DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

October 1, 2018

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

Re: 2019 Management and Performance Challenges (OIG-CA-19-001)

Dear Chairperson Wheeler:

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

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

We removed the prior year challenge, "Implementing an Infrastructure to Administer Gulf Coast Restoration Activities," as the Council made notable achievements over the past year to address organizational challenges. Specifically, the Council successfully filled several critical positions that were vacant for some considerable time to include the selection of a permanent Executive Director, a Chief Information Officer (CIO), and a dedicated Enterprise Risk Management (ERM) Specialist. Given that the new Executive Director led the Council in an acting capacity from January 2017 until his permanent selection in April 2018, and the CIO held the role previously, these personnel assumed their roles seamlessly. After nearly two years of recruiting, the ERM Specialist was hired in February 2018. Accordingly, the Council's organizational infrastructure is in place, and, therefore, we are no longer reporting this as an ongoing challenge.

Other noteworthy accomplishments in fiscal year 2018 include the Council receiving unmodified opinions (also referred to as "clean opinions") on its fiscal years 2016 and 2017

financial statements.[1] As discussed below, the Council also met two key Federal statutory requirements by undergoing an audit of its data quality required by the *Digital Accountability and Transparency Act of 2014* (DATA Act)[2] and an evaluation of its information systems security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA).[3] While successes are noted, the Council still faces challenges in meeting Federal statutory and regulatory compliance stemming from the need for a reliable grants management system and the need for strong compliance monitoring of awards and interagency agreements.

Challenge 1: Federal Statutory and Regulatory Compliance

While 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, the Council must also ensure its compliance with applicable laws and regulations as a Federal entity. As such, we are repeating the Council's challenge to follow Federal statutory and regulatory compliance requirements for the next fiscal year, related to existing, expanded, and new requirements.

DATA Act

Agencies are required to report spending data for publication on USAspending.gov on a recurring schedule. The financial attributes must be generated by the agency's financial system of record, which must include the award identifier to link to the award data. The quality of the information published in compliance with the DATA Act depends on the agency having effective internal control over reporting for the input and validation of agency data submitted to USAspending.gov. Our audit of data quality found that the Council's management controls over its fiscal year 2017, second quarter DATA Act submission, reconciliation, and certification process were reasonably designed, implemented and operating effectively. On April 27, 2017, the Council's Senior Accountable Official (SAO) certified its second quarter data to the Bureau of the Fiscal Service's Administrative Resource Center (ARC), which was responsible for completing the Council's second quarter DATA Act submission within the Broker for publication on Beta.USAspending.gov. That said, some of the Council's data was not complete, timely, accurate, or of quality resulting from ARC's submission of information to the DATA Act Broker[4] for publication on Beta.USAspending.gov. Council's Acting Executive Director at the time was advised to ensure that the Council's SAO continue to refine policies and procedures for compliance with requirements and to work closely with ARC to address the timing and ARC errors for future DATA act submissions. [5] In response, Council management reported that its internal control had improved, and its data reconciliation process was updated to address timing and scope issues. Further, management reported that it will continue to work with ARC to prevent file error recurrence for grant awards. We will follow up on these stated

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[1] OIG*, Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2017 and 2016* (OIG 18-16; issued November 15, 2017).
[2] Public Law 113-101 (May 9, 2014)
[3] Public Law 113-283 (December 18, 2014)
[4] The Broker is an information system that collects, maps, transforms, validates, and submits agency financial and award data into a format consistent with the DATA Act Information Model Schema.
[5] OIG, *Council Met Reporting Requirements Under the DATA Act Despite Challenges* (OIG-18-008; issued November 2, 2017).

improvements as part of our ongoing assessments of the completeness, timeliness, accuracy, and quality of the Council's data and its continued implementation of DATA Act requirements.

In last year's challenges letter, my office reported the Council's need to replace the grants management system as it was losing software vendor support for the Restoration Assistance and Award Management System (RAAMS). At that time, the Council relied on a manual review and reconciliation process with limited staff to ensure compliance with DATA Act requirements even with the automated interface between RAAMS and ARC's financial systems. In its response to last year's letter, Council officials noted that the limited number of staff and manual processes posed a risk as award volume increases and would work to mitigate this risk through automated interfaces with the new grant management system. Over the past year, the Council conducted a new grants management requirements evaluation and cost benefit analysis. After selecting GrantsSolutions for consideration, Council has been working with the Department of Health and Human Services, which administers GrantsSolutions for itself and other Federal agencies, to conduct a fit-gap analysis.[6] Prior to the selection of RAAMS, the Council had considered GrantsSolutions as an option. However, concerns were noted with GrantsSolutions' lack of integration with ARC's information systems, which process and report the Council's financial data. At the time, the Council also noted an inability for GrantsSolutions to support multi-project grants. The interface of a new grants management system with ARC's financial systems is critical to the Council's compliance with DATA Act reporting. While our audit of the Council's data quality did not identify issues with the interface between RAAMS and ARC's financial systems, Council staff may still have to rely on the manual review and reconciliation process given the previous concerns with GrantsSolutions' integration with ARC.

On June 6, 2018, the Office of Management and Budget (OMB), issued memorandum M-18-16, *Management of Reporting and Data Integrity Risk* to update and replace Appendix A of Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. In M-18-16, OMB reexamined existing internal control reporting guidance and made adjustments for Federal agencies to provide reasonable assurance of internal control over reporting. OMB added a new requirement that Federal agencies must develop and maintain a "Data Quality Plan" that considers the incremental risks to data quality in Federal spending data, and any controls that would manage such risks in accordance with OMB Circular No. A-123. The purpose of the "Data Quality Plan" is to identify a control structure tailored to address identified risks. Beginning in fiscal year 2019, the Council's SAO must consider its newly developed "Data Quality Plan" and internal control documented in its plan when certifying quarterly data and preparing its annual assurance statement. This additional consideration is required through fiscal year 2021 at a minimum, or until the Council determines that it can provide reasonable assurance over the data quality controls that support achievement of the reporting objective in accordance with the DATA Act.

Council officials have yet to confirm an exact timeline for implementation of the new grants management system. Our next mandated audit of the Council's data quality will be reported in November 2019.

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

FISMA

The Council underwent its first FISMA evaluation of its information system security program and practices for the period July 1, 2016 through June 30, 2017.[7] An independent certified public accountant, working under the oversight supervision of my office, found that the Council's information security program and practices were formalized and documented but not consistently implemented during the period evaluated, and as such, were not fully effective. Auditors noted that the CIO position was vacant for seven months of the evaluation period, with an intermittent CIO on board between February and July 2017. The Council used contractors to operate information technology (IT) functions, such as helpdesk support. Auditors found that many of the control activities which ensure that the Council complies with Federal IT standards did not occur in sufficient cycles to determine whether controls were consistently implemented, managed, and measurable or optimized. In November 2017, the former CIO returned to the Council and worked to develop and maintain security policies and procedures, and control techniques, however, there is work to be done. The independent certified public accountant also reported its FISMA results in a management letter in connection to its audit of the Council's fiscal years 2016 and 2017 financial statements.[8]

Improper Payments Elimination and Recovery Act of 2010 (IPERA)

IPERA requires the head of the agency or Federal entity to periodically review all programs and activities that are administered, and identify all programs and activities that may be susceptible to significant improper payments. For fiscal year 2017, my office determined that the Council did not have programs and activities susceptible to significant improper payments.[9] That said, the Council faces risk in screening for improper payments as RAAMS is being replaced with a new grants management system. We expect that in the upcoming years as grant activity increases, detecting improper payments will become more difficult. Additionally, the Council will likely be above the IPERA threshold and reporting requirements.

While the Council met several Federal reporting deadlines, it remains uncertain as to how transitioning to a new grants management system will impact meeting Federal statutory and regulatory requirements in the future.

Challenge 2: Grant and Interagency Agreement Compliance Monitoring

In last year's letter, we reported the need for Council staff to transition into the task of awarding of funds with the establishment of the Initial Comprehensive Plan (2013) and Initial Funded Priorities List (2015). At that time, the Council had awarded over 20 grants and interagency agreements valued at approximately $70 million under the Council-Selected Restoration Component and the Spill Impact Component combined. As such, we emphasized the necessity to begin monitoring of projects and award recipients' progress, reporting, and compliance with

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[7] OIG, *Information Technology: Gulf Coast Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Fiscal Year 2017 Evaluation* (OIG-CA-18-006; October 31, 2017).

[8] OIG, *Management Letter for the Audit of the Gulf Coast Ecosystem Restoration Council's Fiscal Year 2017 and 2016 Financial Statements* (OIG-18-027; December 12, 2017).

[9] OIG, *Review of the Gulf Coast Ecosystem Restoration Council's Compliance with the Improper Payments Elimination and Recovery Act of 2010* (OIG-CA-18-018, May 3, 2018).

their award agreements. In response, Council officials noted that they have followed a practice of incrementally increasing staffing levels to be commensurate with the work performed. Fiscal year 2017 staffing level increased to 20 staff over 19 staff in fiscal year 2016 and 15 staff in fiscal year 2015. That said, Council officials acknowledged that adequate oversight was a challenge as it is the responsibility of the ERM Specialist, who was not onboard at the time. Council officials believe that pre-award organizational assessment of applicants is a mitigating control, but noted that it was implementing a cross-functional post-award oversight program that includes recipients' risk levels. In the Council's ERM risk management profile, 5 of the 7 top risks identified related to the oversight and monitoring of grants.

Although the Council has progressed in addressing its compliance monitoring responsibilities as described above, we continue to report it as a significant management and performance challenge as the ERM Specialist was only recently hired in February 2018. Furthermore, since our prior year letter, awards have increased to 37 grants and interagency agreements valued at approximately $154 million under the Council-Selected Restoration Component ($116 million) and the Spill Impact Component ($38 million) combined. While the Council acknowledged that it is its practice to incrementally increase staffing levels commensurate with the work, it will have to balance oversight of the substantial increase of $84 million in award activities with the transition to a new grants management system in the next fiscal year. As previously noted, the Council plans to migrate all open grants from RAAMS to GrantsSolutions. The Council will operate RAAMS parallel to GrantsSolutions, which may also impact workloads of current staff.

Although the challenges highlighted in this letter are the most serious from my office's perspective, we communicate regularly with the Council's staff on existing and emerging issues. In addition, we remain actively engaged with affected Federal, State, and local government entities to ensure effective oversight of programs established by the RESTORE Act. Federal statutory and regulatory compliance and monitoring of grant and interagency agreements will be a central focus of our work going forward.

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

Sincerely,

/s/

Eric M. Thorson
Inspector General, Department of the Treasury

cc: Ben Scaggs, Executive Director