | <b>\$0</b>        |

The activities contained in FPL 3a and 3b reflected lessons learned from the 2015 Initial FPL process and commitments made in the [2016 Comprehensive Plan Update](#), most notably, enhanced collaboration and strategic planning to achieve large-scale ecosystem benefits. FPL 1 contains activities described as “foundational” in that they will contribute to comprehensive Gulf restoration by complementing other projects in order to produce environmental benefits greater than the sum of the individual activities. This approach to identifying priority restoration activities acknowledges the interconnected nature of coastal and marine ecosystems. It also recognizes the importance of addressing system-wide stressors that reduce ecosystem health. FPLs 3a and b advanced this concept by investing in programmatic approaches to address the ecosystem needs in certain geographic areas.

During FY 2021, one 2021 FPL 3b project was awarded funding. The DOC/NOAA Gulf of Mexico Coast Conservation Corps (GulfCorps) Program was awarded \$11.97M on July 26, 2021.

#### **E. Spill Impact Component**

Under the Spill Impact Component of the Act (“Bucket 3”), the remaining 30% of amounts in the Trust Fund administered by the Council is allocated to the state Council members (except for Florida, where funds are allocated to a consortium of 23 affected Florida counties (“Consortium”). On December 9, 2015, the RESTORE Council voted to approve a [final rule](#) for allocation of the Spill Impact Component funds and disbursed to each state. The rule became effective on April 4, 2015 when the Federal court in Louisiana approved and entered the Consent Decree. Using the information set forth in the rule, the allocation of funds among the five states is:

- Alabama – 20.40%;
- Florida – 18.36%;
- Louisiana – 34.59%;
- Mississippi – 19.07%; and
- Texas – 7.58%.

Bucket 3 funds are spent according to individual State Expenditure Plans (SEPs) developed by each state member (in Florida, by the Consortium) that set forth programs contributing to the overall economic and ecological recovery of the Gulf. In 2016 the Council updated the [Guidelines](#) that describe required SEP elements, the process for submitting SEPs, and the criteria set forth in the Act under which the Council Chair must approve or disapprove SEPs.

Funds for projects in approved SEPs are disbursed to the state Council members (in Florida, to the Consortium) via grants when the requisite funds become available in the Trust Fund. As with Bucket 2, all activities for which Bucket 3 funding is sought are carefully reviewed to ensure consistency with the applicable SEP and compliance with the RESTORE Act and all other applicable requirements, including the use of BAS and compliance with all applicable federal environmental laws.

During FY 2021, a total of 16 grants totaling \$94.93M (Table 3) were awarded to Alabama (7 projects; \$30.56M), Florida (6 projects, \$13.69M), Louisiana (1 project; \$26.73M) and Mississippi (2 projects; \$23.97M).

Table 3: State Expenditure Plan total funds by state and list of projects approved during FY 2021

| State   | SEP Projects Approved during FY 2021   | Award Amount (\$ Ms) |
|---|--|----------------------|
| <a href="#">Alabama SEP</a>                       | SEP #8: Aloe Bay/Mississippi Sound Water Quality Enhancement Project                             | \$11.84              |
|   | SEP #19: Meaher Park Improvements  | \$3.55               |
|   | SEP #21: Alabama Point Seawall Repair  | \$2.56               |
|   | SEP #6: City of Chickasaw Sewer Rehabilitation Project   | \$1.34               |
|   | SEP #1-Environmental Restoration of Cotton Bayou & Terry Cove (Phase 1-Planning)                 | \$0.52               |
|   | SEP #13: Longevity, Stability & Water Quality Improvements, Bon Secour DMDA                      | \$0.35               |
|   | SEP #20 Mobile County Dirt Road Paving (Sediment Reduction) Program                              | \$10.4               |
|   | <b>FY 2021 Total</b>   | <b>\$30.56</b>       |
| <a href="#">Florida SEP</a><br>Florida Consortium | 24-1: Adaptive Planning and Compliance Project   | \$0.19               |
|   | 18-2: Portosueno Park Living Shoreline   | \$0.70               |
|   | 16-2: Wastewater Collection System Improvements - E&D  | \$2.09               |
|   | 1-1: Bayou Chico Contaminated Sediment Remediation Project                                       | \$1.12               |
|   | 7-3: Apalachicola Bay Cooperative Dredging   | \$5.05               |
|   | 18-10: Kingfish Boat Ramp Renovation and Expansion - Construction                                | \$4.54               |
|   | <b>FY 2021 Total</b>   | <b>\$13.69</b>       |
| <a href="#">Louisiana SEP</a>                     | Houma Navigation Canal Lock Complex Project - Phase I Construction                               | <b>\$26.73</b>       |
| <a href="#">Mississippi SEP</a>                   | Activity #9: Beneficial Use of Dredge Material for Marsh Creation and Restoration in Mississippi | \$18.97              |
|   | Mississippi Beachfront Resilience  | \$5.0                |
|   | <b>FY 2021 Total</b>   | <b>\$23.97</b>       |

## II. MISSION AND ORGANIZATION STRUCTURE

The Gulf Coast environment was significantly damaged by the 2010 *Deepwater Horizon* oil spill. In an effort to advance environmental and economic recovery from the spill, Congress passed the RESTORE Act in 2012. The RESTORE Act established the Gulf Coast Ecosystem Restoration Council. Members of the Council include the Governors of the states of Alabama, Florida, Louisiana, Mississippi, and Texas; the Secretaries of the U.S. Departments of the Interior, the Army, Commerce, Agriculture, and Homeland Security; and the Administrator of the U.S. Environmental Protection Agency (EPA). The Administrator of the EPA currently as the Council Chair.

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U.S. Environmental Protection Agency (Chair)

Michael Regan  
Administrator

State of Alabama  
Kay Ivey  
Governor

U.S. Department of Agriculture  
Tom Vilsack  
Secretary

State of Florida  
Ron DeSantis  
Governor

U.S. Department of the Army  
John E. Whitley  
Secretary

State of Louisiana  
John Bel Edwards  
Governor

U.S. Department of Commerce  
Gina Raimondo  
Secretary

State of Mississippi  
Tate Reeves  
Governor

U.S. Department of Homeland  
Security  
Alejandro Mayorkas  
Secretary

State of Texas  
Greg Abbott  
Governor

U.S. Department of the Interior  
Deb Haaland  
Secretary

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### **A. Gulf Coast Restoration Trust Fund Allocations**

On January 3, 2013, the United States announced that Transocean Deepwater Inc. and related entities had agreed to pay \$1 billion (plus interest) in civil penalties for violating the Clean Water Act in relation to their conduct in the *Deepwater Horizon* oil spill. In accordance with the Consent Decree, Transocean has paid all three of its installments of civil penalties plus interest to the U.S. Department of Justice. The U.S. Department of Justice has transferred 80% of these funds to the Treasury Department for deposit into the Gulf Coast Restoration Trust Fund, totaling \$816M. On November 20, 2015, the federal court for the Eastern District Court of Louisiana ordered Anadarko Petroleum Corp. to pay a \$159.5M civil fine; of this amount, \$128M, including interest, has been deposited in the Trust Fund. Anadarko was the last defendant in the *Deepwater Horizon* spill Clean Water Act litigation.

On April 4, 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. BPXP et al.](#)). The resolution of civil claim totals for entities held responsible for the *Deepwater Horizon* oil spill will yield more than \$20 billion, the largest civil penalties ever awarded under any environmental statute, and the largest recovery of damages for injuries to natural resources of The United States. Of these penalties, the RESTORE Act will provide \$5.33 billion (80% of \$6.659 billion) to the Trust Fund, based on the following: \$1 billion (plus interest) in civil penalties from Transocean Deepwater Inc. and related entities for violating the Clean Water Act in relation to their conduct in the *Deepwater Horizon* oil spill; \$159.5M from a civil fine paid by Anadarko Petroleum Corporation; and \$5.5 billion (plus interest) from BP Exploration and Production, Inc. (BP) for a Clean Water Act civil penalty under the April 4, 2016 Consent Decree, payable over a fifteen-year period at approximately \$91M per year through 2031.

Pursuant to the RESTORE Act, the Council is responsible for administering a portion of the funds associated with settlement of civil penalties against parties responsible for the *Deepwater Horizon* oil spill. Specifically, the Council is responsible for administering two funding sources: The Council-Selected Restoration Component and the Spill Impact Component. Both components for which the Council is responsible each receive 30% of the funds allocated under the RESTORE Act (Figure 1).

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



**B. Performance – Goals, Objectives, and Results**

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

Over the six fiscal years of 2016 through 2021, the following awards have been made: 26 grants and 26 IAAs under FPL 1, 5 grants and 5 IAA's under FPL 2, 1 IAA under 2021 FPL 3b, and 68 SEP awards (Table 4).

Table 4: Number of awards (grants and IAA) by program and year

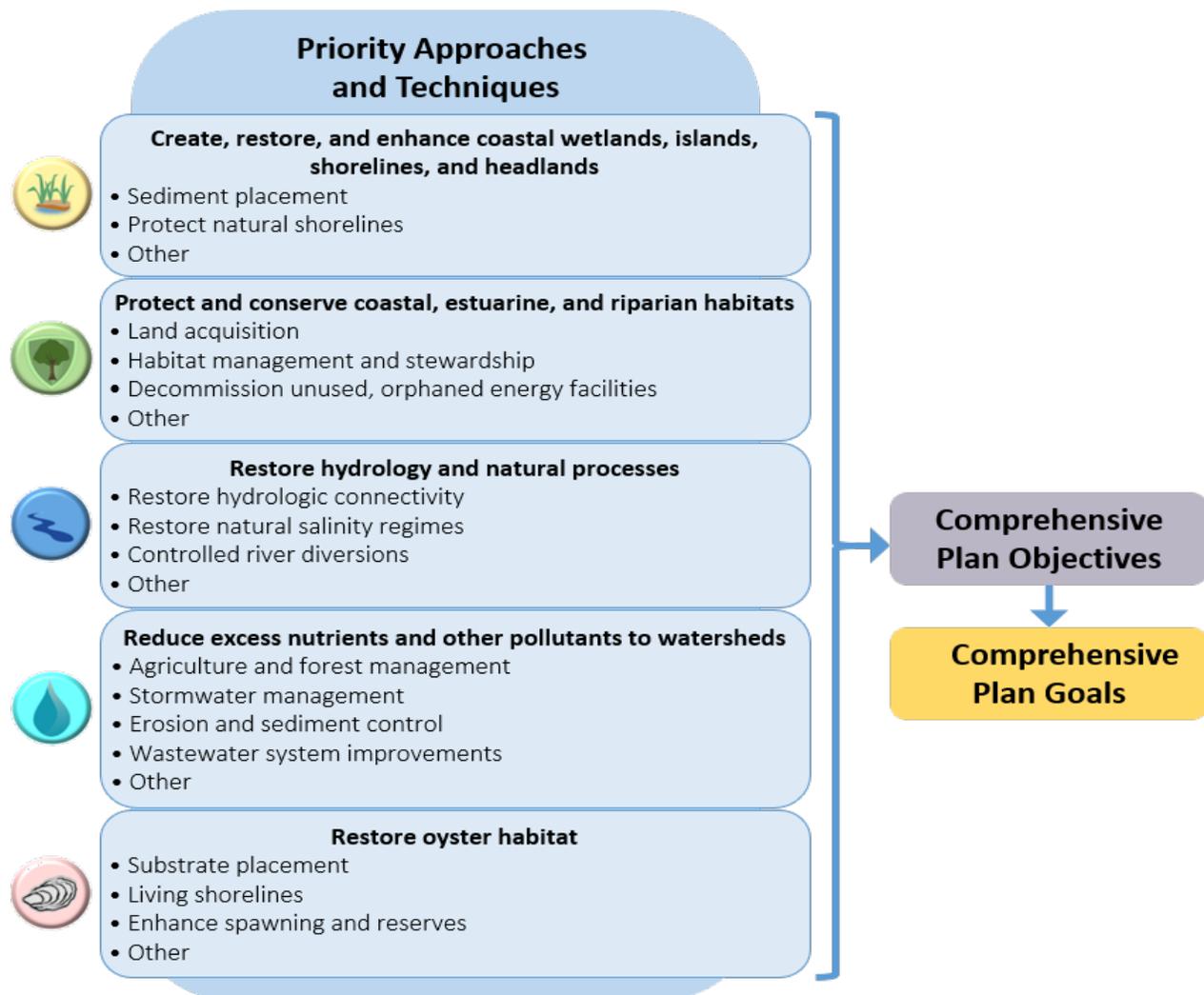
| Fiscal Year   | FPL 1     |           | CPS (FPL2) |          | FPL 3a | FPL 3b   |        | SEP       | Total      |
|---------------|-----------|-----------|------------|----------|--------|----------|--------|-----------|------------|
|               | Grants    | IAA       | Grants     | IAA      |        | IAA      | Grants |           |            |
| 2016          | 1         | 1         |            |          |        |          |        | 2         | 4          |
| 2017          | 13        | 8         |            |          |        |          |        | 2         | 23         |
| 2018          | 6         | 9         | 5          | 4        |        |          |        | 4         | 28         |
| 2019          | 4         | 4         |            | 1        |        |          |        | 5         | 14         |
| 2020          | 1         | 2         |            |          |        |          |        | 39        | 42         |
| 2021          | 1         | 2         |            |          |        | 1        |        | 16        | 20         |
| <b>Totals</b> | <b>26</b> | <b>26</b> | <b>5</b>   | <b>5</b> |        | <b>1</b> |        | <b>68</b> | <b>131</b> |

One of the most significant actions the Council has taken to improve performance was the development of the Council's 2019 Planning Framework which strategically links past and

future restoration funding decisions to the overarching goals and objectives outlined in the 2016 Comprehensive Plan Update. The Planning Framework indicates priorities designed to continue building on previous investments, while expanding opportunities to meet all Comprehensive Plan goals and objectives in the future.

The Planning Framework lists priority restoration approaches and techniques (Figure 2) their relationship to the Comprehensive Plan goals and objectives and associated geographic areas. The purpose of this document is to provide the public and potential funding partners with an indication of the kinds of projects that were anticipated to be developed for FPL 3 funding consideration. As part of the process of developing future FPLs, the Planning Framework will be reviewed and revised as needed to incorporate outcomes and lessons learned from previously implemented projects, scientific and technical developments, changing policy, public input, and other planning considerations.

Figure 2: The 2019 Planning Framework priority approaches and techniques can be applied to support the Comprehensive Plan objectives and goals



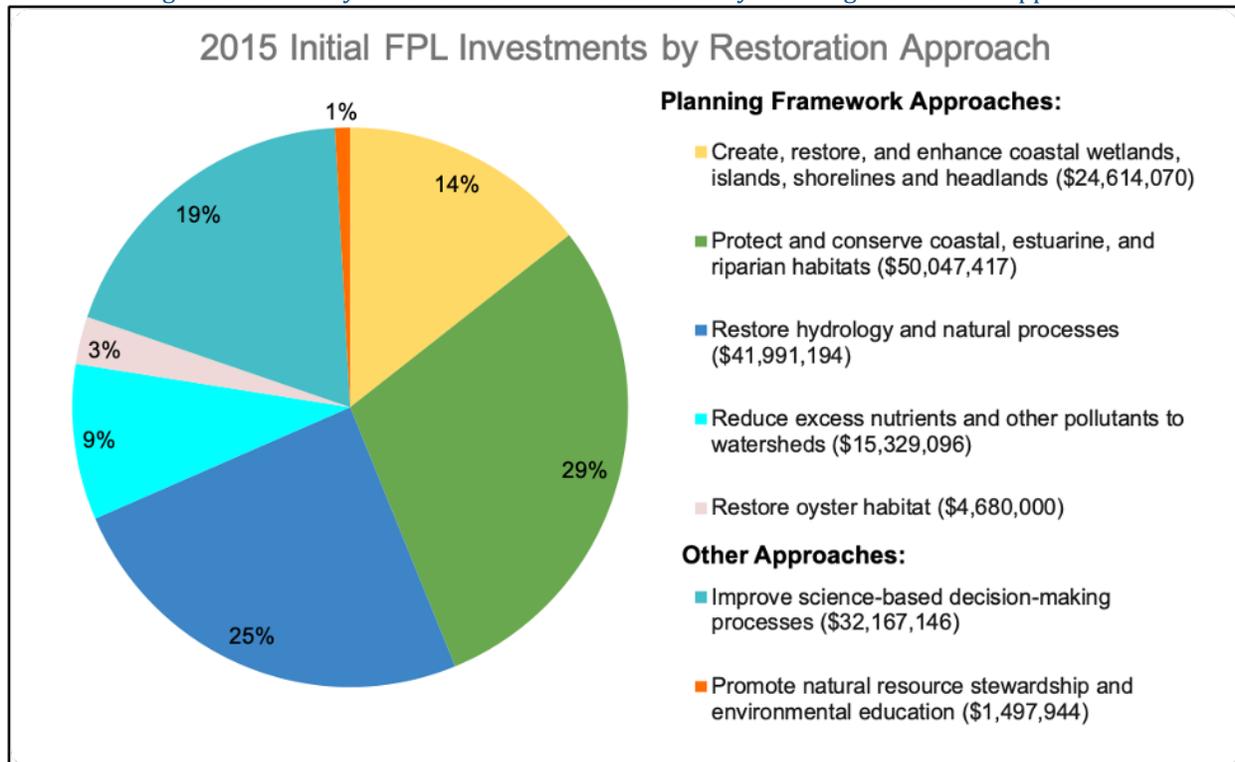
The Planning Framework provides one mechanism to view how the Council is prioritizing funding activities. As shown in Table 5, the top five approaches across all funding sources (FPL 1, FPL 2, 2021 FPL 3b and SEPs) are: Reducing Excess Nutrients and other Pollutants to Watersheds (\$105.7M); Restoring Hydrology and Natural Processes (\$89.6M); Improving Science-based Decision-Making (\$81.5M); Increase, Restore, and Enhance Coastal Wetlands, Islands, Shorelines, and Headlands (\$78.5M); and Protect and Conserve Coastal, Estuarine, and Riparian Habitats (\$67M).

**Table 5: List of Planning Framework Approaches by Council funding source and recipients**

| Planning Framework Approach   | Funding Source   | Funding Amount       |
|---|------------------|----------------------|
| <b>Reduce Excess Nutrients and other Pollutants to Watersheds</b>         | FPL-1 – State    | \$12,284,136         |
|   | FPL-1 - Federal  | \$ 3,044,960         |
|   | SEP              | \$90,195,335         |
|   | <b>Total</b>     | <b>\$105,524,431</b> |
| <b>Restore Hydrology and Natural Processes</b>                            | FPL-1 – State    | \$14,190,000         |
|   | FPL-1 - Federal  | \$27,801,194         |
|   | SEP              | \$47,643,483         |
|   | <b>Total</b>     | <b>\$89,634,677</b>  |
| <b>Improve Science-Based Decision-Making Processes</b>                    | FPL-1 – State    | \$19,699,763         |
|   | FPL-1 - Federal  | \$12,467,383         |
|   | SEP              | \$49,343,313         |
|   | <b>Total</b>     | <b>\$81,510,459</b>  |
| <b>Create, Restore, and Enhance Coastal Wetlands, Islands, Shorelines</b> | FPL-1 – State    | \$24,614,070         |
|   | SEP              | \$53,910,039         |
|   | <b>Total</b>     | <b>\$78,524,109</b>  |
| <b>Protect and Conserve Coastal, Estuarine, and Riparian Habitats</b>     | FPL-1 – State    | \$33,874,500         |
|   | FPL-1 - Federal  | \$16,172,917         |
|   | SEP              | \$ 5,027,488         |
|   | FPL-3b - Federal | \$11,971,250         |
|   | <b>Total</b>     | <b>\$67,046,155</b>  |
| <b>Restore and Revitalize the Gulf Economy</b>                            | SEP              | \$34,834,969         |
|   | <b>Total</b>     | <b>\$34,834,969</b>  |
| <b>Restore Oyster Habitat</b>   | FPL-1            | \$ 4,680,000         |
|   | SEP              | \$16,662,129         |
|   | <b>Total</b>     | <b>\$21,342,129</b>  |
| <b>Promote Natural Resource Stewardship and Environmental Education</b>   | FPL-1 – State    | \$750,000            |
|   | FPL-1 - Federal  | \$747,944            |
|   | SEP              | \$4,203,222          |
|   | <b>Total</b>     | <b>\$5,701,166</b>   |
| <b>Commitment Planning Support</b>  | FPL-2            | \$10,493,880         |
|   | FPL-2 IAA        | \$10,333,596         |
|   | <b>Total</b>     | <b>\$20,827,476</b>  |
| <b>State Expenditure Plan Support</b>                                     | PSEP             | \$4,259,172          |
|   | SEP              | \$1,515,218          |
|   | <b>Total</b>     | <b>\$5,744,390</b>   |
| <b>Grand Total</b>  |                  | <b>\$510,719,962</b> |

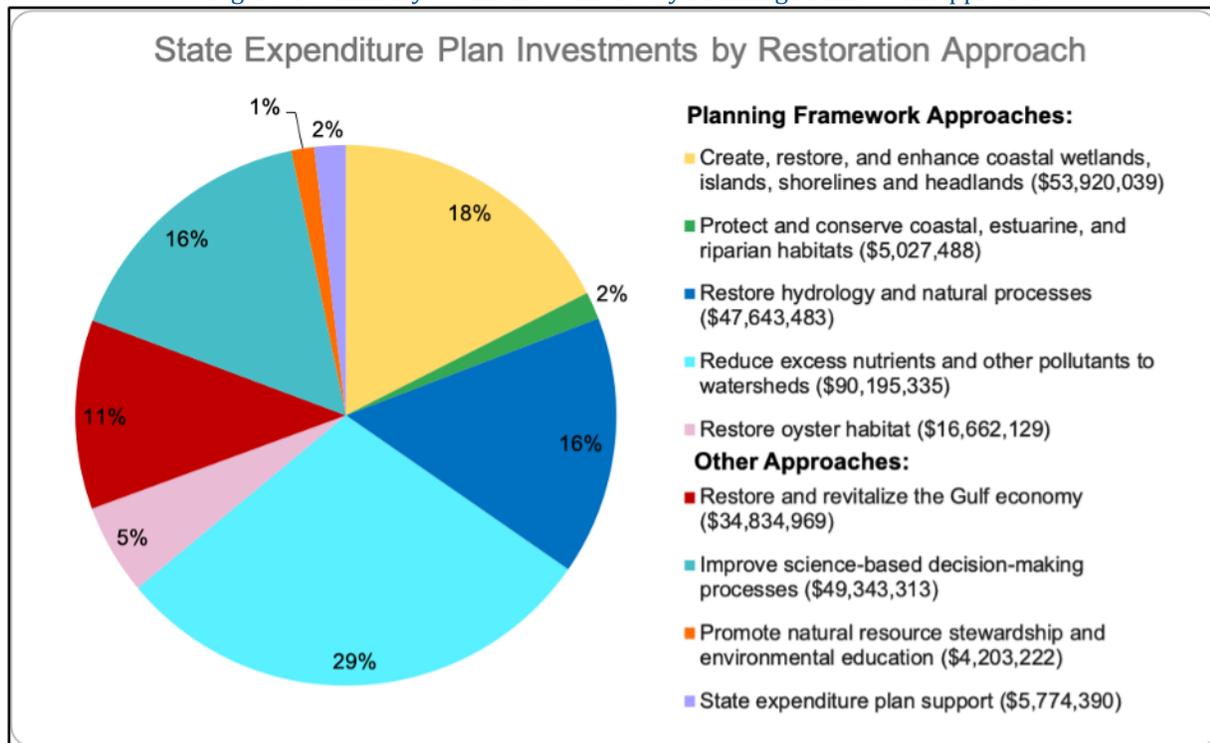
Although the Planning Framework was not developed until 2019, categorization by Planning Framework Approach for the FPL 1 activities is instructive for identifying funding priorities. The FPL 1 focused efforts primarily in four Planning Framework approaches consisting of over 87% of all FPL 1 funding (Figure 3), including Protecting and Conserving Coastal, Estuarine, and Riparian Habitats (29%; \$50M), Restoring Hydrology and Natural Processes (25%; \$42M), Improving Science-Based Decision-Making Processes (19%; \$32.2M) and Creating, Restoring and Enhancing Coastal Wetlands, Islands, Shorelines, and Headlands (14%; \$24.6M).

Figure 3: Summary of 2015 Initial FPL Investments by Planning Framework Approach



The Spill Impact Component funding through FY 2021 can also be parsed by the Planning Framework approaches to identify primary funding priorities (Figure 4). Reduction of Excess Nutrients and Other Pollutants to Watersheds was the approach used with the highest frequency, representing 29% (\$90.2M of \$307.6M in approved SEP funding). The other four approaches receiving the most funding in descending order include: Create, Restore, and Enhance Coastal Wetlands, Islands, Shorelines, and Headlands (18%; \$53.9M), Improve Science-Based Decision-Making Processes (16%; \$49.3M), Restore Hydrology and Natural Processes (16%; \$47.6M), and Restore and Revitalize the Gulf Economy (11%; \$32M). The remaining 9% of the funding was categorized among the remaining six approaches.

Figure 4: Summary of SEP Investments by Planning Framework Approach



Members are required to monitor the performance of all projects funded by the Council toward ecosystem restoration. In 2021 the Council updated its [Observational Data Plan \(ODP\) Guidelines](#) to provide guidance to the Council’s grant and IAA recipients on the selection of metrics, parameters and monitoring methodologies for Council funded activities. The Council has currently identified 61 [performance-level metrics that are organized by the Planning Framework restoration approaches and techniques being implemented by a project or program](#). 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. Based on the 2019 Submission Guidelines and 2021 ODP Guidelines, metrics selected should be:

- Objective;
- Quantifiable;
- Accompanied by targets (success criteria);
- Consistent across program activities (e.g., water quality benefits);
- Identified in proposals with details provided in application ODPs;
- Able to support the goals and objectives of the program or project.

The FPL and SEP projects funded during fiscal years, 2016, through 2021 are already achieving results (Table 6). To date, Council funds have been used to acquire 7,957.95 acres of land and restore 2,0003.25 acres of wetlands and 6,410 acres of non-wetland areas, primarily in support of the Council’s goal to Restore and Conserve Habitat ([FY 2021 Annual Performance Plan](#)). 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 (1,585 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.

Outreach through promoting natural resource stewardship and environmental education is an important component of the Council's efforts as shown by almost 8M people being reached by outreach, training or technical assistance activities, while 1,734 users are engaged with online activities. While much of this work is ongoing, at the end of FY 2021 Council funded activities also resulted in the improvement of management practices on at least 36,053.63 acres through Best Management Practices (BMP) and 341 people have enrolled to implement BMPs. The Council is also improving science-based decision-making processes by completing 36 studies to inform management and monitoring 13,436.87 acres in 386 sites across the Gulf.

Table 6: Performance-level metrics results from projects funded under the Comprehensive Plan Component and Spill-Impact Component Funding. The information in the table summarizes the accomplishments (for FY18 – FY 2021) reported by 2015 Initial FPL and SEP activities awarded to date. For each metric measure, the associated primary Comprehensive Plan goal, objective, and Planning Framework Restoration Technique are provided<sup>2</sup>

| Goal                                | Objective                             | Technique                          | Metric Measure   | 2018  | 2019 | 2020      | 2021      | Total           |
|-------------------------------------|---------------------------------------|------------------------------------|--|-------|------|-----------|-----------|-----------------|
| <b>Restore and Conserve Habitat</b> | Restore, Enhance and Protect Habitats | Land acquisition                   | Acres acquired in fee  | 7,243 | 215  | 499.95    | 0         | 7,957.95 acres  |
|                                     |                                       |                                    | Miles of shoreline acquired  | 8     | 0    | 1.5       | 0         | 9.5 miles       |
|                                     |                                       | Habitat Management and Stewardship | Agricultural best management practices (BMPs) - Acres under contracts/agreements | 0     | 827  | 19,853.33 | 15,373.33 | 36,053.63 acres |
|                                     |                                       |                                    | Removal of invasives - Acres restored  | 57    | 176  | 1022      | 330       | 1255 acres      |
|                                     |                                       |                                    | Habitat restoration (non-wetland) - Acres restored                               | 1,483 | 0    | 4,893     | 34        | 6,410 acres     |
|                                     |                                       |                                    | Wetland restoration - Acres restored   | 398   | 51   | 1,554.25  | 0         | 2003.25 acres   |
|                                     |                                       |                                    | Habitat restoration - Acres SAV restored   | 0     | 0    | 0         | 607       | 607 acres       |
|                                     |                                       | Substrate placement                | Habitat restoration - Oysters habitat  | 317   | 0    | 0         | 0         | 317 acres       |

<sup>2</sup> Note: These data are preliminary as most Council activities are in progress and final achievement numbers are not confirmed until award closeout. Some metric numbers may have changed from previous years after funding recipients provided updated numbers following data QA/QC.

| Goal   | Objective                                       | Technique                                 | Metric Measure   | 2018      | 2019 | 2020 | 2021  | Total                    |
|--|---|---|--|-----------|------|------|-------|--------------------------|
| <b>Restore Water Quality and Quantity</b>      | Restore, Improve and Protect Water Resources    | Agriculture and forest management         | Erosion Control – acres restored to reduce surface and/or stream channel erosion | 0         | 0    | 40   | 0     | 40 acres                 |
| <b>Restore and Revitalize the Gulf Economy</b> | Restore and Revitalize the Gulf Economy         | Restore and Revitalize the Gulf Economy   | Number of temporary jobs created   | 75        | 91   | 0    | 149   | 317 jobs                 |
|  |   |   | Number of local contracts  | 1         | 1    | 4    | 3     | 9                        |
|  |   |   | Percentage of program funding to existing local organization(s)                  | 17.5%*    | 48%* | 76%* | 76%   | *No total on percentages |
| <b>All</b>                                     | All   | Planning                                  | Number of management plans developed   | 0         | 4    | 2.25 | 5     | 11.25 plans              |
| <b>All</b>                                     | Improve Science-based Decision-Making Processes | Develop tools for planning and evaluation | Number of studies used to inform management                                      | 6 studies | 6    | 6.75 | 17.25 | 36 studies               |
|  |   |   | Number of decision-support tools developed                                       | 0         | 2    | 2.25 | 0     | 4.25 tools               |
|  |   | <b>Increase monitoring capacities</b>     | Number of streams/sites being monitored  | 0         | 130  | 0    | 256   | 386 sites                |

| Goal       | Objective  | Technique  | Metric Measure  | 2018 | 2019 | 2020    | 2021      | Total                  |
|------------|--|--|---|------|------|---------|-----------|------------------------|
|            |  |  | Acres being monitored   | 0    | 2202 | 1245.87 | 9989      | 3,447.87 acres         |
| <b>All</b> | Promote Natural Resource Stewardship and Environmental Education | Promote Natural Resource Stewardship and Environmental Education | Number of individuals reached by outreach, training, or technical assistance activities | 263  | 450  | 1083    | 7,963,500 | 7,964,213 individuals  |
|            |  |  | Number of people enrolled to implement best management practices                        | 0    | 4    | 94      | 243       | 341 individuals        |
|            |  |  | Number of users engaged online  | 345  | 1389 | 0       | 5846      | 1,734 users            |
|            |  |  | Number of subgrants/agreements to disseminate education and outreach materials          | 5    | 0    | 0       | 0         | 5 subgrants/agreements |
|            |  |  | Number of participants that successfully completed training                             | 258  | 123  | 85      | 0         | 466 participants       |

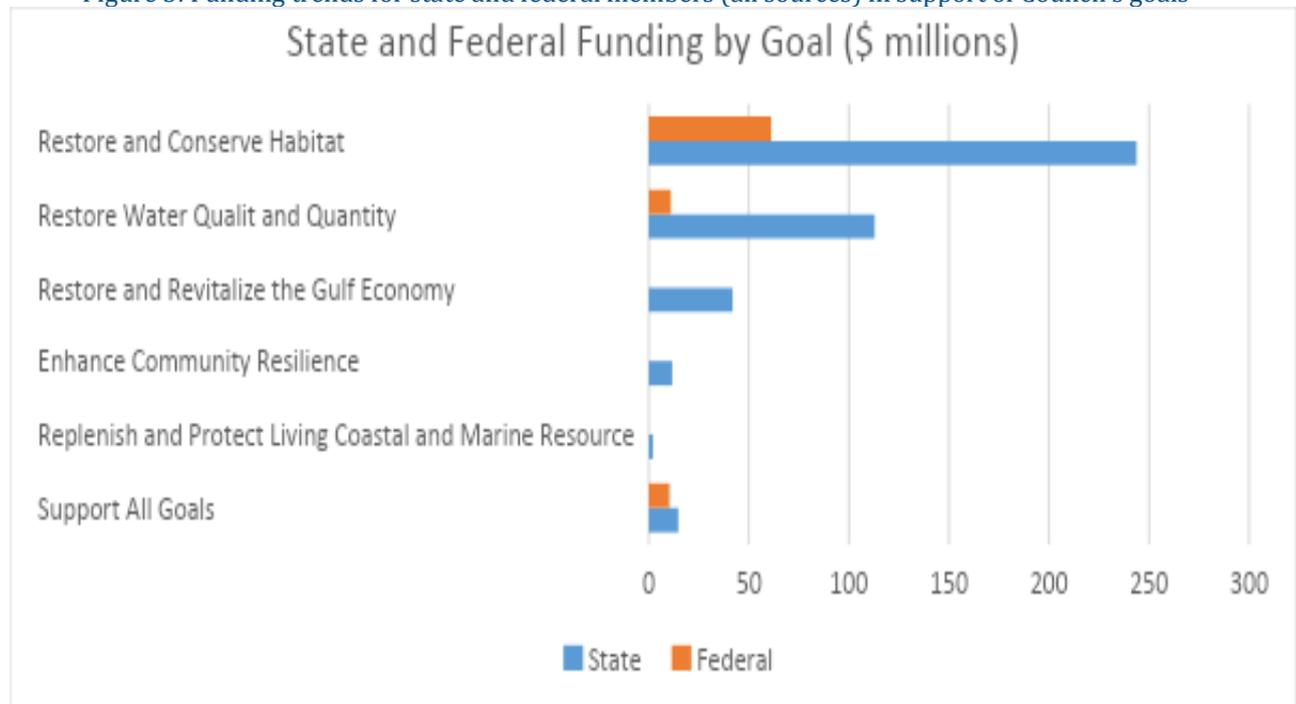
## 2. Summary of Performance in Terms of Historical Trends

The Council Selected Restoration Component has provided \$203.2M in funding through FY 2021, with the 2015 Initial FPL providing \$120.59M in grants to the states and \$70.57M transferred to federal members through IAAs for restoration activities in the Gulf; a total of \$11.97M from 2021 FPL 3b was also awarded to through an IAA to federal members. The Spill Impact component provides grant funds to the state Council members, with a total of \$307.6M awarded over this six-year period.

### a. Meeting Council Goals

A total of \$304.8M in funding (representing 59.7% of the 510.7M for all RESTORE Council awards) has been approved in support of the Restore and Conserve Habitat goal, including \$243.7M to states (\$94.3M through Bucket 2 and \$149.4M through Bucket 3) and \$61.1M in IAAs to the federal members (Figure 5). In support of the Restore Water Quality and Quantity, total of \$123.9M in funding has been received (representing 24.3%), including \$112.9M through state grants (\$15.77M through Bucket 2 and \$97.1 in Bucket 3) and \$11.06M in IAA's. The states also received Spill Impact funds to support the goals to Enhance Community Resilience (\$11.8M), Restore and Revitalize the Gulf Economy (\$41.9M) and Replenish and Protect Living Coastal and Marine Resources (\$2.1M). To support the commitments of the Council, a total of \$20.8M was funded to support all of the Council goals through the FPL2.

Figure 5: Funding trends for state and federal members (all sources) in support of Council's goals



Funding trends by fiscal year are shown in Figure 6 for all funding sources (Buckets 2 and 3) in support of the Council's goal to Restore and Conserve Habitat, while the Restore Water

Quantity and Quality are provided in Figure 7 which show the strength of state support for these goals over the five-year funding timeframe.

Over the six-year funding history (2016 through 2021), support for the Restoring and Conservation of Habitat goal by the state grants through Council-Selected and Spill Impact components (combined) has been relatively constant each year, averaging \$40.6M (Figure 6) in state awards; federal IAA's have averaged \$8.2M over this same time period. Support for the Restoring Water Quality and Quantity goal has averaged \$18.8M in grants to state Council members over this same time period (Figure 7); federal IAAs have averaged under \$2M.

Figure 6: Funding trends for grants and IAA's from Council Selected and Oil Spill Components in support of the Restore and Conserve Habitat goal by fiscal year

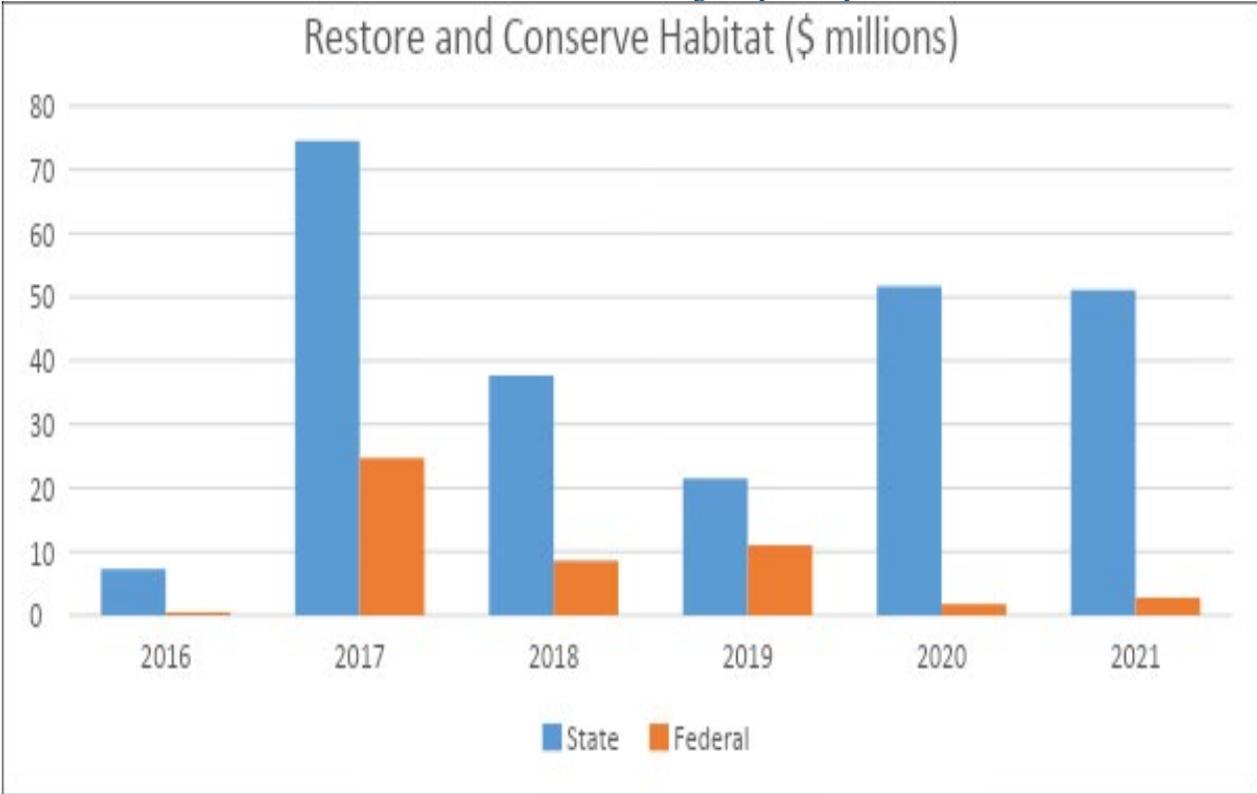
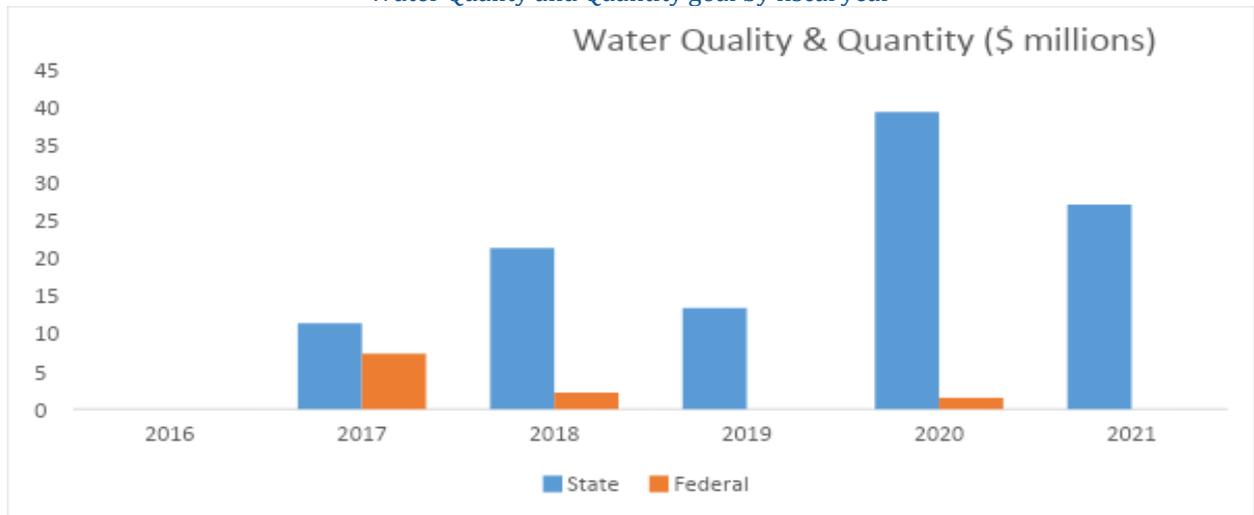


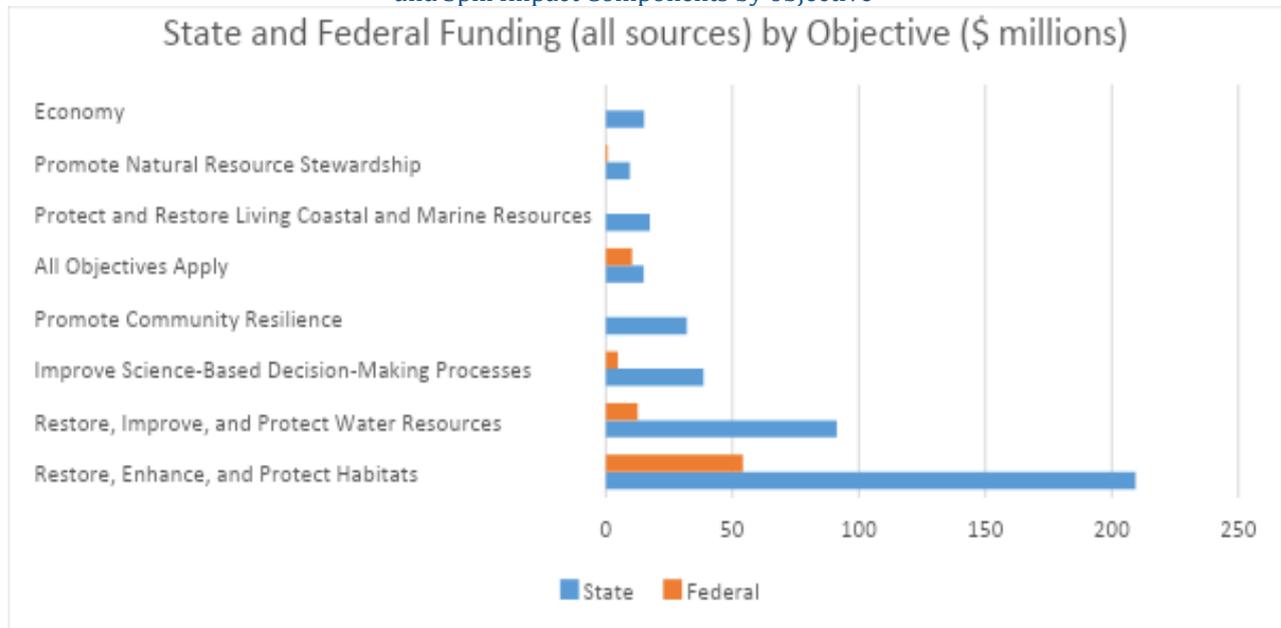
Figure 7: Funding trends for grants and IAA's from FPL 1 and SEPs in support of the Restore and Conserve Water Quality and Quantity goal by fiscal year



**b. 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. 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 (\$263.6M from all funding sources) and Restore, Improve and Protect Water Resources (\$103.8M from all funding sources), which represents 51.6% and 20.3%, respectively, of all Bucket 2 and 3 funds (grants and IAAs) (Figure 8).

Figure 8: Distribution of funding for state and federal Council members from the Council-Selected Restoration and Spill Impact Components by objective



Over the six-year funding history (2016 through 2021), support for the Council objective to Restore, Enhance, and Protect Habitats by the state grants through Council-Selected and Oil Spill Impact components (combined) has been relatively constant each year, averaging nearly \$43.5M/year, with state investments averaging nearly \$35M each year, while federal members have averaged \$9.0M over this six-year period (Figure 9). Support for the Restoring, Improving, and Protecting Water Resource objective averaged \$15.2 M/year in grants to state Council members with an annual average of and \$2.96 to federal members over this same time period (Figure 10).

Figure 9: Funding trends for grants and IAA's from Council Selected and Oil Spill Components in support of the Restore, Enhance and Protect Habitat objective by fiscal year

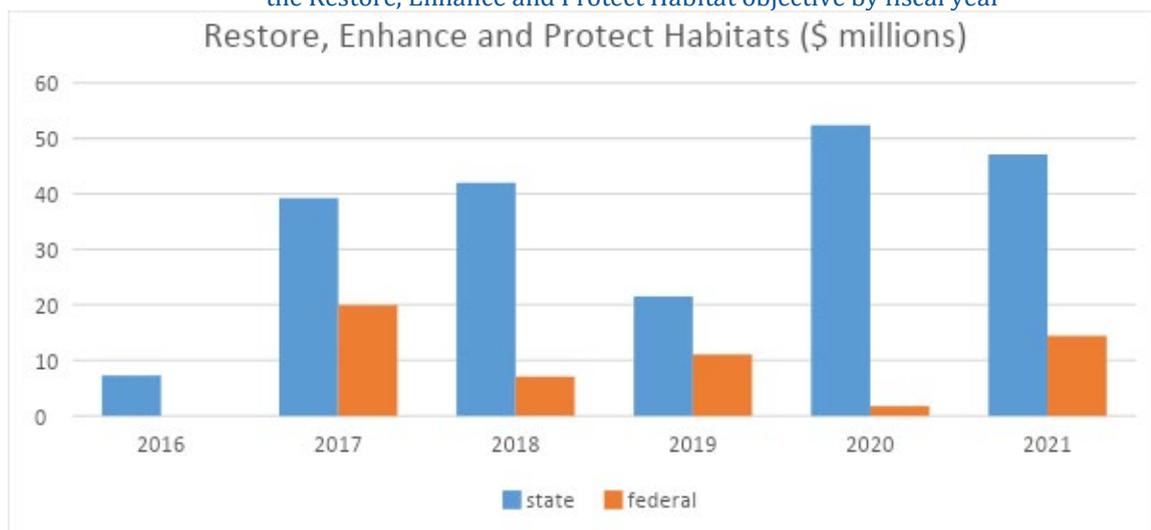
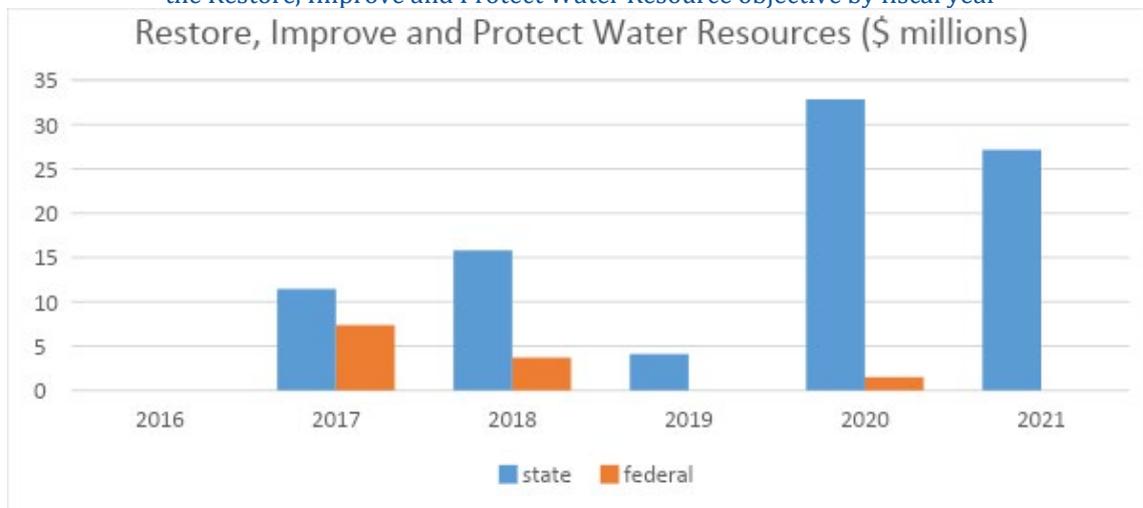


Figure 10: Funding trends for grants and IAA's from Council Selected and Oil Spill Components in support of the Restore, Improve and Protect Water Resource objective by fiscal year



### 3. Summary of Strategies and Resources Used to Achieve Goals

Building on the strong foundation established in the Gulf Coast Ecosystem Restoration Task Force, Gulf of Mexico Regional Ecosystem Restoration Strategy and other local, regional, state, and federal plans, the Council is taking an integrated and coordinated approach to Gulf Coast restoration. As the Council recognizes that ecosystem restoration investments may also improve prosperity and quality of life, this approach strives to both restore the Gulf Coast region's environment and simultaneously revitalize the region's economy. In addition, this approach acknowledges that coordinated action with other partners is crucial to successfully restore and sustain the health of the Gulf Coast region.

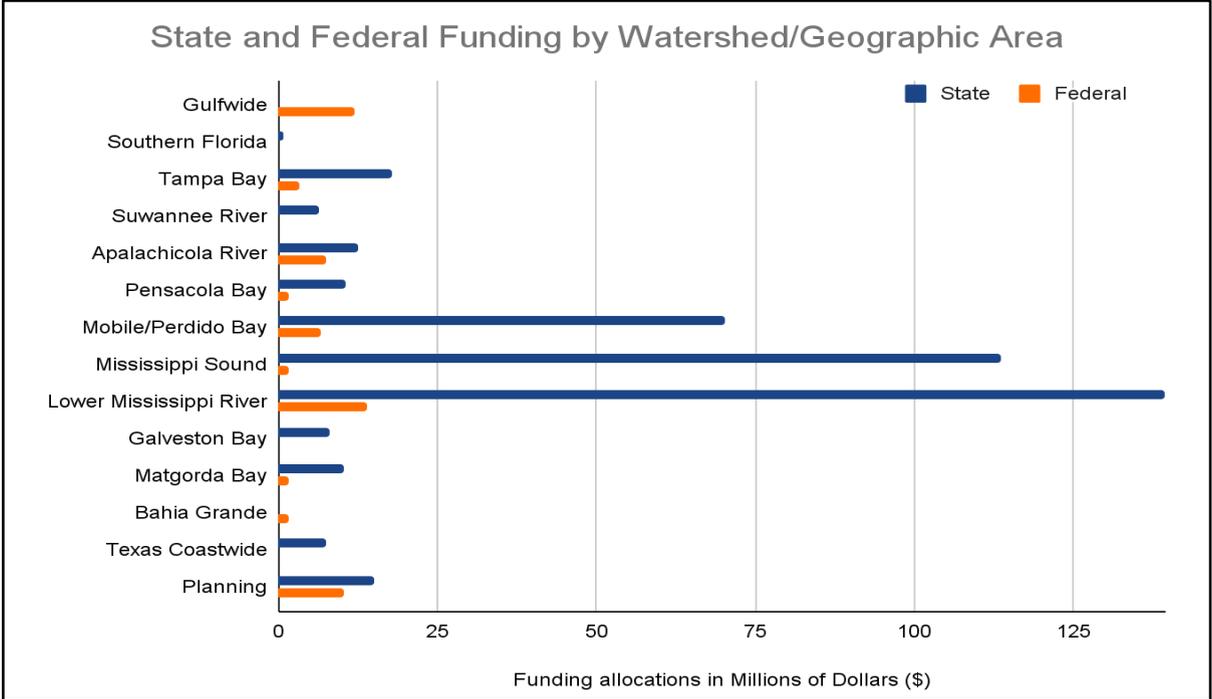
#### a. Regional Ecosystem-based Approaches to Restoration

Ecosystems are subjected to both natural and human alterations that act together as "stressors" and affect natural ecosystem structure and function. The more ecosystems are stressed, the less resilient they may be to even larger, global challenges such as climate change. With its approval of 2021 FPL 3b, the Council has approved funding for several programs that are intended to address large-scale ecosystem stressors that result in water quality impairment, coastal habitat loss and degradation, and coastal resilience challenges.

The use of a watershed/estuary-based approach for comprehensive ecological restoration was captured as a fundamental component of the 2016 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 system that extend beyond coastal watershed boundaries, including private lands in upper watersheds, and marine and offshore habitats. The allocation of funding by Gulf watershed/geographic area are shown in Figure 12. The watersheds/geographic areas that have received the most funding as a total of all funding

sources by both state and federal members, are the Lower Mississippi River (\$153.4M), Mobile Bay (\$113.3M), and Mississippi Sound (\$87.1M) representing 30.0%, 22.2% and 17.1% total funds, respectively.

Figure 11: Distribution of funding for state and federal Council members from the Council-Selected Restoration and Spill Impact Components by watershed or geographic area



The five state members have invested Council-Selected Restoration and Spill Impact Component funds across 11 watershed/geographic areas (Figure 11), as well as non-watershed focused efforts like the Louisiana’s Adaptive Management Program (\$34.6M) and in planning efforts (\$15.2M) through both the Council-Selected Restoration and Spill Impact (Figure 11). The State of Texas has invested primarily in three watersheds (\$295.19M) including Bahia Grande, Matagorda Bay, and Galveston Bay areas. Florida has also provided funding (\$60.455.2M) primarily in the Pensacola Bay, Apalachicola Bay, Suwannee River, and Tampa Bay areas. It should be noted that both Texas and Florida have SEP programs which will allocate future funding throughout their coasts. The watersheds receiving the highest levels of state-based RESTORE funding includes the Lower Mississippi River.

The federal IAA’s (Figure 11) have primarily been in support of a Gulfwide focus (\$34.7 M; 42.0% of federal project funds), the Lower Mississippi River watershed (\$13.9M) and the “Planning” category (\$10.3M) through FPL 2.

**b. Coordinating, Collaborating, and Connecting Gulf Restoration Activities**

Consistent with its Comprehensive Plan commitment, the RESTORE Council is using collaborative and coordination processes to help ensure that Bucket 2 funded projects and programs complement restoration being accomplished through 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 improve Gulf ecosystem conditions and function, representing one of the most substantial investments in landscape-level restoration in U.S. history. The Gulf of Mexico region faces multiple stressors, 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. By working collaboratively among the Council members and with other DWH-related funding sources, as well as working with other federal, state, and philanthropic funds, great progress can be made to increase the resiliency of the Gulf of Mexico ecosystem against these stressors.

#### i. Commitment and Planning Support FPL (2017 CPS FPL)

The Council recognized that meeting its Comprehensive Plan commitments requires resources to support personnel, travel, and logistics necessary for more effective collaboration and planning. A major challenge to Gulfwide ecosystem restoration is coordinating efforts within each state, among Council members, stakeholders, and across the Gulf restoration efforts. In 2018, funding was approved in a second FPL “Funded Priorities List: Comprehensive Plan Commitment and Planning Support” (2017 CPS FPL) to address this challenge. Prior to 2017 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 2017 CPS FPL 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 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.

Under the 2017 CPS FPL, each of the eleven Council members may apply for up to \$500,000 per year for up to three years and up to \$300,000 per year for two years thereafter. This equals up to \$23.1 M, or 1.44% of the total funds available (not including interest) in Bucket 2.

#### ii. Planning Framework

As the Council turned its attention to laying the foundation for the next FPL, members used 2017 CPS FPL funds to work with other Council members, potential funding partners (including other DWH funding sources), stakeholders, and the public to generate project ideas that address known environmental challenges and stressors across the Gulf. Members held meetings throughout the Gulf to discuss ecosystem restoration concepts and potential techniques to address environmental challenges and stressors in various watersheds, estuaries and broader geographic regions. An outcome of these collaborative efforts was the Council’s development of the 2019 Planning Framework. The Planning Framework also

provides a framework to help describe how projects and programs selected for funding under Bucket 2 relate to the Council’s goals and objectives.

iii. **Enhancing Environmental Compliance Efficiency through Interagency Collaboration**

The RESTORE Council is an active member of the Gulf Coast Interagency Environmental Restoration Working Group (GCIERWG), which was formed to help achieve more effective and efficient environmental reviews of Gulf ecosystem restoration projects. Improved environmental reviews should then result in more timely restoration implementation. Formed in recognition of the critical need for increased regulatory collaboration through early and consistent interagency coordination and prioritization of restoration work across funding streams. Further, in FY2020 the GCIERWG was expanded to include state participation from Texas, Louisiana, Mississippi and Florida.

During FY 2021, consultations to support compliance with the Endangered Species Act (ESA) resulted in support for over \$71M in land acquisition work approved in 2020 FPL 3a and proposed in 2021 FPL 3b. Further, ESA consultations in support of Alabama’s Comprehensive Living Shoreline Project were successfully completed by working extensively with Alabama project investigators, federal regulators from the Department of Commerce, NOAA to develop documentation supporting consultation. An innovative “expedited” ESA consultation was successfully pilot-tested significantly reducing the consultation timelines and avoided a “formal” ESA consultation which would have increased the length and complexity of the process, requiring a full ESA Biological Opinion and possibly precluding the ability to fund critical scientific monitoring applicable to this Planning Framework approach.

**c. Science-based Decision Making**

Over its lifetime, the Gulf Coast Ecosystem Restoration Council (RESTORE Council or Council) will invest over \$3 billion dollars in Gulf coast ecosystem and economic restoration activities. These investments will not only advance the Council’s goal of comprehensive Gulf restoration, but also result in diverse scientific and economic data observations which can be used to demonstrate the benefits of Council investments.

i. **Interagency science, monitoring and evaluation collaboration**

The Council recognizes the importance of comprehensive planning for the collection and compilation of consistent data across its funded projects and programs. Comparable data can help enable reporting at the project- and program-specific scale, and will support the Council in making future science-based decisions.

To help facilitate consistency in monitoring and data collection across its activities, the Council approved the [Council Monitoring and Adaptive Management Guidelines](#) in FY2020. These guidelines are intended to broadly describe the roles, responsibilities, communication and authorization pathways, and broad activities that may be needed for the Council to fulfill its monitoring and adaptive management responsibilities. In approving the Council Monitoring and Adaptive Management Guidelines the Council committed to support of the

Council Monitoring and Assessment Work Group (CMAWG). This workgroup, which consists of technical staff members from each Council member agency, was established to help the Council in meeting its commitments to monitoring and adaptive management (MAM), and the use of best available science (BAS). As described in the [CMAWG 2021-2022 Annual Work Plan](#) this group encourages compatibility of monitoring and data management procedures and serves as a forum for the Council to collectively address MAM topics relevant to multiple Council member agencies.

#### ***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. Tropical systems, like Hurricane Laura that hit the western portion of Louisiana and eastern Texas during FY2020 can have a deleterious impact on coastal restoration efforts. Water quality degradation is another environmental issue impacting resilience and sustainability leading to, among many other impacts, one of the world's largest hypoxic regions ("Dead Zone") 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.

The Council's Comprehensive Plan recognizes that healthy ecosystems are essential for thriving and resilient coastal communities. Across the Gulf coast, cultures, economies, and communities are built upon and sustained by natural ecosystems that provide clean water, abundant fisheries, storm protection, and other critical benefits. By restoring and protecting the Gulf environment through investments made in 2021 FPL 3b and other funding decisions, the Council can help communities enhance their ability to recover from natural and man-made disasters and thrive in the face of changing environmental conditions.

#### ***5. Identification of Anticipated and Unaccepted Risks***

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.

There are several strategies that the Council employs to anticipate and prepare for risk with associated mitigation strategies. The Council has completed an Enterprise Risk Assessment, and developed a risk profile that identifies strategic, operational, compliance, financial and reporting risks, assesses their likelihood and impact, and determines 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, which 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 Council is providing a portion of the financial support for the [DWH Project Tracker](#) which provides a comprehensive way to track restoration efforts from a variety of DWH funding sources. Council staff also facilitate a DWH Project Tracker Working Group that aims to increase consistency in the activity data submitted to the DWH Project Tracker by the Council's funding partner. The emphasis and funding provided through the 2017 CPS FPL to support collaboration among the Council members and the other DWH funding streams also specifically addresses this risk.

Further, the Council also approved an updated Proposal Submission Guidelines and Review Process policy document in 2019 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 their proposals for Bucket 2 funding, as well as by Council staff to evaluate the proposals, including consideration of the associated risks.

While many awards are still in development and/or under construction, there is anecdotal information that can be examined that will give some insights to risk to ecosystem restoration efforts resulting from hurricanes. In August 2021, Hurricane Ida hit the Louisiana coast near Port Fourchon as a destructive Category 4 storm. The Council, as well as other entities have funded ecosystem restoration activities in the area impacted by this devastating storm. Post-storm evaluations indicate that many restoration projects sustained only minimal damage. For example, follow up investigations by the Louisiana Coastal Protection and Restoration Authority of the Trinity-East Island barrier island project (funded with *Deepwater Horizon* funds through the NFWF GEBF) found only minimal damage(<https://www.coastalnewstoday.com/post/la-state-officials-announce-completion-of-trinity-east-island-in-terrebonne-parish> ).

#### **a. 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 through the use of common standards and monitoring protocols, and the development of indicators and metrics of restoration and conservation success by project, region, and/or watershed.

To address uncertainties and risk, each proposed activity is evaluated by the following parameters:

- i. 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.
- ii. 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.
- iii. 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.

In FY 2020, the Council implemented an updated BAS review process for 2020 FPL 3a and 2021 FPL 3b ([BAS Review Fact Sheet](#)). A diverse group of expert reviewers was solicited from within the five Gulf states and across the country to review 2020 FPL 3a and 2021 3b proposals. Each proposal was reviewed by three (3) reviewers: In general, one from the Gulf State most directly linked to the proposal; one from the Gulf of Mexico region, and one from outside of the Gulf of Mexico. Once external reviews were completed and summarized, an internal BAS review panel was convened via webinar with representatives from each of the Council's eleven-member agencies present. During the panel, proposal sponsors provided a brief synopsis of their proposal to the panel, a summary of comments made in external reviews, and discussed their proposed response to the external reviews. Council staff then solicited feedback from the panel on the proposal sponsor's presentation of comments and responses to those comments, and any additional BAS concerns. Council staff also solicited feedback on any existing or future synergies with other Gulf restoration activities. The internal science review panel's collaborative review of all proposals offered increased opportunity to identify project interactions, synergies, benefits, and risks. This assisted the Council in selecting projects that will maximize benefits and support a holistic approach to Gulf restoration.

## **b. 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 the Council-Selected Restoration Component. 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, including 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 Council Monitoring and Assessment Work Group (CMAWG) efforts with the NRDA Cross-Technical Implementation Group, and 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.

For the RESTORE Council, the Planning Framework represents another step toward meeting the commitments of improved, transparent, and collaborative planning and decision-making to achieve the vision of the 2016 Comprehensive Plan Update for “A healthy and productive Gulf ecosystem achieved through collaboration on strategic restoration projects and programs.” The priority approaches and associated techniques discussed in this document and their application within certain geographic areas are intended to provide the public and potential funding partners with a better understanding of the context under which projects will be developed as part of FPL 3. The Council views the Planning Framework as a “living document” that will support the Council’s continued efforts to build upon prior restoration investments during the project or program selection process.

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

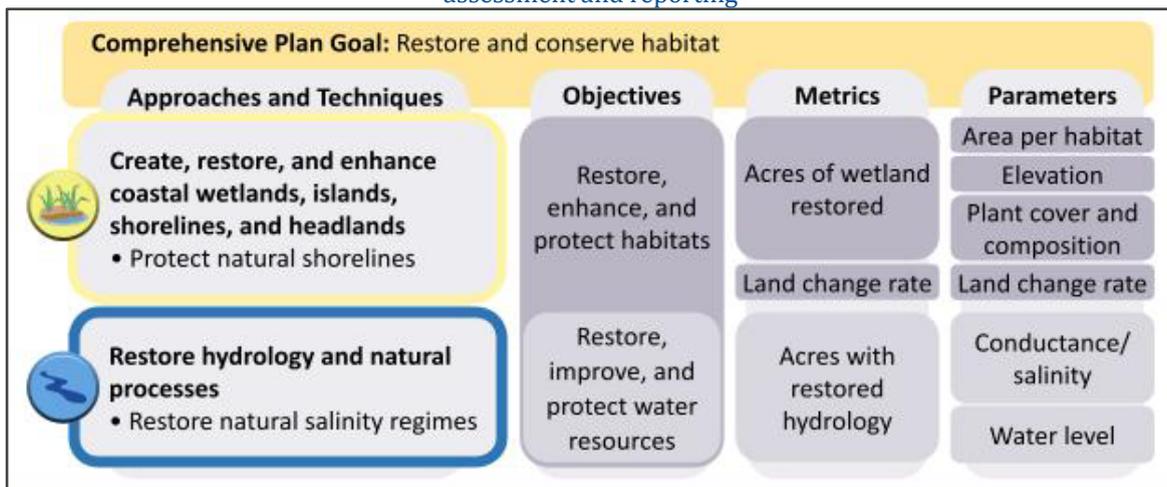
**a. Measuring and delivering results**

In FY 2021, with the assistance of the CMAWG, Council staff completed the process of updating the [Council’s Observational Data Plan Guidance](#). To facilitate consistent data collection and management, RESTORE Council projects/programs are required to develop an Observational Data Plan (ODP) as part of the Council’s financial award process. ODPs are a tool developed for projects and programs administered by the RESTORE Council, and ensure that an activity’s observational data (e.g., monitoring data) is collected and management in such a way that it can be used to:

- Assess if the project was constructed as designed
- Evaluate if the project has achieved, or is on track to achieve, its specific goals and objectives
- Understand why the project has, or has not, performed as anticipated
- Inform potential adaptive management actions to enhance performance
- Improve future projects
- Conduct further analyses

As described in the ODP Guidelines, an ODP should describe how progress will be tracked for each of the selected Council Comprehensive Plan goals and objectives. Using an example project, Figure 12 illustrates how selected objectives would be supported by collecting appropriate observational data (metrics and parameters) that track the project or program benefits. ODPs also help ensure that data will be made accessible to the Council and the public.

Figure 12: Using an example project, this figure illustrates how selected objectives would be supported by collecting appropriate observational data. In the figure, restoration approaches and techniques are aligned on rows with the objectives they are employed to support, and with metrics for tracking benefits to those objectives. Each metric row aligns with one or more parameters for which data will be collected to enable assessment and reporting



#### **b. Data collection and delivery**

In August 2020, the Council Data Governance board conducted an initial assessment of the Council's data practices. The assessment was in accordance with the Federal Government Data Maturity Model. This model was used to rate the Council's data practices in six key areas. These areas are rated on a scale of 1-5 based on progress toward key goals in each area. The results of this assessment provide an indication of areas for potential improvement and will be used to inform the continued development of the Council's data strategies and initiatives.

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 address the need to house scientific programmatic data, the Council deployed the Program Information Platform for Ecosystem Restoration (PIPER) in FY 2020, developed in partnership with the United States Geological Survey. PIPER will support the Council staff with the review of project/program proposals and applications, and track their continued progress toward meeting project/program goals and objectives. Further, 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 the 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. 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) and 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.

#### **9. Annual Performance Report**

The schedule for publishing Annual Performance Reports differs from the schedule for publishing AFRs. For this reason, the MD&A should state when and where the Annual Performance Report will be available.

## **ANALYSIS OF THE FINANCIAL STATEMENTS**

### **Apportionments**

The Council is funded in its entirety by the RESTORE Trust Fund and it serves as an expenditure fund to the Trust Fund. It does not receive appropriated funds, and all funding is Category B mandatory funding. The Council's financial statements reflect the amount of the funds available to and used by the Council. Table 6 below shows the current status of the trust fund components that are managed by the Council: 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 Restoration 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.

The Department of the Treasury issued an Interim Final Rule regarding the investment and use of amounts deposited in the Gulf Coast Restoration Trust Fund. Upon issuance of this Rule, the Council was able to request apportionments for the Council-Selected Restoration Component Funds. The Spill Impact Interim Final Rule published on August 22, 2014, made available an amount of funds less than or equal to the statutory minimum allocation (5% of funds available under the Spill Impact Component) that would be available to a Gulf Coast State or eligible entity for a SEP that funds planning activities only. On December 15, 2015, the Council published the RESTORE Act Spill Impact Component Allocation Final Rule which became effective on April 4, 2016, when the United States Court for the Eastern District of Louisiana entered the Consent Decree. This Rule established the formula for the allocation of Spill Impact Component funds to the States making these funds available for apportionment.

Table 7 shows the Council's trust fund apportionments received in fiscal years 2013-2021. An apportionment is an Office of Management and Budget approved plan on how to spend resources provided by a mandatory appropriation, an annual or supplemental appropriation act, or a continuing resolution as well as other sources of funding such as a Trust Fund. An apportionment contains the amounts available for obligation and expenditure. It also specifies and limits what obligations can be done and what expenditures can be made during specified timeframes, for programs, projects, and activities or any combination of these.

In fiscal year 2021, \$222 million in new apportionment funding was approved. Of this amount, \$148.2 was used in support of Council Selected Administrative and Program Expenses and \$73.6 million was used to fund projects included in State Expenditure Plans as follows: Alabama \$28 million, Florida \$45 million, and Mississippi \$.6 million.

Table 7: Trust Fund Apportionments Received Summary

| Trust Fund Balance (After Sequestration) | Council Selected Administrative Funds (6011) | Council Selected Projects Programs Funds (6012) | Total Comprehensive Plan | Spill Impact (6013)  |
|--|--|---|--------------------------|----------------------|
| <b>TRUST FUND DEPOSITS</b>               | \$21,805,783                                 | \$705,164,673                                   | \$726,970,456            | \$687,618,792        |
| <b>Apportionment FY13</b>                | 360,000                                      | -   | 360,000                  | -                    |
| <b>Apportionment FY14</b>                | 896,214                                      | 1,067,950                                       | 1,964,164                | -                    |
| <b>Apportionment FY15</b>                | 1,241,229                                    | 2,307,158                                       | 3,548,387                | -                    |
| <b>Apportionment FY16</b>                | 1,107,649                                    | 159,711,176                                     | 160,818,825              | 6,400,000            |
| <b>Apportionment FY17</b>                | 1,375,568                                    | 4,078,906                                       | 5,454,474                | 70,800,000           |
| <b>Apportionment FY18</b>                | 1,417,740                                    | 35,155,947                                      | 36,573,687               | 22,300,001           |
| <b>Apportionment FY19</b>                | 1,445,181                                    | 10,034,211                                      | 11,479,392               | 94,310,000           |
| <b>Apportionment FY20</b>                | 1,109,447                                    | 34,277,021                                      | 35,386,468               | 185,726,644          |
| <b>Apportionment FY21</b>                | 1,734,224                                    | 146,472,386                                     | 148,206,610              | 73,623,810           |
| <b>Total Apportioned to the Council</b>  | 10,687,252                                   | 393,104,755                                     | 403,792,007              | 453,160,455          |
| <b>Balance Available in Trust Fund</b>   | <b>\$11,118,531</b>                          | <b>\$312,059,918</b>                            | <b>\$323,178,449</b>     | <b>\$234,458,337</b> |

### Five-Year Operational Costs Summary

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 8 identifies each fiscal year’s new apportionment for operations, recoveries from prior year obligations, current year and total revenue, funded obligations incurred, total cost of operations, and carryforward from prior and current year. Council approval is required for use of carryforward funds if an expense exceeds a certain threshold but has not been included in the approved annual operating budget.

In FY 2021, \$1,064,380 in carryforward funds were used to fund interagency agreements for the annual financial audit, procurement, accounting, budget and payroll services, translation services and GrantSolutions dashboards. In addition, carry-forward funds in the

amount of \$252,410 remaining from the \$1.2 million reserved for the Unified Solution (GrantSolutions and PIPER) to replace the Council’s previous electronic grants management system (the Restoration Assistance and Awards Management System or RAAMS) were carried into fiscal year 2021.

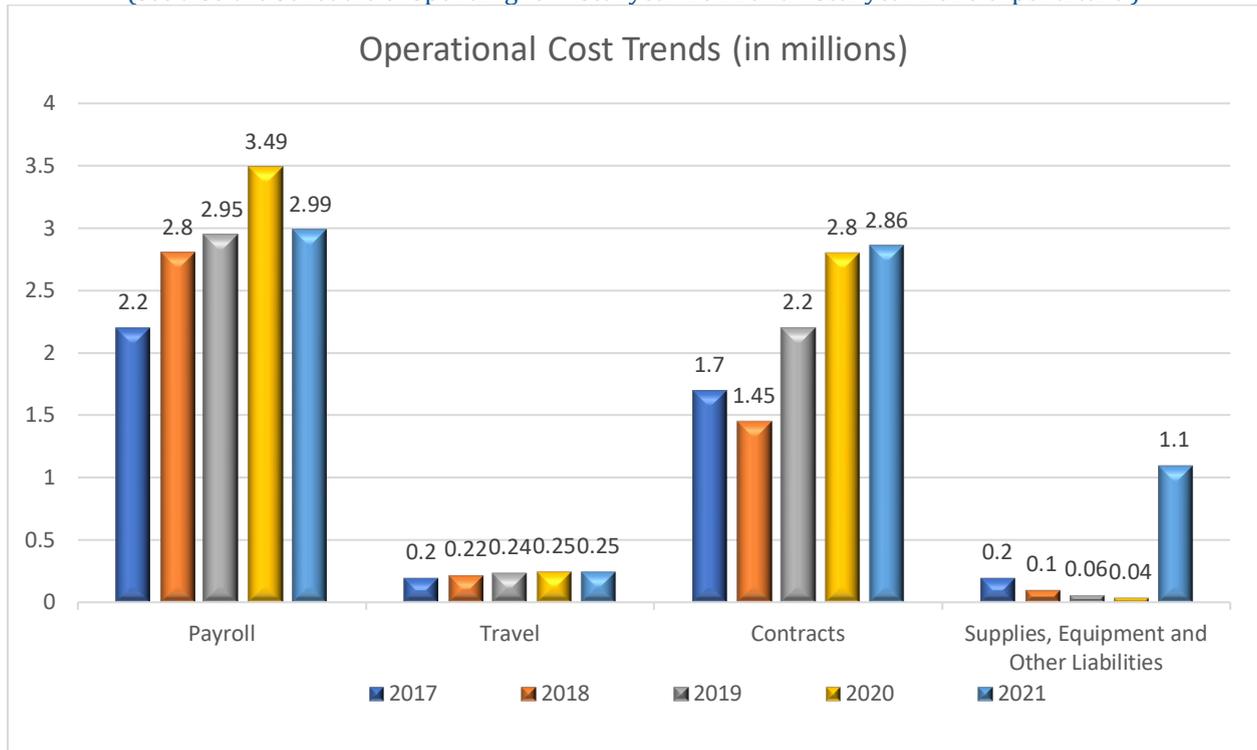
In fiscal year 2022 carryforward is planned to be used for future development of budget and reporting functionality enhancements in GrantSolutions. Excess fiscal year 2021 carry-forward funds will be applied to fiscal year 2022 operational requirements in lieu of requesting new funding from the Trust Fund.

Table 8: Revenue and Operational Cost History (dollars in millions)

| Council Operational Cost History | Carry-forward from PY | New apportionment | Recoveries from PY obligations | Current year trust fund revenue | Total revenue | Funded obligations incurred | Total Cost of Operations | Carry-forward |
|----------------------------------|-----------------------|-------------------|--------------------------------|---------------------------------|---------------|-----------------------------|--------------------------|---------------|
| FY16 Operational Costs           | \$ 922                | \$4.265           | \$ .374                        | \$5.561                         | \$5.738       | \$4.337                     | \$4.514                  | \$1.224       |
| FY17 Operational Costs           | \$ 1.224              | \$ 5.454          | \$ .019                        | \$ 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          | \$ .007                        | \$8.403                         | \$ 8.430      | \$ 6.620                    | \$ 6.780                 | \$ 2.234      |
| FY20 Operational Costs           | \$ 2.234              | \$ 6.381          | \$ .333                        | \$8.948                         | \$8.948       | \$ 7.945                    | \$ 6.990                 | \$2.229       |
| FY21 Operational Costs           | \$ 2.229              | 7.639             | \$ .023                        | \$8.726                         | \$8.726       | \$7.139                     | \$7.707                  | \$1.705       |

## Five Year Operational Cost Trends

Figure 13: Council’s operating expenses (obligations) incurred for fiscal year 2016 – 2021 by cost category (see also the Schedule of Spending for fiscal year 2021 and fiscal year 2020 expenditure.)



In fiscal year 2015 the Council established its New Orleans headquarters office; developed its administrative and programmatic infrastructure; developed and deployed its core administrative systems; implemented its grants, science, and environmental compliance programs; acquired and published its website; and designed its automated grants management system thus establishing its administrative infrastructure. In fiscal year 2016 costs were incurred to complete and deploy the Restoration Assistance and Awards Management System (RAAMS), the Council’s original grants management system.

Operations costs for the Council have consistently increased each year with three primary cost drivers, salaries and benefits costs, travel, and contracts, and agreements for services, to include costs associated with the automated grant system. However, the Council follows an incremental approach to financial management and requests funds for only immediate operational needs.

The Council increases staff commensurate with the maturation of operations. The number of full-time equivalents (FTE) in fiscal year 2016 was 17.7, and by the end of fiscal year 2019, Council staff positions had increased to 23.5 FTE. Higher operating expenses in fiscal year 2020 were the result of a 17% increase in salaries and benefits due to hiring 2 new Grant Specialists and a Program Specialist. In fiscal year 2021, salaries and benefits decreased by 19% due to SES retirement of the Executive Director and CFO, which was offset by

promotions and annual pay increases for staff. Executive Management staff (Director and General Counsel) was augmented by the addition of the Deputy Director and Director of External Affairs. This increase in staff was offset by a corresponding reduction to the Program Staff.

Travel costs increased from fiscal years 2016-2019 commensurate with the increase in staff. However, in fiscal year 2020, travel significantly decreased by 58% due to the Coronavirus epidemic and mandatory travel restrictions for the health and safety of the staff. While travel resumed in FY2021, caution by staff and Council members, as well as increased use of virtual meetings resulted in a 75% decrease in travel.

Contracts and IAA expenses increased by 13% from \$1.4M in fiscal year 2016 to \$2.8M in fiscal year 2019. Increased costs were incurred to complete Council's IT infrastructure including remote access to VPN/MTIPS, cyber security, and 508 compliance support. Other expenses included contracts for best available science reviews, the GOMA Cross-Agency Tracker, and costs for RAAMS hosting, system support and helpdesk support services. In fiscal year 2019, the 33% increase in interagency agreements and contracts was attributable to the development of PIPER and GrantSolutions; the two systems that would replace RAAMS in fiscal year 2020. Contractual services increased by 23% to \$3.4M in fiscal year 2020, largely due to increased personnel and contractor support costs and the transition and implementation of GrantSolutions and PIPER and grant program helpdesk support. Other contractual increases included the biannually funded Senior Environmental Employment Program (SEE) support agreement, and a system upgrade and migration for Web-Based Time and Attendance (WebTA). In FY 2021, Expenses were slightly higher (2%) for contracted services associated with administrative, facilities and information technology. The substantial increase in expenses for IT, printing and shipping equipment and supplies due to Council remotely working from home.

The Council's equipment costs from fiscal years 2016-2019 decreased by 93% in comparison to the initial cost incurred for the grant management system, RAAMS, in fiscal year 2016. The substantial increase in fiscal year 2020 is primarily attributable to PIPER software necessary for the transition from RAAMS to the unified system.

### **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 2042 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 \$48.7 million which is less than the \$49.1 million that will be available for such expenses from the aggregate current and future deposits into the Trust Fund (not including accrued interest).

Table 9 shows the funds deposited as of September 30, 2021, 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 \$737.6 million, including interest, deposited into the Trust Fund for the Comprehensive Plan component, \$726.9 million was made available. Due to sequestration, \$10.7 million was withheld in fiscal year 2021 but these funds will be returned at the start of fiscal year 2022.

Of the \$21.8 million available for administrative expenses, \$11.1 million remains in the trust fund. Overall, 49% of the available administrative funds have been apportioned which equates to 1.5% of the total available trust funds.

Table 9: Three Percent Analysis

| <b>STATUS OF 3% ADMINISTRATIVE EXPENSE FUNDS (as of 09/30/2021)</b>  |                     |
|--|---------------------|
| <b>Trust Funds-Comprehensive Plan</b>                                |                     |
| Amount Available   | \$737,637,937       |
| Sequestration for 2021   | (10,778,489)        |
| Total Amount Available   | 726,859,448         |
| Administrative Expense Funds Available (Total Amount Available x 3%) | 21,805,783          |
| Total Administrative Funds Apportioned through 2021                  | (10,687,252)        |
| Balance of Administrative Funds Remaining in the Trust Fund          | <b>\$11,118,531</b> |

## Projects and Programs

The first FPL for \$156.6 million was approved in fiscal year 2016. Additionally, the first FPL included \$26.4 million in Category 2 projects. At that time 8 FPL Category 2 projects have completed their environmental compliance requirements and had been approved by the Council for funding through a formal vote. By the end of fiscal year 2020, only 8 FPL Category 1 projects totaling \$36.9 million dollars were pending award.

Activity under FPL1 was limited in fiscal year 2020 and consisted of one new grant award, two interagency agreements, and one amendment to add funding. In fiscal year 2018 the Commitment and Planning Support FPL2 was approved and all but two projects awarded in the same year. Since these projects support planning and collaboration, they did not require the longer lead times to develop, nor did they have environmental compliance requirements. In April 2021, FPL 3b was approved by the Council. Currently FPL 3b consists of 20 Category 1 projects totaling \$140.5 million and 9 Category 2 projects totaling \$161.5 million. These projects will address ecosystem needs in Florida, Louisiana, Mississippi, Texas and Alabama, as well as regional and Gulf-wide needs.

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 SEPs were approved, the projects included in the Plans must be fully developed and planning and environmental compliance completed before funding can be awarded.

Each State has discretion as to which projects are developed and for which funding is requested and when they choose to do so. In fiscal year 2020 award activity under the various State Expenditure Plans (SEPs) increased dramatically, with 37 grant awards approved. This increase is largely the result of applications from the State of Alabama, the Gulf Consortium of Florida and Louisiana. Alabama awarded 15 grants totaling \$69 million. In Florida, the Gulf Consortium awarded \$14 million in grants under their SEP for projects while Louisiana awarded their remaining Parish Matching Program grants and added funds to their Adaptive Management Program. Grants were also awarded to Mississippi for Living Shorelines and the Citizen Led Initiative and to Texas for its Nature Based Tourism Program. In April 2021, FPL 3b was approved by the Council. Currently FPL 3b consists of 20 Category 1 projects totaling \$140.5 million and 9 Category 2 projects totaling \$161.5 million. These projects will address ecosystem needs in Florida, Louisiana, Mississippi, Texas and Alabama, as well as regional and Gulf-wide needs.

Table 10 below identifies the project and program funds awarded annually.

Table 10: Projects and Programs Funds Awarded (dollars in millions)

| Projects And Programs | 2016           | 2017            | 2018           | 2019           | 2020            | 2021            | Total to Date   |
|-----------------------|----------------|-----------------|----------------|----------------|-----------------|-----------------|-----------------|
| FPL1                  | \$ 7.71        | \$ 81.65        | \$ 34.26       | \$ 32.49       | \$ 7.44         | \$6.77          | \$ 170.32       |
| FPL2                  | 0              | 0               | 18.73          | 2.10           | 0               | 0               | 20.83           |
| FPL 3a                | 0              | 0               | 0              | 0              | 0               | 0               | 0               |
| FPL 3b                | 0              | 0               | 0              | 0              | 0               | 11.97           | 11.97           |
| SEP                   | 5.49           | 19.76           | 35.60          | 16.56          | 136.96          | 93.22           | 307.59          |
| <b>TOTALS</b>         | <b>\$13.20</b> | <b>\$101.41</b> | <b>\$88.59</b> | <b>\$51.15</b> | <b>\$144.40</b> | <b>\$111.96</b> | <b>\$510.71</b> |

In fiscal year 2020, the Council continued to move forward with its collaborative efforts to develop and evaluate proposals for FPL 3. By utilizing a phased approach with this FPL, the Council is able to better respond to ecosystem needs, take advantage of partnership opportunities and save money in the process. This FPL is divided into two components: FPL 3a and FPL 3b. FPL 3a was voted on and approved in February 2020 and consists of two large-scale projects. The first is the River Reintroduction into Maurepas Swamp in Louisiana for \$130.0 million and the second is the Perdido Riverland Conservation and Habitat Enhancements in Alabama for \$28.0 million. The Maurepas Swamp project is one component of a larger Louisiana Project and is currently a Category 2 project, therefore although the project is included in FPL3a as a category 2 project, funding has not yet been approved by the Council nor apportioned by OMB. \$26.880M of the Perdido project is Category 1 and funds have been apportioned; the remainder is Category 2 funding and requires Council approval before the Council can request an apportionment. The Council continues to make awards for grants and Interagency Agreements. During fiscal year 2021, three Funded Priority List (FPL) 1s, one FPL 3b, and 16 State Expenditure Plans have been awarded.

### Costs Incurred

From fiscal year 2013 through fiscal year 2016, the Council's incurred costs (costs incurred as expenses are realized, and contracts and agreements liquidated) mainly consisted of operational costs such as salaries and benefits, administrative services and expenses, travel, and automated services in support of program and grant activities. Approval of the initial Funded Priority List and (FPL) and State Expenditure Plans (SEPs) took place in fiscal year 2016 and shortly thereafter the first four grant and interagency agreement (IAA) awards were issued. Administrative and programmatic operational expenditures are consistent with annual obligations. Because restoration projects are so diversified and complex, performance of these awards has taken longer causing expenditures to occur at a slower rate, however, as the Table 11 shows, the expenditure rate is steadily increasing. See also the Statement of Net Costs for fiscal years 2021 and 2020 cost incurred.

Table 11: 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           |
|--------------|------------------------|--------------------------------|--|------------------------------------|----------------------|
| 2013-2016    | \$4,231,545            | \$6,490,188                    | \$226,400                              | \$496,553                          | \$11,444,686         |
| 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           |
| 2020         | 1,693,186              | 5,334,158                      | 38,739,098                             | 33,316,966                         | 79,083,408           |
| 2021         | 1,486,794              | 6,257,674                      | 33,303,982                             | 76,937,067                         | 117,985,517          |
| <b>TOTAL</b> | <b>\$11,332,755</b>    | <b>\$30,865,876</b>            | <b>\$128,813,776</b>                   | <b>\$130,348,708</b>               | <b>\$301,361,115</b> |

The cost incurred in fiscal year 2017 reflect the impact of the Texas land acquisitions and in fiscal year 2018, the accrual methodology update.

### **Variance Analyses**

Below are the Council variance analyses of its financial statements for fiscal year 2021 and fiscal year 2020, respectively. The analyses measure the Council financial and operational data between fiscal year 2021 and fiscal year 2020. The analyses provide key data on the Council expenses, revenue, and grants.

### **Assets**

Assets for the Council for fiscal years 2021 and 2020, respectively, are shown in Table 12 below.

As of September 30, 2021, Council total assets were \$701,482,174 an increase of \$179,616,488 or 34.42% over fiscal year 2020.

Table 12: Council Assets

| Council Assets                             | FY 2021              | FY 2020              | Increase/ (Decrease) | % Change      |
|--|----------------------|----------------------|----------------------|---------------|
| Fund Balance with Treasury                 | \$234,171,849        | \$187,374,687        | \$46,797,162         | 24.98%        |
| Expenditure Transfers Receivable and Other | \$466,793,221        | \$334,186,999        | \$132,606,222        | 39.68%        |
| Property, Equipment, and Software, Net     | \$517,104            | \$304,000            | \$213,104            | 70.10%        |
| <b>Assets</b>                              | <b>\$701,482,174</b> | <b>\$521,865,686</b> | <b>\$179,616,488</b> | <b>34.42%</b> |

The Fund balance with the Treasury realized a 24.98 % increase equal to \$46,797,162. The increase is consistent with the change in accrual/cash forecasting methodology. An increasing expenditure rate associated with projects either nearing completion or projects entering into their construction phase impacts the amount of cash drawn from the trust fund since cash drawdowns also anticipate the amount projected to be paid in the upcoming quarter and are planned to maintain a cushion of funds for each program to help prevent emergency drawdowns.

The Expenditure Transfers Receivable saw an increase of 39.68%, equal to \$132,606,222. 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. Funds are apportioned for each FPL in its entirety upon approval by the Council, while the amount of funds apportioned for SEPs are based on recipient-provided estimates of the amount and timing of awards for projects in their SEP.

The balance in the Receivable denotes the maximum amount of cash the Council may draw from the Trust Fund at any time based on the net difference between apportioned amounts and cash drawdowns from the Trust Fund. 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 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 a result of the approval of FPL 3b and the apportionment of funding for planned SEP grant applications/awards by Alabama and Florida as well as the extended period of performance necessary to execute restoration projects.

Property, Equipment, and Software saw an increase of 70.10%, equal to \$213,104 which is the net result of PIPER upgrades to build new work plans and milestone modules.

**Liabilities**

Liabilities for the Council for fiscal year 2021 and fiscal year 2020, respectively, are shown in Table 13.

As of September 30, 2021, Council total liabilities were \$142,006,282, an increase of \$75,699,684 or 114.17% over fiscal year 2020.

Table 13: Total Liabilities

| Council Liabilities | FY 2021       | FY 2020      | Increase/<br>(Decrease) | % Change |
|---------------------|---------------|--------------|-------------------------|----------|
| Accounts Payable    | \$901,641     | \$374,377    | \$527,264               | 140.845% |
| Grant Payable       | \$140,474,276 | \$65,244,264 | \$75,230,012            | 115.315% |

|   |               |              |              |         |
|---|---------------|--------------|--------------|---------|
| <b>Employer Contribution on Payroll Taxes Payable</b> | \$48,634      | \$44,400     | \$4,234      | 9.54%   |
| <b>Other Liabilities</b>                              | \$581,731     | \$643,557    | \$(61,826)   | -9.61%  |
| <b>Total Liabilities</b>                              | \$142,006,282 | \$66,306,598 | \$75,699,684 | 114.17% |

The Council's Accounts Payable consists of outstanding invoices and accruals from both public and federal partners. The increase of \$527,264 is a result of increase payable for several Memoranda of Understanding with federal partners, specifically the Department of Health and Human Services for grant management services, United States Geological Survey for PIPER development and maintenance services, and the Department of Agriculture for Web-TA migration.

The Council Employer Contribution and Other Liabilities 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 Total Liabilities increase in fiscal year 2021 is primarily attributable to an increase in the Grant Payables. The Council grant payables consist of outstanding invoices and accruals from both non-federal grant recipients and federal partners. Intragovernmental Grants Payable decreased due to a change in accrual methodology to be consistent with the policies of the Council's federal partners. Grants payable with the Public reflects the "life to date" accrual methodology used for non-federal grants and is indicative of the fact that large restoration projects realize expenses later in the life cycle of performance.

### Statement of Changes in Net Position

Net Position for the Council for fiscal year 2021 and fiscal year 2020, respectively, are shown in Table 14.

As of September 30, 2021, the Council's Net Position was \$559,475,892 an increase of \$103,916,803 or 23%, from fiscal year 2020.

Table 14: Net Position

| <b>Net Position</b> | <b>FY 2021</b> | <b>FY 2020</b> | <b>Increase/<br/>Decrease</b> | <b>% Change</b> |
|---------------------|----------------|----------------|-------------------------------|-----------------|
| Net Position        | \$559,475,892  | \$455,559,089  | \$103,916,803                 | 23%             |

The Council Cumulative Results of Operations is the net difference between expenses and financing sources since the inception of Council activities, including apportionments (financing sources), 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 2021 funding was requested for anticipated new activity

in the Spill Impact Component after the approval of the final two 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 and a lower net cost, thus generating a significant increase in Net Position. Since this was recorded on the proprietary accounts, it is shown as an off-setting increase and decrease to Budgetary Financing Sources and Non-Exchange Financing Sources.

**Net Cost**

Net Cost for the Council fiscal years 2021 and 2020, respectively, are shown in the table below.

As of September 30, 2021, the Council’s Net Cost was \$117,948,017, an increase of \$38,902,109 or 49.21%, from fiscal year 2020.

Table 15: Net Cost

| Council Net Cost                               | FY 2021       | FY 2020      | Increase/ (Decrease) | % Change |
|--|---------------|--------------|----------------------|----------|
| Comprehensive Plan-Administrative Expense      | \$1,486,794   | \$1,693,186  | \$(206,392)          | -12.19%  |
| Comprehensive Plan-Program Expense - Net       | \$6,220,174   | \$5,296,658  | \$923,516            | 17.44%   |
| Comprehensive Plan-Projects & Program (Grants) | \$33,303,982  | \$38,739,098 | \$(5,435,116)        | -14.03%  |
| Spill Impact-State Expenditure Plan (Grants)   | \$76,937,067  | \$33,316,966 | \$43,620,101         | 130.92%  |
| Net Cost                                       | \$117,948,017 | \$79,045,908 | \$38,902,109         | 49.21%   |

The table above presents the expenses incurred for the Comprehensive Plan Administrative, Programmatic, and Projects and Programs expenses, and Spill Impact Program expenses. Expenses are recorded as grants and IAAs are liquidated or accruals posted. Operating costs are flattening as the Council has reached maturation in its operations. The increases for the Comprehensive Plan-Projects and Programs and Spill Impact-State Expenditure Plan reflect that many FPL1 projects are well underway, and some are nearing completion and thus liquidating their obligations and recording expenses. As the dollar amount of obligations and the subsequent liquidation of these obligations continues to rise with the increasing number of SEP awards and the award of FPLs 3a and FPL3b, Net Costs will continue to increase.

**Budgetary Resources Analysis**

Budgetary Resources for the Council fiscal years 2021 and 2020, respectively are shown in the table below. As of September 30, 2021, the Council’s Budgetary Resources were \$427,336,867, an increase of \$71,253,082 or 20%, from fiscal year 2020.

Table 16: Budgetary Resources

| <b>The Council Budgetary Resources</b>                                    | <b>FY 2021</b>       | <b>FY 2020</b>       | <b>Increase/Decrease</b> | <b>% Change</b> |
|---|----------------------|----------------------|--------------------------|-----------------|
| Unobligated Balance Brought Forward, Oct 1                                | \$203,735,582        | \$133,996,847        | \$69,738,735             | 52.05%          |
| Recoveries of Prior Year Unpaid Obligations                               | \$1,770,358          | \$942,943            | \$827,415                | 87.75%          |
| New Spending Authority (from offsetting collections, e.g. the Trust Fund) | \$221,830,420        | \$221,143,111        | \$687,309                | 0.31%           |
| Other changes in unobligated balance                                      | 507                  | 884                  | -377                     | -42.65%         |
| <b>Total Budgetary Resources</b>  | <b>\$427,336,867</b> | <b>\$356,083,785</b> | <b>\$71,253,082</b>      | <b>20.01%</b>   |
| Obligations Incurred  | \$120,815,941        | \$152,347,969        | \$(31,532,028)           | -20.70%         |
| <b>Total Unobligated Balance, end of year</b>                             | <b>\$306,520,926</b> | <b>203,735,816</b>   | <b>\$102,785,110</b>     | <b>50.45%</b>   |

The increase in budgetary resources is attributable to the Council’s apportionment for new spending authority for the Spill Impact Component for Alabama, Florida, Louisiana and Mississippi and FPL 3a. Alabama projected funding requirements for all of the funding available in the Trust Fund while The Florida Consortium estimated funding requirements for approximately a two-to-three-year period. Louisiana requested funding to increase its Adaptive Management Program and to award its Parish Matching projects. Mississippi requested funds for Beneficial Use of Dredge Materials, Beachfront Resilience and Living Shoreline extension, among others but many of these grants have not yet been applied for or approved and a number of projects for which funding was requested in prior years are still pending. However, Obligations Incurred does reflect the fact that the amount of new grant awards is increasing significantly - almost tripling in fiscal year 2021.

**Forward-Looking Information**

In the 2015 Initial FPL, the Council organized its investments around ten watersheds/estuaries across the Gulf to concentrate and leverage available funds to address critical ecosystem needs in high priority locations. In the 2016 Comprehensive Plan Update, the Council increased its commitments to transparent decision-making using a collaborative approach to approving its next set of projects. The 2017 Commitment and Planning Support FPL provided the funds to support meeting those commitments. Building on this concept, the Council released the 2018 Planning Framework to increase transparency and predictability for the public and potential funding partners regarding the Council’s restoration priorities. The Planning Framework serves as a “bridge” between the Council’s overarching goals and objectives identified in the Comprehensive Plan and the specific restoration projects and programs approved in future FPLs. It was through this collaborative process that the Council recognized that developing FPL 3 in two phases would enable the Council to fund projects requiring near-term attention and take advantage of important partnership opportunities to advance large-scale ecosystem restoration. The first phase,

the 2020 FPL 3a, was approved by the Council in February 2020. The second phase, the 2021 FPL 3b, was approved in April 2021.

### **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, 2021, 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 implemented strong 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 12, 2021**

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 2021 Statement on Standards for Attestation Engagements (SSAE) Number 18, Attestation Standards; Clarification and Recodification-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 2021.

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 2020 actual column of the Program and Financing Schedules reported in the fiscal year 2021 Budget of the U. S. Government. Such information is supported by the related financial records and related data.

In fiscal year 2021, 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 2021, 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, 2021, 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 follow the requirements and deadlines of OMB Circular A-123.

/S/ original signed

Mary S. Walker

Executive Director

Gulf Coast Ecosystem Restoration Council

## **FINANCIAL SECTION**

### **MESSAGE FROM THE CHIEF FINANCIAL OFFICER**

**November 12, 2021**

I am pleased to present our financial statements for fiscal year 2021. 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 12, 2021, resulted in an unmodified (or “clean”) opinion.

In fiscal year 2021, 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  
Vanessa C. Taylor  
Chief Financial Officer

**Pages 65 - 70 have been moved to the front of this report prior to Section II:  
For the Transmittal Letter to the Chairperson see pages E - F, and  
For the Independent Auditors' Report see pages I - K.**

**GULF COAST ECOSYSTEM RESTORATION COUNCIL  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2021 AND 2020**

**GULF COAST ECOSYSTEM RESTORATION COUNCIL  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2021 AND 2020**

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**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2021, AND 2020**  
**(In Dollars)**

|   | 2021                 | 2020                  |
|---|----------------------|-----------------------|
| <b>Assets:</b>  |                      |                       |
| Intragovernmental   |                      |                       |
| Fund Balance with Treasury (Note 2)                                 | \$234,171,849        | \$ 187,374,687        |
| Expenditure Transfers Receivable (Note 3)                           | 466,793,221          | 334,185,809           |
| Other   | -                    | 1,190                 |
| Total Intragovernmental   | 700,965,070          | 521,561,686           |
| Property, Equipment, and Software, Net (Note 4)                     | 517,104              | 304,000               |
| <b>Total Assets</b>   | <b>\$701,482,174</b> | <b>\$ 521,865,686</b> |
| <b>Stewardship PP&amp;E</b>   |                      |                       |
| <b>Liabilities:</b>   |                      |                       |
| Intragovernmental   |                      |                       |
| Accounts Payable (Note 5)   | \$584,056            | \$ 162,508            |
| Grants Payable (Note 6)   | 11,286,899           | 2,188,401             |
| Other Liabilities (Note 5)  | 48,634               | 44,400                |
| Total Intragovernmental   | 11,919,589           | 2,395,309             |
| With the Public   |                      |                       |
| Accounts Payable (Note 5)   | \$317,585            | \$ 211,869            |
| Grants Payable (Note 6)   | 129,187,377          | 63,055,863            |
| Other Liabilities (Note 5)  | 581,731              | 643,557               |
| Total Liabilities With the Public                                   | 130,086,693          | 63,911,289            |
| <b>Total Liabilities</b>  | <b>\$142,006,282</b> | <b>\$ 66,306,598</b>  |
| <b>Commitments and Contingencies</b>                                |                      |                       |
| <b>Net Position:</b>  |                      |                       |
| Cumulative Results of Operations - Funds from Dedicated Collections | 559,475,892          | 455,559,089           |
| Total Net Position  | \$559,475,892        | \$ 455,559,089        |
| <b>Total Liabilities and Net Position</b>                           | <b>\$701,482,174</b> | <b>\$ 521,865,686</b> |

**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**STATEMENT OF NET COST**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(In Dollars)**

|   | 2021           | 2020          |
|---|----------------|---------------|
| <b>Program Costs:</b>   |                |               |
| Council-Selected Restoration - Administrative Expenses:         |                |               |
| Gross Costs   | \$ 1,486,794   | \$ 1,693,186  |
| Less: Earned Revenue  | -              | -             |
| Net Council-Selected Restoration - Administration Expenses      | \$ 1,486,794   | \$ 1,693,186  |
| Council-Selected Restoration- Programmatic Expense:             |                |               |
| Gross Costs   | \$ 6,257,674   | \$ 5,334,158  |
| Less: Earned Revenue  | (37,500)       | (37,500)      |
| Net Council-Selected Restoration Programmatic Expenses          | \$6,220,174    | \$ 5,296,658  |
| Council-Selected Restoration Projects and Programs (grants)     |                |               |
| Gross Costs   | \$33,303,982   | \$ 38,739,098 |
| Less: Earned Revenue  | -              | -             |
| Net Council Selected Restoration Projects and Programs (grants) | \$ 33,303,982  | 38,739,098    |
| Total Net Council-Selected Restoration Program and Grant Costs  | \$ 39,524,156  | \$ 44,035,756 |
| Spill Impact - State Expenditure Plan (grants)                  |                |               |
| Gross Costs   | \$ 76,937,067  | \$ 33,316,966 |
| Less: Earned Revenue  | -              | -             |
| Net Spill Impact Costs (grants)                                 | \$ 76,937,067  | \$ 33,316,966 |
| Net Cost of Operations (Note 11)                                | \$ 117,948,017 | \$ 79,045,908 |

**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(In Dollars)**

|  | 2021           | 2020           |
|--|----------------|----------------|
| <b>Cumulative Results of Operations:</b>       |                |                |
| Beginning Balances                             | 455,559,089    | \$ 313,331,617 |
| Adjustments                                    |                |                |
| Beginning Balances, as Adjusted                | 455,559,089    | 313,331,617    |
| <b>Budgetary Financing Sources:</b>            |                |                |
| Transfers In/Out Without Reimbursement         | \$ 221,689,412 | \$221,113,111  |
| Other  | -              | (113,726)      |
| <b>Other Financing Sources (Non-Exchange):</b> |                |                |
| Imputed Financing Sources (Note 8)             | \$ 175,408     | \$160,269      |
| Other  | -              | 113,726        |
| Total Financing Sources                        | 221,864,820    | 221,273,380    |
| Net Cost of Operations                         | (117,948,017)  | (79,045,908)   |
| Net Change                                     | 103,916,803    | 142,227,471    |
| Cumulative Results of Operations               | \$ 559,475,892 | \$ 455,559,089 |
| Net Position                                   | \$559,475,892  | \$ 455,559,089 |

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

**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020  
(In Dollars)**

|   | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| <b>Budgetary Resources:</b>   |                       |                       |
| Unobligated Balance Brought Forward, October 1                        | \$ 203,735,582        | \$ 133,996,847        |
| Adjustment to Unobligated Balance Brought Forward, October 1          | -                     | -                     |
| Unobligated Balance Brought Forward, October 1, as adjusted           | 203,735,582           | 133,996,847           |
| Recoveries of Prior Year Unpaid Obligations                           | 1,770,358             | 942,943               |
| Other changes in unobligated balance                                  | 507                   | 884                   |
| Unobligated balance from prior year budget authority, net             | 205,506,447           | 134,940,674           |
| Spending authority from offsetting collections                        | 221,830,420           | 221,143,111           |
| <b>Total Budgetary Resources</b>                                      | <b>\$ 427,336,867</b> | <b>\$356,083,785</b>  |
| <b>Status of Budgetary Resources:</b>                                 |                       |                       |
| New obligations and upward adjustments (total)                        | \$ 120,815,941        | \$ 152,347,969        |
| Unobligated balance, end of year:                                     |                       |                       |
| Apportioned, unexpired accounts                                       | 304,772,811           | 203,732,350           |
| Unapportioned, unexpired accounts                                     | 1,748,115             | 3,466                 |
| Total unobligated balance, end of year                                | 306,520,926           | 203,735,816           |
| <b>Total Budgetary Resources</b>                                      | <b>\$ 427,336,867</b> | <b>\$ 356,083,785</b> |
| <b>Change in Obligated Balance</b>                                    |                       |                       |
| <b>Unpaid Obligations:</b>  |                       |                       |
| Unpaid Obligations, Brought Forward, October 1                        | \$ 317,824,915        | \$ 201,028,788        |
| Obligations Incurred  | 120,815,941           | 152,347,969           |
| Outlays (gross)   | (42,426,353)          | (34,609,134)          |
| Recoveries of Prior Year Unpaid                                       | (1,770,358)           | (942,943)             |
| Unpaid obligations, end of year                                       | 394,444,145           | 317,824,680           |
| <b>Uncollected payments:</b>  |                       |                       |
| Uncollected payments from Federal sources, brought forward, October 1 | (334,185,809)         | (245,172,698)         |
| Change in uncollected payments from Federal Sources                   | (132,607,412)         | (89,013,111)          |
| Uncollected payments from Federal sources, end of year                | (466,793,221)         | (334,185,809)         |
| <b>Memorandum entries:</b>  |                       |                       |
| Obligated balance, start of year                                      | (16,360,894)          | \$ (44,143,910)       |
| Obligated balance, start of year, as adjusted                         | (16,360,894)          | (44,143,910)          |
| Obligated balance, end of year  | (72,349,076)          | \$ (16,361,129)       |
| <b>Outlays, Net and Disbursements, Net:</b>                           |                       |                       |
| Budget authority, gross   | \$ 221,830,420        | \$ 221,143,111        |
| Actual offsetting collections   | (89,223,515)          | (132,130,884)         |
| Change in uncollected payments from Federal sources                   | (132,607,412)         | (89,013,111)          |
| Recoveries of prior year paid obligations                             | 507                   | 884                   |
| Budget Authority, net, (total)  | -                     | -                     |
| Outlays, gross  | \$42,426,353          | \$ 34,609,134         |
| Actual offsetting collections   | (89,223,515)          | (132,130,884)         |
| Outlays, net, (total)   | (46,797,162)          | (97,521,750)          |
| Agency outlays, net   | (46,797,162)          | (97,521,750)          |
| Disbursements net, (total) Mandatory)                                 | \$(46,797,162)        | \$ (97,521,750)       |

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **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.

Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. Fiduciary cash and other assets are not assets of the Federal Government.

#### **B. 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.

**C. 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.

**D. 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.

**E. 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:

Table 17: The Useful life classifications for capitalized assets

| Description | Useful Life (years) |
|-------------|---------------------|
| Software    | 5                   |
| Equipment   | 5                   |

**F. 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.

**G. 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.

**H. Funds from Dedicated Collections**

The RESTORE Act of 2012 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, 60% 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.

**I. 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 2021 and 2020 to the extent directed by accounting standards.

**NOTE 2. FUND BALANCE WITH TREASURY**

Fund Balance with Treasury account balances as of September 30, 2021 and 2020 were as follows:

| <b>FUND BALANCE WITH TREASURY (CASH)</b> |             |             |
|--|-------------|-------------|
| <b>ACCOUNT BALANCES</b>                  |             |             |
|  | <b>2021</b> | <b>2020</b> |
| <b>Fund Balances (General Fund):</b>     |             |             |
| Comprehensive Plan – Administrative Cost | \$ 604,060  | \$ 740,688  |
| Comprehensive Plan – Program Cost        |             |             |
| Programmatic Expense                     | 1,670,266   | 1,882,439   |
| Projects and Programs (grants)           | 82,769,004  | 87,061,745  |
| Spill Impact (grants)                    | 149,128,519 | 97,689,815  |

**FUND BALANCE WITH TREASURY (CASH)**

|       |                |                |
|-------|----------------|----------------|
| Total | \$ 234,171,849 | \$ 187,374,687 |
|-------|----------------|----------------|

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**

|  | 2021                  | 2020                  |
|--|-----------------------|-----------------------|
| <b>Status of Fund Balance with Treasury:</b>           |                       |                       |
| Unobligated Balance                                    | \$ 304,772,811        | \$ 203,732,115        |
| Available  | 1,748,115             | 3,466                 |
| Unavailable  |                       |                       |
| Unpaid Obligations, End of Year                        | 394,444,145           | 317,824,915           |
| Uncollected Payments from Federal Sources, End of Year | (466,793,221)         | (334,185,809)         |
| <b>Total</b>   | <b>\$ 234,171,849</b> | <b>\$ 187,374,687</b> |

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 3. 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**

|   | 2021                 | 2020                 |
|---|----------------------|----------------------|
| Funds Apportioned                               | \$221,830,420        | \$221,143,111        |
| Funds Received                                  | (89,223,008)         | (132,130,000)        |
| Prior Year Receivable Carry Forward             | 334,185,809          | 245,172,698          |
| <b>Balance Expenditure Transfers Receivable</b> | <b>\$466,793,221</b> | <b>\$334,185,809</b> |

**NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE**

Schedule of Property, Equipment, and Software as of September 30, 2021 and 2020.

**PROPERTY, EQUIPMENT, AND SOFTWARE**

| MAJOR CLASS | 2021 | 2020 |
|-------------|------|------|
|-------------|------|------|

| PROPERTY, EQUIPMENT, AND SOFTWARE       |                  |                  |
|---|------------------|------------------|
| Internal-Use Software                   | \$304,000        |                  |
| Internal-Use Software<br>In Development | 273,904          | \$304,000        |
| Acquisition Cost                        | 577,904          | \$304,000        |
| Accumulated Depreciation                | 60,800           | N/A              |
| <b>TOTAL</b>                            | <b>\$517,104</b> | <b>\$304,000</b> |

#### NOTE 5. OTHER LIABILITIES

Other Liabilities as of September 30, 2021, and 2020 were as follows:

| OTHER LIABILITIES   |                  |                  |
|---|------------------|------------------|
|   | 2021             | 2020             |
| Intragovernmental   |                  |                  |
| Employer Contributions and Payroll Taxes Payable          | \$48,634         | 44,400           |
| Total Intragovernmental Other Liabilities                 | 48,634           | 44,400           |
| With the Public   |                  |                  |
| Employer Contributions and Payroll Taxes Payable          | 7,686            | 6,943            |
| Accrued Funded Payroll and Leave                          | 574,045          | 636,614          |
| Total with the Public Intergovernmental Other Liabilities | 581,731          | 643,557          |
| <b>Total Other Liabilities</b>                            | <b>\$630,365</b> | <b>\$687,957</b> |

#### NOTE 6. GRANTS PAYABLE

Grants Payable as of September 30, 2021 , and 2020 were as follows:

| GRANTS PAYABLE                   |               |              |
|----------------------------------|---------------|--------------|
|                                  | 2021          | 2020         |
| Intragovernmental Grants Payable | \$ 11,286,899 | \$ 2,188,401 |
| Grants Payable with the Public   | 129,187,377   | 63,055,863   |
| Total Grants Payable             | \$140,474,276 | \$65,244,264 |

#### NOTE 7. 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                   |             |            |
|---|-------------|------------|
|   | 2021        | 2020       |
| Intragovernmental Costs                   | 23,652,668  | 10,096,354 |
| Public Costs                              | 94,332,849  | 68,987,054 |
| Total Costs                               | 117,985,517 | 79,083,408 |
| Total Intragovernmental Earned<br>Revenue | (37,500)    | (37,500)   |

**INTRAGOVERNMENTAL COSTS**

|                |             |              |
|----------------|-------------|--------------|
| Total Net Cost | 117,948,017 | \$79,045,908 |
|----------------|-------------|--------------|

**NOTE 8. IMPUTED COSTS**

The Council received support totaling \$175,408 in fiscal year 2021 and \$160,269 in fiscal year 2020. The table that follows identifies the level of support provided by agency/organization.

**IMPUTED COSTS**

|                                | 2021           | 2020             |
|--------------------------------|----------------|------------------|
| Office of Personnel Management | \$175,408      | \$160,269        |
| <b>Total</b>                   | <b>175,408</b> | <b>\$160,269</b> |

**NOTE 9. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT**

The 2021 Budget of the United States Government, with the "Actual" column completed for 2020, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

**NOTE 10. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

For the periods ended September 30, 2021, and 2020, budgetary resources obligated for undelivered orders amounted to \$1,021,863 and \$72,451,430 respectively.

**NOTE 11. RECONCILIATION OF NET COST TO NET OUTLAYS**

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

**RECONCILIATION OF NET COST TO NET OUTLAYS**

|  | Intra<br>governmental | With the Public     | Total                |
|--|-----------------------|---------------------|----------------------|
| <b>Net Operating Cost (SNC):</b>   | <b>23,888,618</b>     | <b>94,059,399</b>   | <b>117,948,017</b>   |
| <b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>    |                       |                     |                      |
| Property, plant, and equipment depreciation                                  | -                     | (60,800)            | (60,800)             |
| Property, plant, and equipment disposal & reevaluation                       | -                     | -                   | -                    |
| <b>Increase/(decrease) in assets:</b>  |                       |                     |                      |
| Accounts receivable  | 132,607,412           | -                   | 132,607,412          |
| Other assets   | (1,190)               | -                   | (1,190)              |
| <b>(Increase)/decrease in liabilities not affecting Budget Outlays:</b>      |                       |                     |                      |
| Accounts payable   | (421,548)             | (105,716)           | (527,264)            |
| Salaries and benefits  | (4,234)               | 61,826              | 57,592               |
| Other liabilities  | (9,098,498)           | (66,131,514)        | (75,230,012)         |
| <b>Other financing sources:</b>  |                       |                     |                      |
| Federal employee retirement benefit costs                                    | (175,408)             |                     | (175,408)            |
| Transfers out (in) without reimbursement                                     | (221,689,412)         |                     | (221,689,412)        |
| Other imputed finance  |                       |                     |                      |
| <b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b> | <b>(98,782,878)</b>   | <b>(66,236,204)</b> | <b>81</b>            |
|  |                       |                     | <b>(165,019,082)</b> |

|  |                     |                   |                     |
|--|---------------------|-------------------|---------------------|
| Acquisition of capital assets  | 273,904             | -                 | 273,904             |
| <b>Total Components of the Budget Outlays Not Part of Net Operating Cost</b> | 273,904             | -                 | 273,904             |
| <b>Net Outlays (Calculated Total)</b>  | <b>(74,620,356)</b> | <b>27,823,195</b> | <b>(46,797,161)</b> |
| <b>Related Amounts on the Statement of Budgetary Resources</b>               |                     |                   |                     |
| Outlays, net, (total) (SBR 4190)   |                     |                   | <b>(46,797,161)</b> |
| <b>Outlays, Net (SBR 4210)</b>   |                     |                   | <b>(46,797,161)</b> |

**NOTE 12. 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 seventh year of occupancy effective October 1, 2020. 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**

| <b>GULF COAST ECOSYSTEM RESTORATION COUNCIL</b><br><b>SCHEDULE OF SPENDING</b><br><b>FOR THE YEARS ENDED SEPTEMBER 30, 2021 &amp; 2020</b><br><b>(In Dollars)</b> |                       |                       |
|---|-----------------------|-----------------------|
|   | 2021                  | 2020                  |
| <b>What Money is Available to Spend?</b>  |                       |                       |
| Total Resources   | \$ 427,336,867        | \$ 356,083,785        |
| Less Amount Not Agreed to be Spent  | (304,772,812)         | (203,732,350)         |
| Less Amount Not Available to be Spent   | (1,748,115)           | (3,466)               |
| <b>Total Amounts Agreed to be Spent</b>   | <b>\$ 120,815,940</b> | <b>\$ 152,347,969</b> |
| <b>How was the Money Spent?</b>   |                       |                       |
| Personnel Compensation  | \$ 2,996,847          | \$ 3,160,393          |
| Personnel Benefits  | 1,052,652             | 1,027,536             |
| Travel and transportation of persons  | 25,163                | 118,989               |
| Transportation of things  | 958                   | 1,624                 |
| Rent, Communications, and Utilities   | 61,155                | 7,340                 |
| Printing and reproduction   | 0                     | 4,600                 |
| Other contractual services  | 2,866,177             | 3,415,284             |
| Supplies and materials  | 5,530                 | 5,069                 |
| Equipment   | 130,816               | 204,480               |
| Grants, subsidies and contributions   | 113,676,643           | 144,402,654           |
| <b>Total Amounts Agreed to be Spent</b>   | <b>\$ 120,815,941</b> | <b>\$ 152,347,969</b> |
| <b>Who did the Money go to?</b>   |                       |                       |
| Federal   | \$ 17,530,366         | \$ 8,173,685          |
| Non-Federal   | 103,285,574           | 144,174,284           |
| <b>Total Amounts Agreed to be Spent</b>   | <b>\$ 120,815,940</b> | <b>\$ 152,347,969</b> |

In fiscal year 2021, the Council received a total of \$89,082 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 2021, the Council received a total of \$221,830,420 in new authority, carried forward \$203,735,582 fiscal year 2020, and obligated \$120,815,940 in total. This Funding covered salary and benefits costs for 23 FTE. IAAs 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 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 2022 Management and Performance Challenges (OIG-CA-22-001) Report and the Council’s response are as follows:



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D. C. 20220

October 8, 2021

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

Re: 2022 Management and Performance Challenges (OIG-CA-22-001)

Dear Chairperson Regan:

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 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). Since my prior year letter, organizations continue to accomplish their missions after more than a year of navigating through the Coronavirus 2019 Disease (COVID-19) pandemic. Public health measures to combat COVID-19 such as working remotely have been in practice by Council staff for some time. While the Council's operating environment may not have been adversely affected by the COVID-19 pandemic as of this writing, we acknowledge that addressing the following challenges may be difficult given the numerous organizations that the Council interacts with to accomplish its work. Going into fiscal year 2022, we continue to report the following three challenges that were noted in prior year:

- Loss of Key Leadership Over Administration of Gulf Coast Restoration Activities (repeat challenge)
- Federal Statutory and Regulatory Compliance (repeat challenge)
- Grant and Interagency Agreement Compliance Monitoring (repeat challenge)

Although challenges exist, I would like to acknowledge some noteworthy accomplishments since my last letter. This includes the successful outcome of the Council's fourth evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA).<sup>1, 2</sup>

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<sup>1</sup> Public Law 113-283 (December 18, 2014).

<sup>2</sup> OIG, *Information Technology: The Gulf Cost Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2020*, (OIG-CA-21-003; October 26, 2020).

The Council's information systems security program and practices were assessed as effective for the period July 1, 2019, through June 30, 2020. Also, for the seventh year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.<sup>3</sup>

We also commend the Council for transitioning from the Restoration Assistance and Award Management System (RAAMS) which lost vendor software support, to a new multi-system solution. To manage award data, the Council transitioned to GrantSolutions, a grant and program management Federal shared service provider under the U.S. Department of Health and Human Services (HHS). Scientific programmatic data was migrated to the Program Information Platform for Ecosystem Restoration (PIPER) developed through a Memorandum of Understanding with the U.S. Geological Survey. Although the Council has transitioned systems from RAAMS, transfer of some documentation supporting Council award decision stored on the Council's shared drive is ongoing. We find that changing technology coupled with organizational changes pose risks to the Council's ongoing achievements 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 2022.

### **Challenge 1: Loss of Key Leadership Over Administration of Gulf Coast Restoration Activities (Repeat)**

As presented in my prior year letter, we continue to report the loss of key leadership and organizational change as inherent risks facing the Council. In fiscal year 2021, two senior officials, the Executive Director and the Chief Financial Officer (CFO), retired effective December 2020 and January 2021, respectively. The now-retired CFO was an individual who was part of the stand-up of the Council's operations since fiscal year 2013. These positions are critical to the Council's success. Furthermore, these retirements came at a time when the Council is building functionality of the new grants management systems. Fortunately, these important positions were filled timely with a new Executive Director in January 2021 and new CFO in February 2021. The CFO position was filled by an individual with more than 30 years of federal financial management experience who has been with the Council since fiscal year 2015 and who previously served as the Financial Manager, working closely with the prior CFO. The Executive Director position was filled by an existing Senior Executive Service (SES) member who previously served as Regional Administrator for the U.S. Environmental Protection Agency's (EPA) Region 4.<sup>4</sup> Although the Council has filled these two leadership positions, inherent risks remain that could impact the Council's operations and the Gulf Coast restoration activities. Specifically, there is operational risk from the loss of institutional knowledge from departing employees. Effective communication will be particularly important especially since a primary responsibility of the Executive Director position is to communicate regularly with the Council.

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<sup>3</sup> OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2020 and 2019*, (OIG-21-008; November 16, 2020).

<sup>4</sup> EPA has ten regional offices across the United States. Region 4 is in Atlanta and serves Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee. 86

Fortunately, the newly selected Executive Director and CFO have existing relationships with the Council members.

We also reported in the prior year that the Council lacked a comprehensive succession plan, although there was an initial plan to reduce the number of SES positions and increase the number of director positions. Since reporting this, the Council finalized its fiscal year 2021 succession plan in October 2020. The plan includes a succession planning strategy, policies for hiring, and the Council's updated organizational structure, which was approved previously by the Council Steering Committee in November 2018. With retirement of the former CFO, the updated organizational structure reduced the number of SES positions from three to two (Executive Director and Deputy Executive Director) and removed the CFO as an SES position. The number of director positions now includes four directors for program; administration; finance/CFO; and grants who will report directly to a single Deputy Executive Director. With these organizational changes, it is important that the directors communicate and work together, and the Deputy Executive Director provides expanded oversight, in order to achieve the Council's mission. This will be even more critical now that the former CFO will not return as a part-time consultant to help with the transition as originally planned. As individuals have moved into new roles, effective internal and external communications will be critical to the Council's success in continuity and productivity of operations.

Changes to leadership and responsibilities may impact the Council's longstanding challenges related to Federal statutory and regulatory compliance (challenge 2) and grant and interagency agreements compliance monitoring (challenge 3) that will need the governance and oversight of experienced individuals. As discussed above, the leadership team consists of individuals with experience with Council processes and their own areas of responsibility. However, ongoing training and staff development are essential to the Council's operating continuity, especially with the ever-growing list of Federal requirements and the adoption of a new multi-solution to replace RAAMS for managing grants and interagency agreements (IAA) as discussed in challenges 2 and 3.

### **Challenge 2: Federal Statutory and Regulatory Compliance (Repeat)**

The 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 ensure its compliance with applicable laws and regulations as a Federal entity. In March 2020, the Council implemented major technology changes to carry out its grant administration and monitoring activities. Although the Council had migrated the majority of critical award and programmatic specific data from RAAMS to GrantSolutions and PIPER, not all supporting documentation was transferred into GrantSolutions and PIPER as some documentation was stored outside of the two systems. The transfer of grant supporting documentation maintained on the Council's shared-drive has been ongoing through fiscal year 2021. Migrating to new technology brings inherent challenges to any organization. In the case of the Council, the manual transfer of information in addition to the multi-system migration poses risk to the completeness and accuracy of the grants and IAA records and the Council's ability to comply with new as well as existing Federal requirements.

GrantSolutions poses challenges with certain functionality limitations. RAAMS was more customizable and was originally designed to the Council's needs. Certain key processes that were automated in RAAMS, such as due date and other grants management process tracking, are now done manually on spreadsheets because automating the processes in GrantSolutions is either not feasible or not cost effective at this time. Although the Council hopes to automate some of these processes in GrantSolutions, the Council acknowledges this will take years to complete. In the meantime, the Council continues to incrementally implement features in GrantSolutions and PIPER to help meet reporting and tracking needs. According to Council officials, completely automating all processes within GrantSolutions would be costly and time-consuming, and therefore, the Council will need to do a cost benefit analysis of multiple options for meeting these needs. Given these constraints, the risk of errors as well as incomplete and inaccurate information may increase using multiple mechanisms for tracking and reporting as the number of grant awards increase.

Even with the majority of data migration completed, the full functionality of both systems needs further application customization and testing, and training of staff and award recipients, among other things. As a result, the change to this multisystem solution will continue to impact the workload of staff who will have to balance post-deployment duties and any new responsibilities that result from senior level organizational changes discussed in challenge 1.

As reported last year, the Council continues to experience challenges trying to integrate GrantSolutions with the Bureau of the Fiscal Service Administrative Resource Center's (ARC) Oracle database, which processes and reports the Council's financial data. As noted above, it was determined that GrantSolutions would not be customized at this time due to cost considerations. As such, the Council elected to continue to rely on its manual review and reconciliation process, which poses a higher risk of errors or omissions than an automated process.

Full functionality of GrantSolutions and PIPER is critical to the Council's continued compliance with FISMA, the *Digital Accountability and Transparency Act of 2014* (DATA Act)<sup>5</sup> and future improper payment reporting required by the *Payment Integrity Information Act of 2019* (PIIA).<sup>6</sup> Looking ahead, agencies that administer grants and IAAs will have to implement changes to adopt a standardized data structure for information requests and reporting on award recipients under the *Grant Reporting Efficiency and Agreements Transparency Act of 2019* (GREAT Act).<sup>7</sup> As discussed below, this will increase the responsibilities and workloads of the Council staff.

While the Council met its Federal statutory and regulatory compliance requirements overall in fiscal year 2021, there is inherent risk of incomplete and inaccurate grant records after transitioning to a new multi-systems platform. The Council will need to continue to scrutinize the migrated data and supporting information to ensure that the accuracy, completeness, and overall quality of award and scientific programmatic data have been maintained. This is critical with the growing demand for Federal agencies and entities to make their data as accurate and transparent as possible. As a small agency, it may be difficult for the Council to meet the growing list of data management requirements.

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<sup>5</sup> Public Law 113-101 (May 9, 2014).

<sup>6</sup> Public Law 116-117, (March 2, 2020).

<sup>7</sup> Public Law 116-103; (December 30, 2019).

### **Challenge 3: Grant and Interagency Agreement Compliance Monitoring (Repeat)**

Now that the award data and majority of the supporting information has been migrated to GrantSolutions and PIPER from RAAMS, the Council will need to continue to ensure that the data is complete and accurate. This is an essential part of ensuring the Council's adequate oversight of grants and IAAs. The Council's post-award monitoring of grants and IAAs includes: reviewing recipients' performance and financial reports; conducting a risk assessment based on the recipients' Organizational Self-Assessments; performing desk reviews; and conducting on-site visits. In fiscal year 2021, Council staff completed 20 financial desk reviews, 2 financial on-site visits, and 8 on-site/virtual site visits related to programmatic reviews. Overall, the reviews included awards to 6 of 7 State recipients and 3 of 6 Federal agencies. Since the prior year's letter, awards have increased from 109 to 127 grants. As of July 31, 2021, grants and IAAs are valued at approximately \$489 million under the Council-Selected Restoration Component (\$201 million) and the Spill Impact Component (\$288 million) combined. Furthermore, approved State Expenditure Plans under the Spill Impact Component include projects exceeding \$1 billion. As the number of awards and their complexity increases moving forward, additional monitoring will be required which will further add to the Council's workload with the same number of staff. As the program matures, post award monitoring will require a significant commitment of time and attention due to the increasing amount of outstanding funds, payment requests, and progress of projects. In addition, the organizational changes noted above may further challenge the Council's ability to provide adequate oversight.

In response to this challenge in our previous letters, Council officials acknowledged that adequate oversight of grants has been a challenge. In fact, as part of its Enterprise Risk Management profile, the Council continues to identify oversight and monitoring of grant recipients among its top critical risks. In response to the increasing volume of grants and IAAs, the Council has hired additional staff over the years to help with oversight and monitoring of grant recipients but continues to face challenges as the number of employees is limited due to budgetary constraints.

Grant and IAA monitoring and oversight continues to be an area of concern given the changes that the Council has experienced so far with the transition from RAAMS to GrantSolutions and PIPER, and the Executive Director and CFO positions being filled by new personnel.

Although the challenges highlighted in this letter are the most significant from my office's perspective, we communicate with the Council's staff on existing and emerging issues. As needed, we also engage 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 grants and IAAs 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 plan to audit the Council's implementation activities as part of our audit of the Council's administration of the post award phase for the Council-Selected Restoration Component awards as listed in our Annual Plan for Fiscal Year 2022.

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: Mary Walker, Executive Director



## Gulf Coast Ecosystem Restoration Council

October 26, 2021

Richard K. Delmar  
Acting Inspector General  
Department of the Treasury  
1500 Pennsylvania Avenue NW  
Room 4436  
Washington, DC 20220

Re: Response to the OIG Report, 2022 Management and Performance Challenges (OIG-CA-22-001)

Thank you for the opportunity to review the Office of Inspector General's (OIG) 2022 Management and Performance Challenges (OIG-CA-22-001). We appreciate your recognition that the Council is 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). We agree with your assessment that, while the Council's operating environment has been minimally impacted to date by the Covid-19 pandemic given its use of remote work as the standard mode of operations, the pandemic remains a significant consideration given its impacts on the numerous organizations with which the Council interacts to accomplish its work.

We appreciate your recognition of the Council's accomplishments which include the successful outcome of the Council's third evaluation of its information security program and practices under the Federal Information Security Modernization Act of 2014 (FISMA). The Council's information systems security program and practices were assessed as effective for the period July 1, 2020 through June 30, 2021. Additionally, for the seventh year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.

We agree with your assessment of challenges facing the Council in Fiscal Year 2022, and we provide the following comments with respect to our current status in addressing these challenges.

### **Challenge 1: Loss of Key Leadership Over Administration of Gulf Coast Restoration Activities (Repeat)**

As you noted in your letter, two of the Council's senior leaders, the Executive Director and Chief Financial Officer, retired in FY 2021. The Council's commitment to ensuring a seamless leadership transition following these retirements is evidenced by the successful deployment of its succession plan. We appreciate your recognition that both positions have been filled in a timely manner with individuals with relevant prior experience and relationships with Council members

and external partners. The continued presence of the Council's Deputy Director coupled with the implementation of the new organizational structure staffed with qualified managers with significant Council experience will continue to provide the institutional history and organizational maturity necessary for continued organizational effectiveness in the coming years. The Council agrees with your assessment that effective communication with members and external partners remains critical to its success in the years ahead. This has been an area of strength for the Council historically, and we are committed to maintaining this priority.

## **Challenge 2: Federal Statutory and Regulatory Compliance (Repeat)**

The Council shares your assessment that compliance with all applicable federal laws and regulations is a core responsibility and key priority for our organization. As you note in your letter, agencies that administer Federal financial assistance must comply with numerous laws and regulations, including the adoption of standardized data structure under the Grants Reporting Efficiency and Agreement Transparency Act of 2019 (GREAT Act), which continue to be refined over time. To address these anticipated changes, the Council intentionally selected a shared Federal service provider, the Health and Human Services (HHS) GrantSolutions system, to manage grant and interagency agreement (IAA) award data. In addition, the Council's Program Information Platform for Ecosystem Restoration (PIPER) system was developed under a Memorandum of Understanding with the U.S. Geological Survey (USGS). Its purpose is to collect, store and manage scientific and programmatic data that Grant Solutions is not capable of tracking. PIPER can be customized as required to address standardized data structures and requirements as we continue to develop and refine these processes. On March 16, 2020, the Council deployed this "unified solution" after ensuring a complete migration of key award data to each system.

In preparation for the sunset of the Restoration and Awards Management System (RAAMS), Council staff and contractors worked with HHS and USGS staff to ensure data integrity and a smooth transition between systems. Award data for grants and IAAs existing prior to March 1, 2020, were migrated to GrantSolutions and PIPER and were reviewed for accuracy prior to allowing award recipients to access the systems. All supporting documentation that was housed in the prior grants management system (RAAMS) but not captured as migratable "data" in GrantSolutions was retrieved from RAAMS, and the entire database was archived. At this time, key supporting documentation, such as existing award documents and financial reports submitted prior to March 2020, has been uploaded to the "grant file" in GrantSolutions for each award. An additional contractor was hired in Fiscal Year 2020 to assist with data management, analysis, and tracking to ensure data integrity into the future. Staff are continuing the process of uploading the remaining supporting documentation into GrantSolutions and anticipate completing this task in fiscal year 2022. As ensuring the integrity of award data continues to be a high priority, internal controls, testing, and regular reconciliations between systems are in place.

The Council acknowledges that there are still some gaps in functionality as well as some level of risk associated with the two-system "unified solution" for grants management. However, the Council has made progress toward addressing these challenges, including the implementation in October 2021 of a new milestones module in PIPER to track award progress and provide links between performance and expenditures. The Council continues to work with HHS and USGS to assess and determine which system or method will provide the most cost-effective solution to meet

additional requirements currently not met by the systems. Additional enhancements to PIPER have been approved by the Council to increase post-award functionality and award activity tracking particularly with regards to program awards. Discussions and specification development with HHS for improved report dashboards and other customizations to GrantSolutions are on-going.

### **Challenge 3: Grant and Interagency Agreement Compliance Monitoring (Repeat)**

We appreciate your acknowledgement of the significant work the Council has undertaken to transition its grants management infrastructure to GrantSolutions after the discontinuation of RAAMS. As noted above, this remains an ongoing focus of Council staff as we work to ensure that we successfully address the challenges associated with grant and interagency agreement compliance.

The Council has a risk-based approach to grant and interagency agreement compliance monitoring. Risk is evaluated and addressed at several levels, starting with the application review. Recipient risk and project specific risks are evaluated and considered in developing terms and conditions for individual awards. Compliance with award terms and conditions is evaluated for all awards during reviews of financial and performance reports and through check-ins with the recipient throughout the period of performance. In addition, a subset of awards are selected each year to undergo additional monitoring, including financial desk reviews and on-site visits. The Council agrees with your assessment that compliance monitoring is a critical function for our organization, and we will continue to invest in this area.

Again, thank you for providing us the opportunity to review this report. In Fiscal Year 2022, the Council will use this evaluation report to continue to improve its processes in order to address the identified challenges. We appreciate the ongoing cooperation and support we receive from your staff, and we look forward to working with you in the year ahead.

Sincerely,

/S/ Original Signed

Mary S. Walker  
Executive Director  
Gulf Coast Ecosystem Restoration Council

**SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES**

The following tables show that there were no material weaknesses or significant deficiencies in fiscal year 2021. This information is consistent with the Council’s FMFIA Statement of Assurance.

| <b>Table 18 – Summary of Financial Statement Audit</b> |                   |     |          |              |                |
|--|-------------------|-----|----------|--------------|----------------|
| Audit Opinion  | <b>Unmodified</b> |     |          |              |                |
| Restatement  | <b>No</b>         |     |          |              |                |
| Material Weakness                                      | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| <i>Total Material Weaknesses</i>                       | -                 | -   | -        | NA           | -              |

| <b>Table 19 – Summary of Management Assurances</b>  |                             |     |          |                             |            |                |
|---|-----------------------------|-----|----------|-----------------------------|------------|----------------|
| <b>Effectiveness of Internal Control over Financial Reporting (FMFIA - § 2)</b>                   |                             |     |          |                             |            |                |
| Statement of Assurance  | <b>Unmodified</b>           |     |          |                             |            |                |
| Material Weaknesses   | Beginning Balance           | New | Resolved | Consolidated                | Reassessed | Ending Balance |
| <i>Total Material Weaknesses</i>  | -                           | -   | -        | NA                          | NA         | -              |
| <b>Effectiveness of Internal Control over Operations (FMFIA - § 2)</b>                            |                             |     |          |                             |            |                |
| Statement of Assurance  | <b>Unmodified</b>           |     |          |                             |            |                |
| Material Weaknesses   | Beginning Balance           | New | Resolved | Consolidated                | Reassessed | Ending Balance |
| <i>Total Material Weaknesses</i>  | -                           | -   | NA       | NA                          | NA         | -              |
| <b>Conformance with Financial Management System Requirements (FMFIA - § 4)</b>                    |                             |     |          |                             |            |                |
| Statement of Assurance  | <b>Conform</b>              |     |          |                             |            |                |
| Non-Conformances  | Beginning Balance           | New | Resolved | Consolidated                | Reassessed | Ending Balance |
| <i>Total Non-Conformances</i>   | -                           | -   | NA       | NA                          | NA         | -              |
| <b>Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FMFIA)</b> |                             |     |          |                             |            |                |
|   | Agency                      |     |          | Auditor                     |            |                |
| Federal Financial Management System Requirements  | No lack of compliance noted |     |          | No lack of compliance noted |            |                |
| Applicable Federal Accounting Standards   | No lack of compliance noted |     |          | No lack of compliance noted |            |                |
| USSGL at Transaction Level  | No lack of compliance noted |     |          | No lack of compliance noted |            |                |

## **PAYMENT INTEGRITY INFORMATION ACT**

### **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) and the Payment Integrity Information Act of 2019 (PIIA) 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 provide an annual compliance report.

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. Our risk assessment process incorporates the seven risk factors outlined in OMB Circular A-123, Appendix C. The factors considered in the determination of risk levels include:

Whether the program or activity reviewed is new to the agency.

The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts:

- The volume of payments made annually.
- Whether payments or payment eligibility decisions are made outside of the agency, for example, by the state or local government, or a regional federal office.
- Recent major changes in program funding, authorities, practices, or procedures.
- The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; and
- Significant deficiencies in the audit reports of the agency including, but not limited to, the agency Inspector General or the GAO audit report findings, or other relevant management findings that might hinder accurate payment certification.

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 2020, the Council did not have any programs or activities susceptible to significant improper payments. In fiscal year 2021 the total amount of all program and activity payments exceeded \$10,000,000 but the total estimate for improper payments was 3.0%. Based on the definition of “Significant” in OMB Memorandum M-21-19 and in PL 116-117 Payment

Integrity Information Act of 2019, section 3352(a)(3)(A), the Council programs are not deemed susceptible to significant improper payments.

#### Programs of the Council Assessed for Risk

1. Council-Selected Projects and Programs
2. Oil Spill Impact Program

#### Risk Assessment Determination

1. Qualitative Assessment: The Council conducted a program specific risk assessment utilizing the Bureau of Fiscal Service's Risk Assessment questionnaire in determining the level of risk for all programs. Each program was assessed using a scored response to 62 questions in the areas of internal control environment and activities, assessing risk such as those associated with recent policy changes, new certifier and/or system user training, as well as payment eligibility oversight and management communication. Based on the collective scores, the audit resulted in a low-risk rating for the overall fund group.
2. The Council-Selected Restoration Projects and Programs, Council expenditures for non-Federal persons, non-federal entities, and federal employees for fiscal year 2020 totaled \$20,568,366. Of those disbursements, 16.4% percent were payments for salary, supplies and equipment and travel reimbursements to Council employees. 4.8% percent were payments to eight commercial vendors, and 78.8% percent were payments to six of the seven grant recipients. In fiscal year 2020, the Council had a 3.9% improper payment rate. Improper payments projected forward are expected to be less than 2.5%.
3. The following risk factors based on fiscal year 2020 data were also considered in determining if the programs in the Council were likely to be susceptible to improper payments.
  - a. With respect to contracts, the Council had a very small number of contracts and contractors, e.g., eight, and a low volume of payments, e.g., \$984,518 which is only 4.8 % of all payments. Post payment audits conducted by the Bureau of Fiscal Services ARC, Accounts Payable, reported the Council had \$0 improper commercial contractor payments for fiscal year 2020.
  - b. The Council had a very small number of grant recipients, e.g., seven and a small number of payments, e.g., 296 payments. 5 of the grant recipients are states, and two recipients are state governmental entities.
  - c. All 5 state recipients were rated low risk in FY2020. In fiscal year 2020, the year used for the qualitative risk rating, the Council had one high-risk recipient due to the immature financial and management infrastructure of that entity and one moderate recipient.
  - d. The recipient determined to be high risk, is required to have a 100 percent review of all payment requests prior to disbursement. No payments were made to this recipient in FY2020. The recipient determined to be moderate risk in fiscal year 2020 was required to

have a 100% review of reimbursement requests after the drawdown from ASAP. No improper payments were identified for this recipient.

## Payment Reporting

**Table 20: Improper Payment Report (\$ in millions)**

| Program                              | PY Outlays | PY IP % | PY IP\$ | CY Outlays <sup>3</sup> | CY IP % | CY IP\$ |
|--------------------------------------|------------|---------|---------|-------------------------|---------|---------|
| Council Selected Restoration Program | \$9.211    | 6.0%    | \$ .555 | \$10.082                | 0%      | \$ .0   |
| Spill Impact Program                 | 10.487     | .6%     | .063    | 10.486                  | 7.8%    | .821    |
| Total                                | \$19.698   | 3.14%   | \$ .619 | \$20.568                | 3.9%    | \$ .821 |

## Improper Payment Root Cause Categories

The root cause for the improper grant payment was administrative error. The improper payment was made by a grant recipient's staff during their end of fiscal year close out activities.

**Table 21: 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 | 0                                      | 0             | 1                        | 0             |

## Recapture of Improper Payments Reporting

The Payment Recapture Audit, performed by the Council's financial service provider, the Bureau of Fiscal Services, Department of Treasury, provided an internal review and analysis of 674 salary/travel transaction and grant/contract obligations totaling \$5,431,524 which covered the period from 9/1/2020 – 8/30/2021.

<sup>3</sup> In fiscal year 2021, the Council is utilizing the Treasury Attachment B IPERA Risk Assessment-Non Treasury Report, which is based on prior year data, e.g., fiscal year 2020 data. Use of prior year data is consistent with PL 116-117 Payment Integrity Information Act of 2019, section 3352(a)(3)(A)

The Restore Council's accounting and financial records, supporting documents, and other pertinent information supporting its payments were audited specifically to identify overpayments.

1. All required program and activity types were included in the Program.
2. No Payment Recapture Audit Programs for any program or activity have been deemed not cost effective.
3. No class of contract has been excluded.
4. Number and amount of improper payments: 0
5. Amount of improper payments recaptured: \$0

The payment recapture audit identified none of the 674 transactions as erroneous payments, resulting in an error rate of 0% percent. The total dollar value of improper payments was \$0 a rate of 0% percent of total transactions made in fiscal year 2020. Recaptured payments totaled \$0 and no erroneous or improper payments were identified as outstanding at the end of the fiscal year.

#### Overpayments Identified Outside of Payment Recapture Audits:

One ASAP erroneous payment of \$821,457.70 was identified outside of the Payment Recapture Audit. This was an administrative error by recipient staff during their end of their fiscal year close out activities. The recipient will remediate the improper payment by providing documentation of additional, but not yet reimbursed, expenses incurred by the subrecipient that will be used to offset the original payment as allowed under the Council's remediation policy.

#### **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.

#### **Barriers**

None

## **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.

## **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.

## **Sampling and Estimation**

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

## **FRAUD REDUCTION REPORT FISCAL YEAR 2021**

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 2021 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. Council staff conducted financial drawdown 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

## **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. The Council has an authorized level of 24 FTE's, 5 Contractors, and one MOU support personnel. Council staff who are local to the New Orleans metropolitan area traditionally work in the Council's office space, while other staff members work

remotely from home offices throughout the Gulf Coast. However, due to COVID-19, all staff worked remotely from their home offices at the close of fiscal year 2021.

- d. A 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.
- e. 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.

#### **GRANTS PROGRAM**

The Council does not have any expired, but not closed Federal grants or cooperative agreements (awards), for which the period of performance elapsed before September 30, 2019.

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## **REPORT WASTE, FRAUD, AND ABUSE**

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