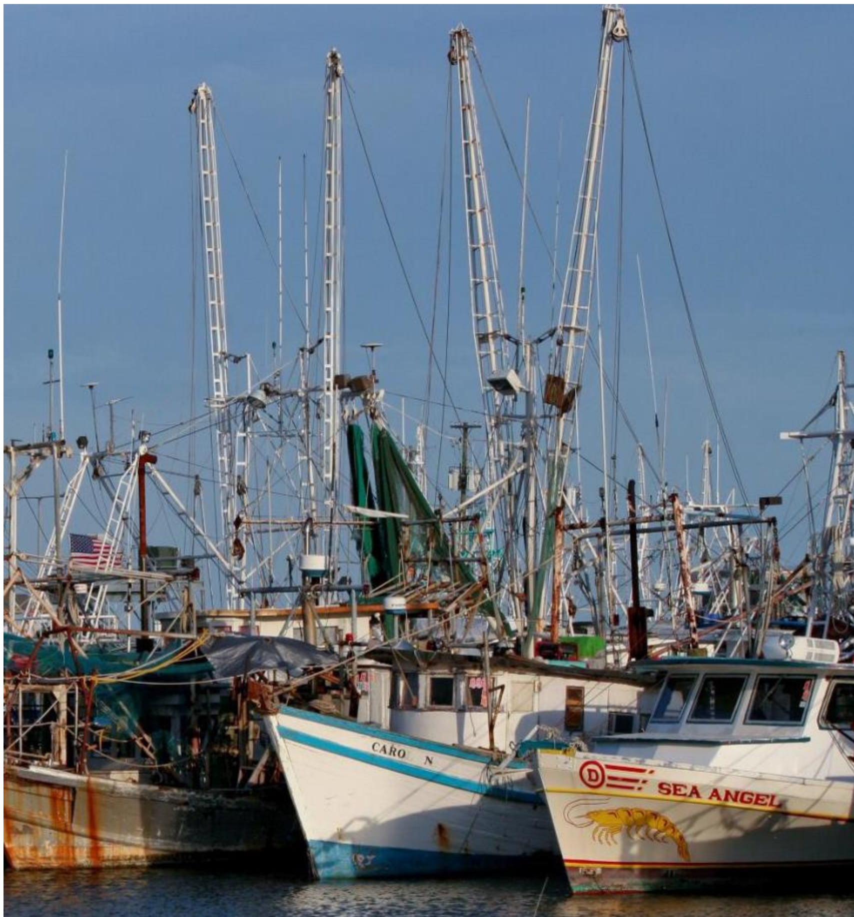

GULF COAST ECOSYSTEM
RESTORE
RESTORATION COUNCIL

Agency Financial Report
Fiscal Year 2018

GULF COAST ECOSYSTEM RESTORATION COUNCIL

AGENCY FINANCIAL REPORT

FISCAL YEAR 2018

This Agency Financial Report for fiscal year 2018 provides the financial and performance information for the Gulf Coast Ecosystem Restoration Council (RESTORE Council or Council), enabling the President, Congress, and the American people to assess the RESTORE Council's performance as provided by the requirements of the:

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

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

Cover photos courtesy of: National Oceanic and Atmospheric Administration

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MESSAGE FROM THE EXECUTIVE DIRECTOR
GULF COAST ECOSYSTEM RESTORATION COUNCIL
NOVEMBER 15, 2018

I am pleased to submit the Agency Financial Report (AFR) for the Gulf Coast Ecosystem Restoration Council (Council) for fiscal year 2018. The AFR provides an assessment of the Council's financial information and outlines the Council's accomplishments in implementing the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act).

The RESTORE Act dedicates 80 percent of all Clean Water Act administrative and civil penalties arising from the *Deepwater Horizon* (DWH) oil spill to the Gulf Coast Restoration Trust Fund (Trust Fund) and established the Council as a new independent entity within the Federal government.

The Council was formally established in 2012 with a clear mission to implement a long-term, comprehensive plan for the ecological and economic recovery of the Gulf Coast region. The Council, consisting of the five Gulf Coast states (States) directly impacted by the DWH oil spill and six Federal agencies, is committed to working with Gulf communities and partners to invest in actions, projects, and programs that will ensure the long-term environmental health and economic prosperity of the Gulf Coast region.

In fiscal year 2018, the Council made twenty-eight awards obligating $88.54 million dollars through grants and interagency agreements to carry out projects and programs under the RESTORE Act, including providing funds to its members to enhance collaboration, planning, and public engagement in support of future funding decisions under the Council-Selected Restoration component. The Council also approved approximately $340 million for activities under the Spill Impact component of the RESTORE Act; more information on these funding approvals and the related activities is contained in this report.

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

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

Ben Scaggs

Ben Scaggs
Executive Director

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

OVERVIEW

This Agency Financial Report (AFR) presents financial management performance of the Council for fiscal year 2018. The Council has chosen to publish a separate fiscal year 2018 Annual Performance Report on its website at https://ww.restorethegulf.gov/reports/performance-and-accountability-reports concurrent with the release of the fiscal year 2019 President's Budget Request.

Background

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

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

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

In January 2013, the United States announced that Transocean and related entities agreed to pay $1 billion (plus interest) in civil penalties for violations of the Clean Water Act arising out of the DWH oil spill. In accordance with this settlement, 80 percent of this amount or $816 million (including interest), has been deposited into the Trust Fund. In November 2015, the U.S. District Court for the Eastern District of Louisiana (the "Court") ordered Anadarko Petroleum Corporation to pay a $159.5 million civil fine in connection with the DWH oil spill; in accordance with the Court order, 80 percent of this amount, $128 million (including interest), has been deposited into the Trust Fund. In April 2016, the United States and BP entered into a consent decree with the Court in connection with the DWH oil spill, resolving, among other things, the U.S. government's civil and administrative claims against BP under the Clean Water Act and its claims against BP for natural resources damage under the Oil Pollution Act, as well as certain related economic damage claims of the Gulf States and local governments.

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

In December 2015, the Council approved and adopted the initial Funded Priorities List (FPL) of initial projects to be funded and prioritized by the Council based on the Initial Comprehensive Plan. The FPL consisted of forty-five projects totaling $156.6 million and identified an additional twelve projects totaling $26.6 million as candidates for consideration for future funding (Category 2 Projects). Since that time, the Council has amended the initial FPL to approve and fund three of the twelve Category 2 Projects. To date, the Louisiana and Mississippi SEPs; and the Texas, Mississippi and Florida Planning SEPs.

In July 2016, the Council completed and adopted its first enterprise risk assessment and completed the documentation of a suite of internal controls and administrative policies and procedures. The assessment, controls, and procedures were instituted in order to ensure the Council diligently exercises its fiduciary responsibilities with respect to Trust Fund expenditures and other responsibilities under the Act. In fiscal year 2017, the Council provided its Tribal Communication, Collaboration, Coordination and Consultation Policy in collaboration with federally recognized Indian tribes to the tribes for review by their membership.

Pursuant to the requirements of the Act, in November 2016, the Council approved its first update to the Initial Comprehensive Plan. The *Comprehensive Plan Update 2016: Restoring the Gulf Coast's Ecosystem and Economy* (Comprehensive Plan Update) is intended to improve Council decisions by ensuring consistency with the Priority Criteria referenced in the Act; reinforcing the Council's goals, objectives, and commitments; setting forth a Ten-Year Funding Strategy, including a Council vision for ecosystem restoration; increasing its commitments to collaboration among Council members and partner restoration programs; ensuring the Council's decisions are informed by the best available science; and providing efficiency, effectiveness, and transparency of Council actions.

MISSION AND ORGANIZATION

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

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

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

State of Alabama
Kay Ivey
Governor

State of Florida
Rick Scott
Governor

State of Louisiana
John Bel Edwards
Governor

State of Mississippi
Phil Bryant
Governor

State of Texas
Greg Abbott
Governor

U.S. Department of Agriculture
Sonny Perdue
Secretary

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

U.S. Department of Commerce
Wilbur Ross
Secretary

U.S. Department of Homeland Security
Kirstjen Nielsen
Secretary

U.S. Department of the Interior
Ryan Zinke
Secretary

DISCUSSION OF PERFORMANCE

GOALS AND OBJECTIVES

The Initial Comprehensive Plan provided a framework to implement a coordinated, Gulf Coast region-wide restoration effort in a way that restores, protects, and revitalizes the Gulf Coast. It served as a guide to the Council's actions to restore the Gulf Coast ecosystem and economy. The Plan established the Council's Goals for the region and provided a process to fund restoration projects and programs as funds become available. The Council approved its first update to the Comprehensive Plan on December 16, 2016. The Comprehensive Plan Update is intended to improve Council decisions by setting forth a Ten-Year Funding Strategy, committing to increased collaboration among Council members and partner restoration programs, particularly in support of the development of future FPLs, refining the process for ensuring the Council's decisions are informed by the best available science, and increasing its commitment to transparency of the Council's actions. Over the next several years, further development and implementation of the Initial Comprehensive Plan and the Comprehensive Plan Update will be an iterative process leading to a comprehensive, region-wide, multi-objective restoration plan to achieve economic and ecological recovery of the Gulf Coast based on the best available science.

Goals

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*** – Restore and protect water quality 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 to ensure that those expenditures by the Gulf Coast States authorized in the RESTORE Act under the Direct

Component (administered by the Department of the Treasury (Treasury)) and the Spill Impact Component can be considered in the context of comprehensive restoration. To achieve all five goals, the Council will support 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 will work to coordinate restoration activities under the Council-Selected Restoration Component and the Spill Impact Component to further the goals. While the Council does not have direct involvement in the activities undertaken by the States or local governments through the Direct Component, the Council will strive, as appropriate, to coordinate its work with those activities. In addition, the Council will actively coordinate with the Gulf Coast Ecosystem Restoration Science Program (administered by National Oceanic and Atmospheric Administration (NOAA)) and the Centers of Excellence Research Grants Program (administered by Treasury).

Objectives

The Council will select and fund projects and programs that restore and protect the natural resources, ecosystems, water quality, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region. Projects and programs must be within the scope of the following Objectives for ecosystem restoration to 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 and discharges to and withdrawals from critical systems.

3. **Protect and Restore Living Coastal and Marine Resources –** Restore and protect healthy, diverse, and sustainable living coastal and marine resources including finfish, shellfish, birds, mammals, reptiles, coral, and deep benthic communities.

4. **Restore and Enhance Natural Processes and Shorelines –** Restore and enhance ecosystem resilience, sustainability, and natural defenses through the restoration of

natural coastal, estuarine, and riverine processes, and/or the restoration of natural shorelines.

5. **Promote Community Resilience** – Build and sustain Gulf Coast communities' capacity to adapt to short- and long-term natural and man-made hazards, particularly increased flood risks associated with sea-level rise and environmental stressors. Promote ecosystem restoration that enhances community resilience through the re-establishment of non-structural, natural buffers against storms and flooding.

6. **Promote Natural Resource Stewardship and Environmental Education** – Promote and enhance natural resource stewardship through environmental education efforts that include formal and informal educational opportunities, professional development and training, communication, and actions for all ages.

7. **Improve Science-Based Decision-Making Processes** – Improve science-based decision-making processes used by the Council.

Performance

In May 2016, the Council signed its first Council-Selected Restoration Component federal interagency agreement award to the U.S. Department of Interior for the first stage of an $8 million Youth Conservation Corps Gulf-wide habitat restoration project, and in September 2016, the Council made its first grant award to Louisiana for a $7.26 million West Grand Terre Beach restoration project. In fiscal year 2017, the Council made awards for twenty-one FPL projects totaling $81.65 million, one of which was a category 2 project moved to category 1 and approved for funding by the Council. In fiscal year 2018, the Council made fifteen awards totaling $34.21 million for projects on the December 2015 FPL. The charts below illustrate the current status of the December 2015 FPL.

Chart 1: Status of the December 2015 FPL by Percentage of Dollars

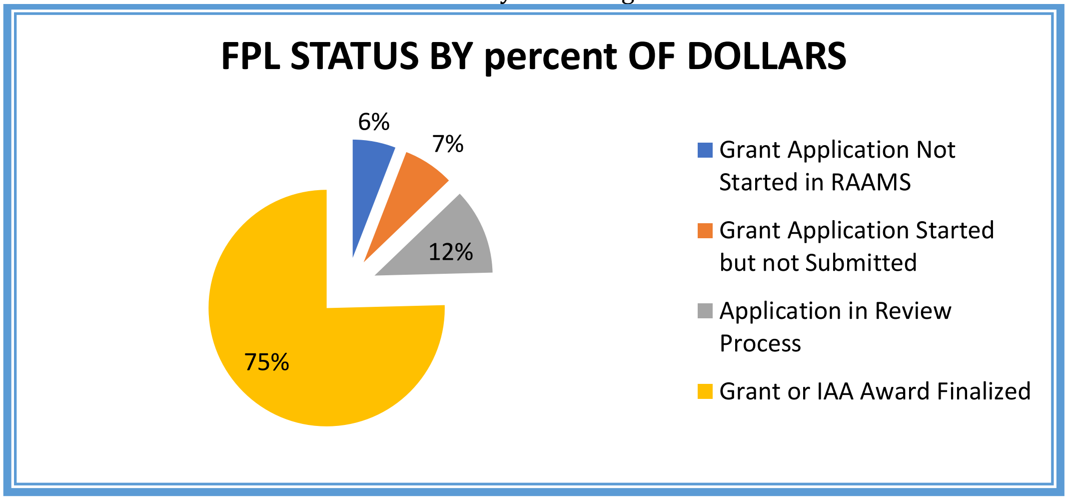
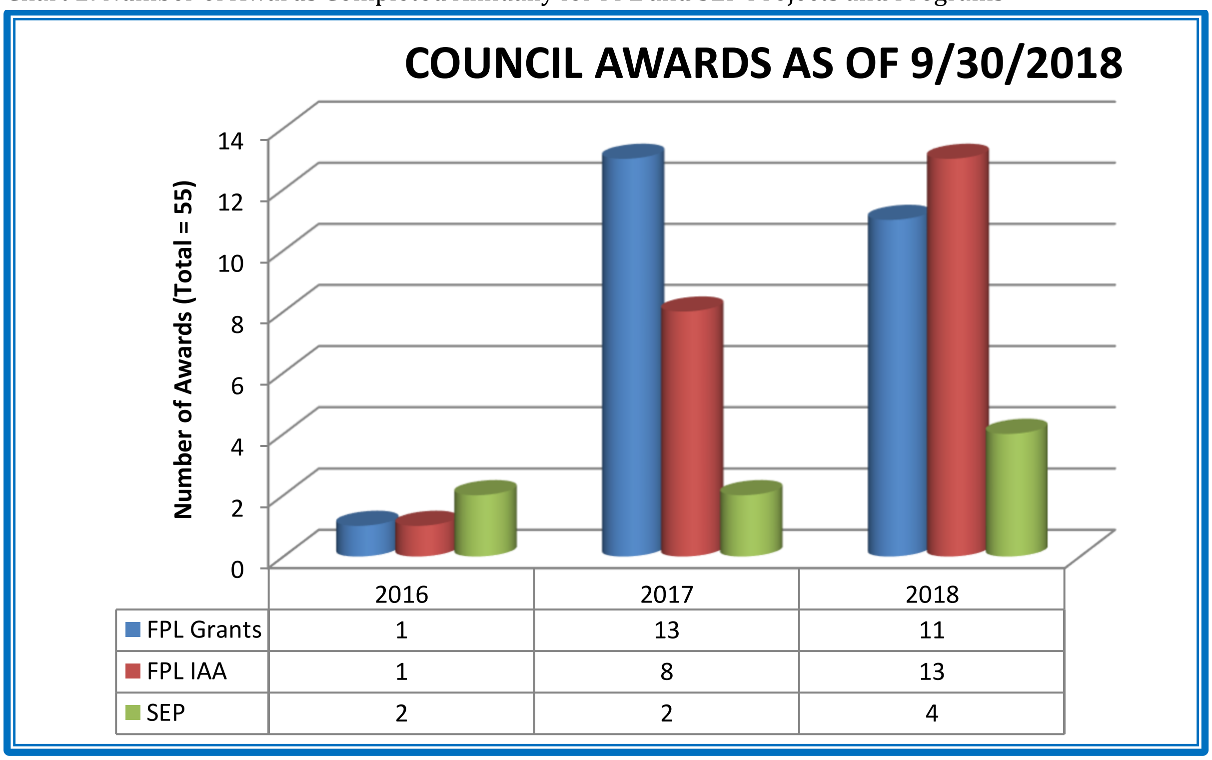


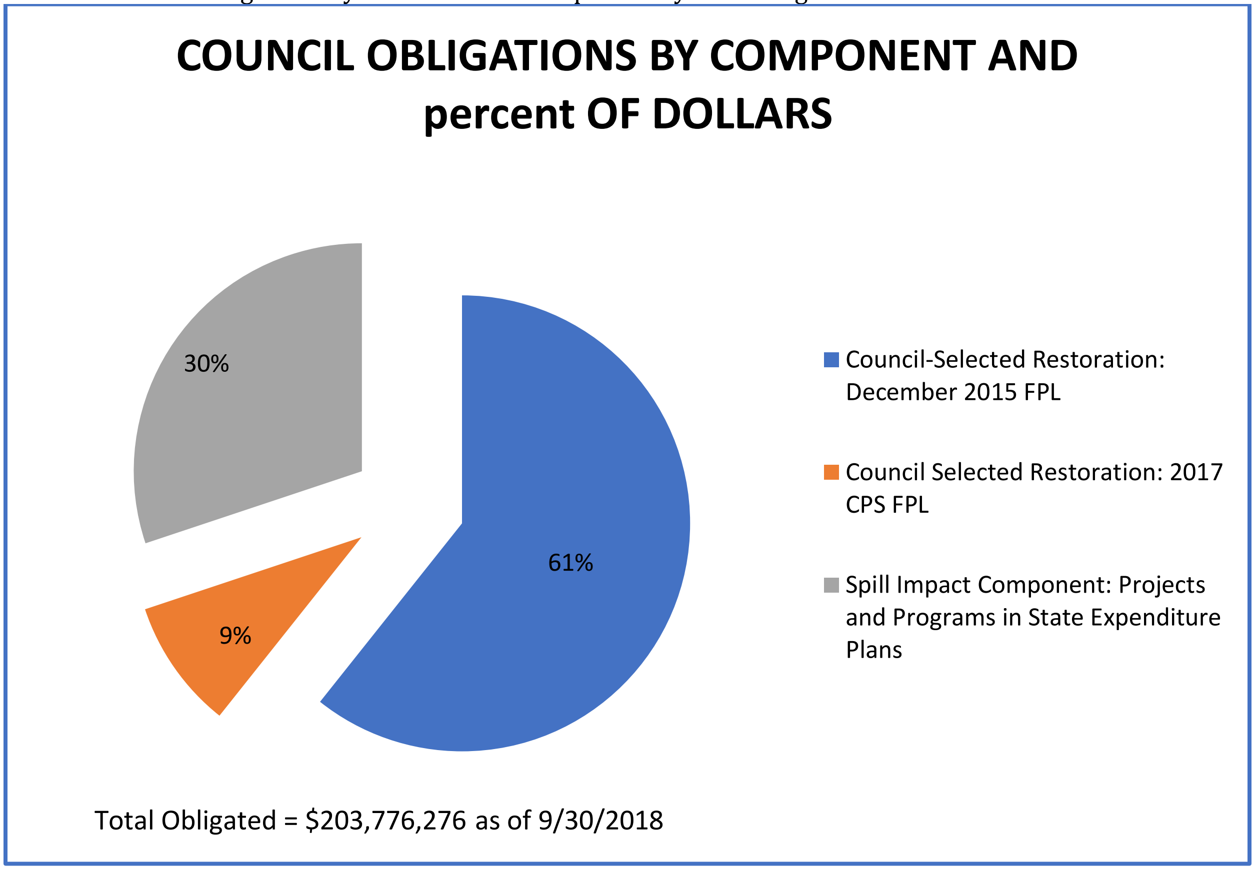
Chart 2: Number of Awards Completed Annually for FPL and SEP Projects and Programs[1]



	2016	2017	2018
FPL Grants	1	13	11
FPL IAA	1	8	13
SEP	2	2	4

[1] Although the original FPL identified 45 projects, some projects have resulted in more than one grant or interagency agreement.

Chart 3: Council Obligations by RESTORE Act Component by Percentage of Dollars



In fiscal year 2018, the Council approved the 2017 Funded Priorities List: Comprehensive Plan Commitment and Planning Support (2017 CPS FPL). A major challenge to Gulf-wide ecosystem restoration is coordinating efforts within each state, among Council members, among stakeholders, and across the Gulf restoration efforts. In approving the 2017 CPS FPL, the Council provided the opportunity for its members to receive the necessary funds to enhance collaboration, coordination, public engagement, and use of best available science in developing and selecting restoration projects.

Under the 2017 CPS FPL, each of the eleven Council members could apply for up to $500,000 per year for up to 3 years and up to $300,000 per year for 2 years thereafter, equaling up to $23.1 million, or 1.44 percent of the total funds available (not including interest) for the Council-Selected Restoration Component. As with the initial FPL, the CPS FPL included a clause that incentivizes savings and efficiency by enabling the Council to apply unused planning funds to projects and programs sponsored by the member that achieves the savings.

In fiscal year 2018, the Council made nine awards totaling $18.73 million to members under the CPS FPL. Council members began using these 2017 CPS FPL funds to support the collaboration and other planning activities needed to develop effective project and program proposals for the next round of funding decisions, which is scheduled to take place in early 2020. This will allow the Council to finalize the next FPL sometime in mid-2020.

Spill Impact Component funding is distributed to the Gulf States via grants after the Chairperson approves a SEP for the respective state. In fiscal year 2018, the Council Chair approved the Florida SEP, the Florida Stand-up SEP, amendments to the Louisiana and Mississippi SEP, and a planning SEP for Alabama. The total amount of Spill Impact Component funds approved by the Chairperson in fiscal year 2018 was $339,585,655. The total amount of Spill Impact Component funding approved in SEPs in all fiscal years to date is $822,799,088, approximately 51 percent of the total funding that will be available to the Gulf States through the life of the program. Since the beginning of fiscal year 2016, the Council has awarded $61.37 million in grants under the Spill Impact Component, with four awards made in fiscal year 2018 totaling $35.6 million.

At the end of fiscal year 2018, the Council made awards for over $203 million under the Council-Selected Restoration and Spill Impact Components of the RESTORE Act. More detailed discussions of performance will be available in the Council Agency Report to Congress (available on the Council’s website), to be published in January 2019, and the Agency Performance Report, to be published concurrently with the fiscal year 2019 President’s Budget Request in February 2019.

ANALYSIS OF THE FINANCIAL STATEMENTS

The Council financial statements should be viewed in light of the status of the funds available to and used by the Council. Table 1 below shows the current status of the Council-managed trust fund components, the Council-Selected Restoration Component and the Oil Spill Impact Component, and the apportionments of the funds by fiscal year. Council-Selected Administrative Funds and Program Expense Funds are the funds used by the Council to carry-out its operations. The chart shows that program funding requirements increased steadily, however, after the initial start-up in fiscal years 2013 and 2014, administrative funding requirements have become more consistent.

Table 1: Trust Fund Apportionment Summary

Trust Fund Balance (After Sequestration)	Council Selected Administrative Funds	Council Selected Program Expense Fund	Council Selected-Projects and Program Funds	Total Council Selected Program Funds	Total Council Selected Funds	Spill Impact Funds
TRUST FUND AMOUNTS DEPOSITIED	**$12,986,306**			**$406,718,003**	**$419,704,309**	**$419,704,309**
Apportionments FY13	$ 360,000			$ -	$ 360,000	
Apportionments FY14	$ 896,214	$ 1,067,950		$ 1,067,950	$ 1,964,164	
Apportionments FY15	$ 1,241,229	$ 2,307,158		$ 2,307,158	$ 3,548,387	
Apportionments FY16	$ 1,107,649	$ 3,157,558	$156,553,618	$159,711,176	$ 160,818,825	$ 6,400,000
Apportionments FY17	$ 1,375,568	$ 4,078,906		$ 4,078,906	$ 5,454,474	$ 70,800,000
Apportionments FY 18	$ 1,417,740	$ 4,544,671	$ 30,611,276	$ 35,155,947	$ 36,573,687	$ 18,970,001
Total Apportionments To the Council	$ 6,398,400	$ 15,156,243	$187,164,894	$ 202,321,137	$ 208,719,537	$ 96,170,001
Balance Available in Trust Fund	**$ 6,587,906**			**$204,396,866**	**$ 210,984,772**	**$ 323,534,308**

To best serve the communities of the Gulf Coast region, the Council carries out its activities to implement the Comprehensive Plan and accomplish the requirements of the RESTORE Act in an effective and efficient manner, at the minimum cost possible to maximize the dollars available for restoration projects and programs. The Council has managed its fiscal resources through a strategy of incremental growth to correspond to the development of its Council-Selected Restoration Component and the Spill Impact Component programs. As Chart 4 on the next page shows, the Council has achieved steady-state operations, while a significant amount of non-reimbursed support was provided to the Council staff by many of its members in the first several years of existence.

The increase in cost from fiscal year 2014 to 2015 reflects the development of the Council's administrative and programmatic infrastructure; establishment of its headquarters office in New Orleans; the development and deployment of its core administrative systems; the acquisition and deployment of its website and automated grants management system; and the implementation of its grant, science, and environmental compliance programs. The increase in cost from fiscal year 2017 to 2018 reflects the hiring of additional staff and contractor support; FISMA compliance, a three year IT equipment refresh; and the development of Metadata and FPL Collaboration tools.

Chart 4: Annual Total Cost of Operations (dollars in millions)

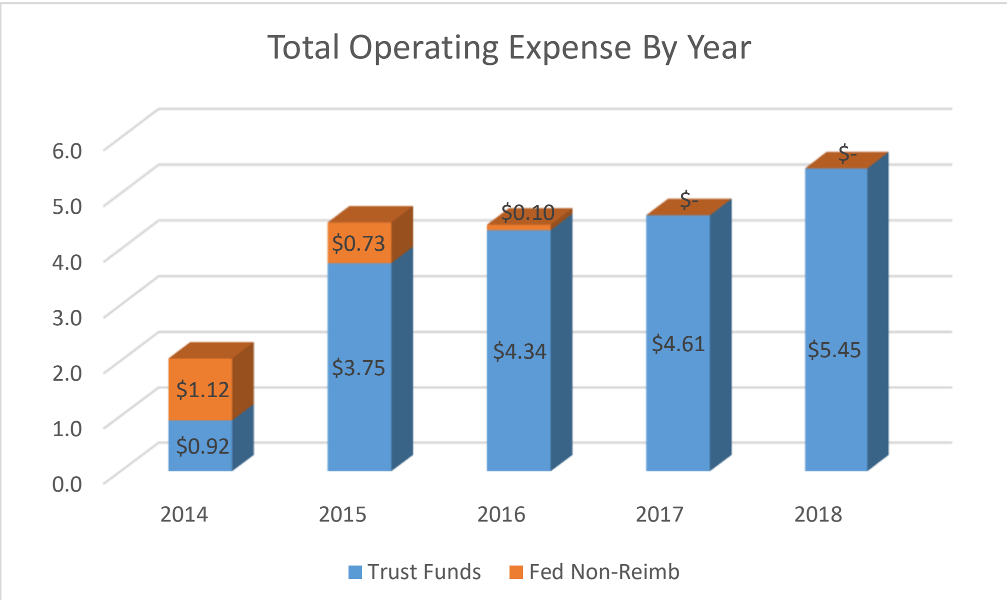


Table 2 provides the Council funding and operational cost history. The imputed revenue column identifies the value of the services provided by Council members, offset by non-reimbursed costs incurred. The table also identifies the funds apportioned each year, recoveries from reduced or cancelled obligations, and the unspent funds carried forward to each subsequent year. Carry-forward funds were primarily a result of under-executing in the salaries and benefits and travel cost categories. Carry-forward funds are anticipated for use in fiscal year 2019 to support the development and implementation of the grants management system replacement. Use of carry-forward funds requires Council approval if the proposed expense exceeds a certain threshold.

Table 2: Operational Cost History (dollars in thousands)

Council Operational Cost History	Carry-forward from prior year	New apportion ment	Recoveries from prior year obligations	Current year trust fund revenue	Imputed revenue	Total revenue	Funded obligations incurred	Non-reimbursed costs incurred	Total Cost of Operations	Unobligated Balance
FY13 Operational Costs	$ -	$ 360	$ -	$ 360	$1,089	$ 1,503	$ 360	$ 1,089	$ 1,503	$ -
FY14 Operational Costs	$ -	$ 1,964	$ 79	$ 2,043	$1,120	$ 3,163	$ 920	$ 1,120	$ 2,040	$ 1,123
FY15 Operational Costs	$ 1,123	$ 3,548	$ 2	$ 4,673	$ 728	$ 5,401	$ 3,751	$ 728	$ 4,479	$ 922
FY16 Operational Costs	$ 922	$ 4,265	$ 374	$ 5,561	$ 101	$ 5,738	$ 4,337	$ 101	$ 4,514	$ 1,224
FY17 Operational Costs	$ 1,224	$ 5,454	$ 19	$ 6,697	$ -	$ 6,697	$ 4,608	$ -	$ 4,608	$ 2,089
FY18 Operational Costs	$ 2,089	$ 5,962	$ -	$ 8,051	$ -	$ 8,051	$ 5,447		$ 5,447	$ 2,604

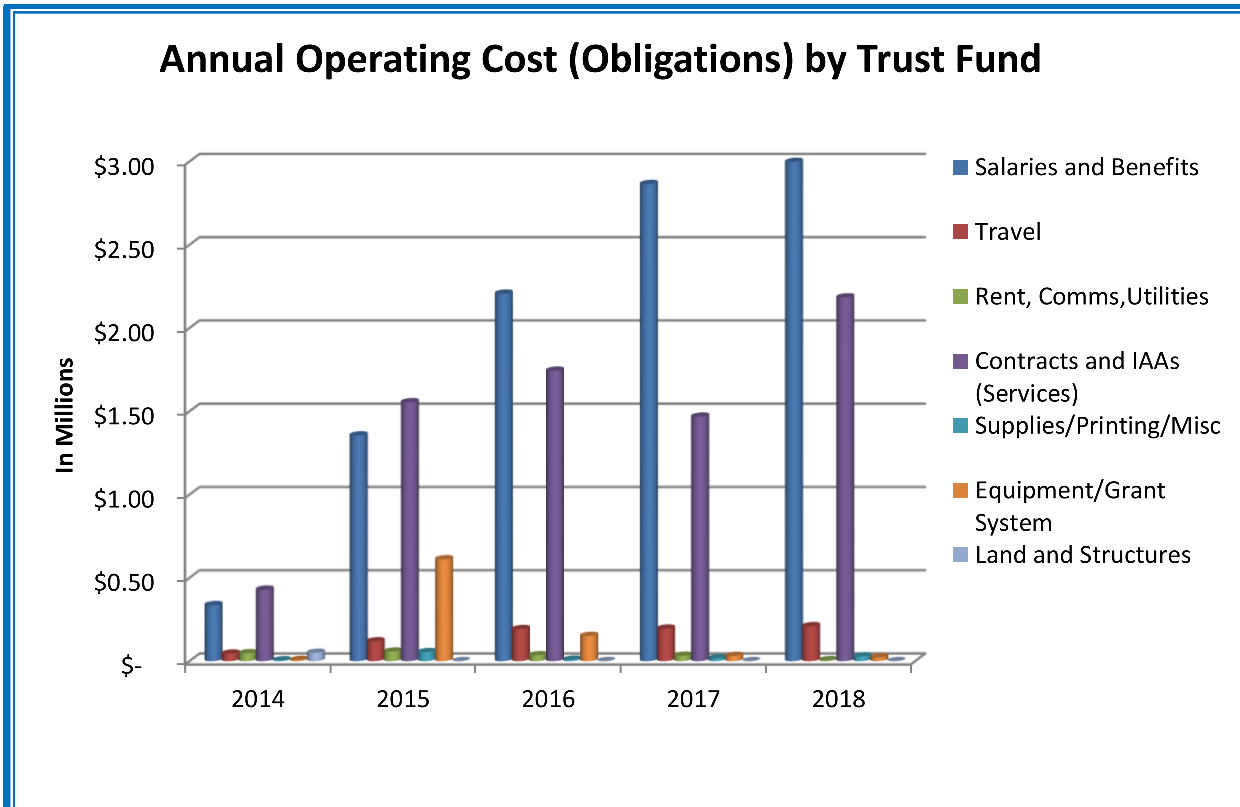
Chart 5 on the following page presents the Council's budgetary operating expenses (obligations) for each fiscal year by cost category (*see also the Schedule of Spending on Page 48 for fiscal year 2018 expenditures*). In fiscal year 2015, total operating costs equaled $4.48 million, fiscal year 2016 showed a slight reduction to $4.44 million, fiscal year 2017 showed an increase of 5 percent to $4.61 million, and in fiscal year 2018, total operating expenses increased by 18 percent to $5.45 million.

The three primary cost drivers are personnel compensation and benefits, interagency agreements and contracts for services, and travel. Fiscal year 2018 expenses include a reduction in lapse rate due to the hiring for a permanent executive director, a chief information officer, and a new position for an enterprise risk management (ERM) specialist; an increase in contracts and agreements for Information Technology (IT) services (for remote access VPN/MTIPS and cybersecurity); and graphics and 508 compliance support. Programmatic cost increases included a contract with the Gulf of Mexico Alliance for a Cross Agency Tracker to aid in project collaboration and reduce duplication, and development of the Metadata standards and collaboration tool to aid in project standardization. The travel increase is commensurate with the additional program collaboration.

In fiscal year 2017, programmatic expenses included the costs for hosting the Restoration Assistance and Awards Management System (RAAMS), system support, and helpdesk services. IT costs increased to enable compliance with the Federal Information Security Modernization Act of 2014 (FISMA) and the stand-up of the Council's administrative IT infrastructure. Audit costs continued to increase as grants and Interagency Agreements (IAAs) were awarded and managed. Programmatic cost increases included a contract for best available science reviews and land acquisition appraisal reviews. At the end of fiscal year 2017, the Council had vacancies for the Executive Director, IT manager, and Enterprise Risk Management (ERM) specialist.

In fiscal year 2016, the contracts and agreements for services category included accounting, human resources, RAAMS hosting by National Technical Information Service (NTIS), RAAMS transition costs NTIS to United States Geological Service (USGS), RAAMS IT and helpdesk support, and an agreement to develop the requirements and propose a solution for the Council's administrative IT infrastructure. Travel cost also increased commensurate with the increase in staff and the implementation of the FPL and Spill Impact programs. Land and structures in fiscal year 2014 were the costs of modifying the office space to an open office design to allow improved space utilization. The equipment and grant system category include the capitalized and non-capitalized costs for RAAMS, as well as the costs for systems furniture, computer equipment, and cellular equipment.

Chart 5: Comparison of Funded Annual Obligations by Expense Category (dollars in millions)



The RESTORE Act specifies that of the Council-Selected Restoration Component amounts received by the Council, not more than 3 percent 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 proves "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 <u>and</u> the amounts in the Trust Fund that are allocated to, but not yet received by, the Council under § 34.103."

Administrative Costs

The Council has worked with OMB to segregate administrative 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.

Since the Council must oversee projects and programs during the post-award phase, the Council has forecast its administrative and operational expenses through the projected closeout of all grants. Based on the Consent Decree payment schedule, Council operations have been projected through 2040 to ensure that operational costs are fiscally prudent and well managed through the life of the program. This analysis projects that the cumulative administrative expense will be approximately $47.1 million which is less than the more than $48 million that will be available for such expenses from the aggregate current and future deposits into the Trust Fund (not including accrued interest). Table 3 on the next page shows the Council's apportionments for administrative expense are well below the administrative funds available in the Trust Fund, and at this time equal 3 percent of the total funds apportioned from the Council-Selected Component.

Table 3: 3 Percent Analysis

STATUS OF 3% ADMINISTRATIVE EXPENSE FUNDS			
As of 09/30/2018			
Trust Funds-Comprehensive Plan			
Amount Available	$ 432,876,867.06		
Sequestration for 2018			
Total Amount Available		$	432,876,867.06
Administrative Expense Funds available :3%		$	12,986,306.01
FY2013 Admin Budget	360,000.00		
FY2014 Admin Budget	896,214.00		
FY2015 Admin Budget	1,241,229.00		
FY2016 Admin Budget	1,107,649.00		
FY2017 Admin Budget	1,375,568.00		
FY2018 Admin Budget	1,417,740.00		
Total Administrative Funds Apportioned through 2018		$	6,398,400.00
Balance of Administrative Funds remaining in the Trust Fund		$	6,587,906.01

Other Financial Statements Discussion

The balance of funds drawn from the Trust Fund but not yet used to pay for operating expenses and to reimburse states and federal agencies for costs incurred under their grants and IAAs for projects and programs is shown on the Balance Sheet (Page 34) as Fund Balance with Treasury. The Council draws down funds quarterly based on the recipient-generated projected cash requirements schedules included in every grant and IAA. At the end of fiscal year 2017, the Council had a fund balance of $30.8 million, and at the end of fiscal year 2018, the Council had a fund balance of $66.9 million. The increase is due to recipient requests for reimbursements being submitted more slowly than anticipated.

The funds apportioned, but still remaining in the trust fund that are currently available for drawdown equal $197.8 million, which is shown on the Balance Sheet as the Expenditure Transfers Receivable. These funds, as well as the funds in the Trust Fund not yet apportioned, earn interest, 50 percent of which is available to the Council to fund projects, programs, and operations.

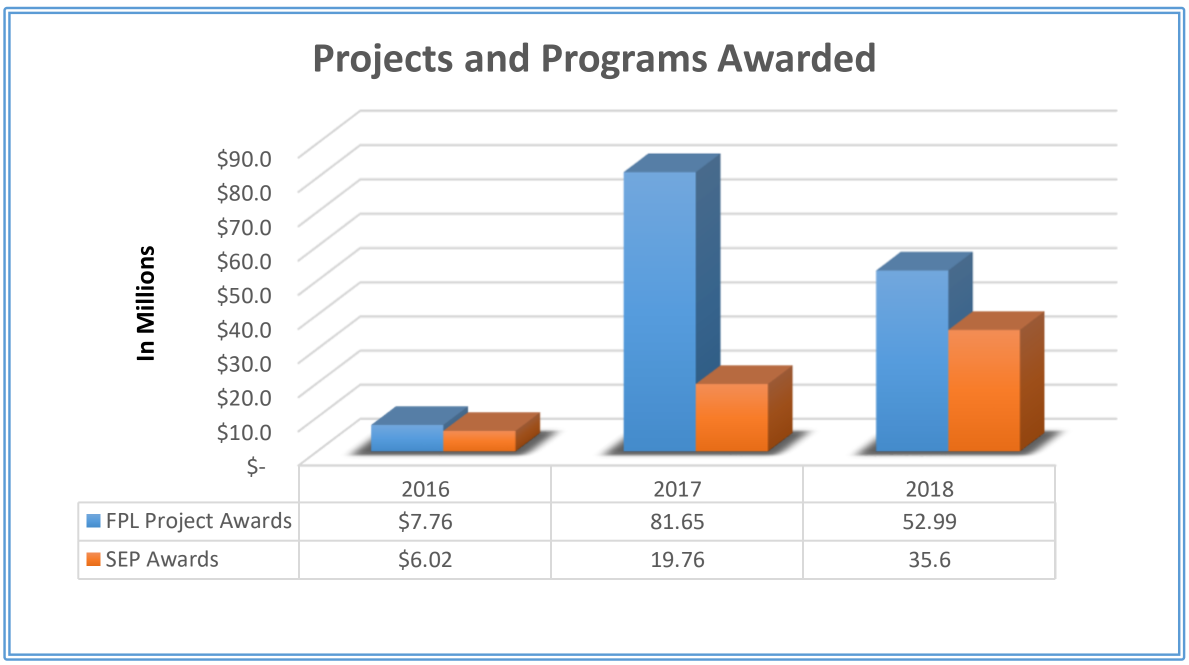
The Statement of Net Cost (Page 35) presents costs incurred and is equivalent to a proprietary Statement of Costs for the year. Table 4 on the next page presents the Council's annual cost data by funding component. Costs include accrued costs, non-reimbursed costs, and actual costs.

Table 4: Actual Costs

Incurred Cost	2013	2014	2015	2016	2017	2018	TOTAL
Administrative Expense	1,193,648	631,716	938,937	1,467,244	1,382,651	1,087,320	6,701,516
Programmatic Operating Expense		1,398,281	2,030,196	3,061,711	3,408,642	4,009,184	13,908,014
Council-Selected Projects and Programs				226,400	17,439,961	7,281,852	24,948,213
Spill Impact Projects and Programs				496,553	3,716,366	1,813,877	6,026,796
TOTAL COST	1,193,648	2,029,997	2,969,133	5,251,908	25,947,620	14,192,233	51,584,539

Fiscal year 2018 marked the third year the Council awarded grants and IAAs. The Council awarded eleven FPL grants, thirteen FPL IAAs and one amendment to a fiscal year 2017 IAA to add $52.99 million, and four SEP grants for $35.60 million as shown in Chart 6. As implementation projects mature, the expenditure rate will increase with a corresponding reduction in unliquidated obligations. The thirteen remaining 2015 FPL projects for $40,389,695 are expected to be awarded in fiscal year 2019.

Chart 6: Projects and Programs Awarded (dollars in millions)



In support of the Council-Selected Restoration Component and Spill Impact Component projects and programs, the Council successfully deployed an automated grant system (RAAMS) in early December 2015. In September 2017, the commercial owner of Easygrants (the COTS software underlying RAAMS) announced they will no longer support the program beyond a reasonable transition period to select and move to a new system. In fiscal year 2018, the Council established a Task Force to develop system requirements and explore replacement options. The Task Force considered both federal shared service and commercial off-the-shelf grants management systems and recommended the Council's needs would best be met by a federal shared service provider. Upon the Task Force's recommendation, the Council approved entering into an Interagency Agreement with the U.S. Department of Health and Human Services (HHS) to conduct an analysis of Grant Solutions, a federal shared service provider, to determine key data and components of Council programs and processes that fit within Grant Solutions and gaps needing solutions. HHS Grant Solutions completed the Fit/Gap Analysis Summary and Transition Plan in August 2018.

The Council is expected to make a final system selection and funding decision for implementation of a replacement solution in early fiscal year 2019, with an anticipated implementation and migration to the new solution prior to September 30, 2019. The Council is taking advantage of this opportunity to reengineer processes and streamline award processing and management while maintaining the existing rigorous financial and compliance controls and does not expect any impact to its operations during the transition period or as a result of a migration of its data.

The focus of fiscal year 2018 has been to engage in collaborative efforts to advance projects and programs for future FPLs, develop and approve new and amended State Expenditure Plans, and award and administer grants and interagency agreements. Looking forward to fiscal year 2019, the Council plans to continue collaborative efforts to develop and evaluate proposals for the next FPL (anticipated to be finalized in mid-calendar year 2020) and finalize the remaining State Expenditure Plans. The Council will continue to award and administer grants and interagency agreements in both components to achieve the goals and objectives of the Council-Selected Restoration and Spill Impact Components of the Act. The Council has approved two FPLs, the Louisiana, Mississippi, and Florida State Expenditure Plans, as well as planning SEPs for Florida, Mississippi, Texas, and Alabama. Thirty-eight grants or interagency agreements have been awarded to implement the December 2015 FPL, nine grants or interagency agreements have been awarded under the 2017 CPS FPL (the second FPL), and eight awards have been made under the Spill Impact Component of the RESTORE Act.

Forward-Looking Information

In the 2015 Initial FPL, the Council focused in part on key watersheds/estuaries to concentrate its resources for greatest effectiveness. The 2016 Comprehensive Plan Update committed the Council to a watershed/estuary approach built using a collaborative approach and funded by the Commitment and Planning Support FPL. Building on this concept, the Council will use what it calls Planning Frameworks to help develop and select activities for funding in FPL 3 and subsequent FPLs. Planning Frameworks include watersheds/estuaries and/or restoration types (e.g., oysters, wetlands) the Council is focusing on to help guide development of an FPL. Planning Frameworks are intended to support long-term desired outcomes for certain important areas and resources, thereby maximizing the effectiveness of Council investments while providing cohesion and consistency across FPLs. Planning Frameworks will also provide increased transparency and predictability for the public and our restoration funding partners. FPL 3 will also include a description of the Planning Framework the Council intends to use to guide FPL 4. The Planning Framework for FPL 4 does not commit the Council to funding any specific activities, nor do they guarantee the Council will or will not focus on particular geographic areas in FPL 4. Rather, the Planning Framework provides an indication of the types of resources and/or geographic areas the Council is considering focusing on in FPL 4. As part of an adaptive management approach the Council has committed to utilizing, the Council may adjust and/or change the Planning Framework in response to new information, scientific and technical developments, public input and more. Notwithstanding this flexibility, the Planning Framework is intended to enhance transparency, predictability, continuity and cohesion with respect to future FPLs.

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, 2018 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 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 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 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 United States of America, 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 for 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 15, 2018

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 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 2018 Statement on Standards for Attestation Engagements (SSAE) Number 18, *Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting* report and reviewed it to assist in assessing the internal controls over the Council's financial reporting. After a thorough review of the results, the Council did not discover any significant issues or deviations in its financial reporting during fiscal year 2018.

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 2017 actual column of the Program and Financing Schedules reported in the fiscal year 2019 Budget of the U. S. Government. Such information is supported by the related financial records and related data.

In fiscal year 2018, the Council documented and initiated a 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 2018, 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, 2018 was operating effectively.

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

Ben Scaggs
Executive Director
Gulf Coast Ecosystem Restoration Council

FINANCIAL SECTION
MESSAGE FROM THE CHIEF FINANCIAL OFFICER
November 15, 2018

I am pleased to present our financial statements for fiscal year 2018. This report demonstrates our commitment to fulfill our fiduciary responsibilities to our constituents in the Gulf Coast region and to the American public.

The audit report dated November 15, 2018, resulted in an unmodified (or “clean”) opinion.

In fiscal year 2018, the Council used its Information Management Strategic Plan to implement the Council's defined IT security policies and procedures. These policies and procedures were developed according to "Assessing Security and Privacy Controls in Federal Information Systems and Organizations Building Effective Assessment Plans," which ensured an appropriate Risk Management Framework is in place for the Council's information technology. These implementation activities resulted in an effective Information Assurance program that ensured the Council's information systems comply with the Federal Information Security Modernization Act (FISMA).

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 garnering 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.

Mary C. Pleffner

Mary C. Pleffner
Chief Financial Officer

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

November 15, 2018

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

Dear Chairperson Wheeler:

Under a contract monitored by our office, RMA Associates, LLC (RMA), an independent certified public accounting firm audited the financial statements of the Gulf Coast Ecosystem Restoration Council (Council) as of September 30, 2018 and 2017, and for the years then ended, provided a report on internal control over financial reporting, and a report on compliance with laws, regulations, contracts, and grant agreements tested. The contract required that the audit be performed in accordance with government auditing standards and Office of Management and Budget (OMB) Bulletin No. 19-01, *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 13, 2018, and the conclusions expressed in the report. However, our review disclosed no instances where RMA did not comply, in all material respects, with U.S. generally accepted government auditing standards and OMB Bulletin No. 19-01.

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

Sincerely,

/s/

Eric M. Thorson
Inspector General, Department of the Treasury

Enclosure

cc: Ben Scaggs, Executive Director

RMA | Associates
Auditors. Consultants. Advisors.

1050 N. Taylor Street, Suite 706
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Independent Auditors' Report

Inspector General
Department of the Treasury

Acting 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, 2018 and 2017, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements" or "basic financial statements"), for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gulf Coast Ecosystem Restoration Council as of September 30, 2018 and 2017, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

1050 N. Taylor Street, Suite 706
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Phone: (571) 429-6600
www.rmafed.com

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and certain provisions of other laws and regulations specified in OMB Bulletin No. 19-01, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-01.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. The section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 13, 2018

GULF COAST ECOSYSTEM RESTORATION COUNCIL

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

GULF COAST ECOSYSTEM RESTORATION COUNCIL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

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GULF COAST ECOSYSTEM RESTORATION COUNCIL
BALANCE SHEET
AS OF SEPTEMBER 30, 2018 AND 2017
(In Dollars)

	2018	2017
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 3)	$66,878,541	$30,753,961
Expenditure Transfers Receivable (Note 4)	197,849,306	196,525,619
Total Intragovernmental	264,727,847	227,279,580
Property, Equipment, and Software, Net (Note 5)	429,674	587,647
Total Assets	$265,157,521	$227,867,227
Stewardship PP&E	-	-
Liabilities:		
Intragovernmental		
Accounts Payable (Note 6)	$231,531	$509,687
Grants Payable (Note 8)	3,254,929	4,717,331
Employer Contribution On Payroll Taxes Payable (Note 6)	23,270	21,230
Total Intragovernmental	3,509,730	5,248,248
With the Public		
Accounts Payable	$ 17,651	$15,416
Grants Payable (Note 8)	1,153,238	7,039,162
Other Liabilities (Note 7)	447,784	357,695
Total Liabilities With the Public	1,618,673	7,412,273
Total Liabilities	$5,128,403	$12,660,521
Commitments and Contingencies		
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections	260,029,118	215,206,706
Total Net Position	$260,029,118	$215,206,706
Total Liabilities and Net Position	$265,157,521	$227,867,227

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Dollars)

	2018	2017
Program Costs:		
Council-Selected Restoration - Administrative Expenses:		
Gross Costs	$ 1,087,320	$ 1,382,651
Less: Earned Revenue	-	-
Net Council-Selected Restoration - Administration Expenses	$ 1,087,320	$ 1,382,651
Council-Selected Restoration- Programmatic Expense:		
Gross Costs	$ 4,009,184	$ 3,408,642
Less: Earned Revenue	37,500	-
Net Council-Selected Restoration Programmatic Expenses	$ 3,971,684	$ 3,408,642
Council-Selected Restoration Projects and Programs (grants)	$ 7,281,852	$ 17,439,961
Gross Costs	$ 7,281,852	$ 17,439,961
Less: Earned Revenue	-	-
Net Council Selected Restoration Projects and Programs (grants)	$ 7,281,852	$ 17,439,961
Total Net Council-Selected Restoration Program and Grant Costs	$ 11,253,536	$ 20,848,603
Spill Impact - State Expenditure Plan (grants)		
Gross Costs	$ 1,851,377	$ 3,716,366
Less: Earned Revenue	-	-
Net Spill Impact Costs (grants)	$ 1,851,377	$ 3,716,366
Net Cost of Operations (Note 9)	$ 14,192,233	$ 25,947,620

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Dollars)

	2018 Consolidated Total	2017 Consolidated Total
Cumulative Results of Operations:		
Beginning Balances	$ 215,206,706	$164,814,775
Adjustments	-	
Beginning Balances, as Adjusted	215,206,706	164,814,775
Budgetary Financing Sources:		
Transfers In/Out Without Reimbursement	58,873,688	76,254,474
Other	-	-
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	140,957	85,077
Other	-	-
Total Financing Sources	59,014,645	76,339,551
Net Cost of Operations	(14,192,233)	(25,947,620)
Net Change	44,822,412	50,391,931
Cumulative Results of Operations	$260,029,118	$215,206,706
Net Position	$260,029,118	$215,206,706

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Dollars)

	2018	2017
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 120,654,029	$ 150,403,142
Adjustment to Unobligated Balance Brought Forward, October 1	-	-
Unobligated Balance Brought Forward, October 1, as adjusted	120,654,029	150,403,142
Recoveries of Prior Year Unpaid Obligations	389,778	18,717
Other changes in unobligated balance	431	371
Unobligated balance from prior year budget authority, net	121,044,238	150,422,230
Spending authority from offsetting collections	58,933,688	76,254,475
Total Budgetary Resources	$ 179,977,926	$ 226,676,705
Status of Budgetary Resources:		
Obligations Incurred	$94,034,301	$106,022,675
Unobligated balance, end of year:		
Apportioned	85,565,240	120,651,233
Unapportioned	378,386	2,797
Total unobligated balance, end of year	85,943,626	120,654,030
Total Budgetary Resources	$ 179,977,927	$ 226,676,705
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 106,625,550	$15,460,237
Obligations Incurred	94,034,301	106,022,675
Outlays (gross)	(21,485,852)	(14,838,646)
Recoveries of Prior Year Unpaid	(389,778)	(18,717)
Unpaid obligations, end of year	178,784,221	106,625,550
Uncollected payments:		
Uncollected payments from Federal sources, brought forward, October 1	(196,525,619)	(158,071,376)
Change in uncollected payments from Federal Sources	(1,323,688)	(38,454,242)
Uncollected payments from Federal sources, end of year	(197,849,306)	(196,525,619)
Memorandum entries:		
Obligated balance, start of year	$ (89,900,068)	$(142,611,139)
Obligated balance, start of year, as adjusted	(89,900,068)	(142,611,139)
Obligated balance, end of year	$ (19,065,085)	$ (89,900,068)
Budget Authority and Outlays, Net:		
Budget authority, gross	$58,933,688	$76,254,474
Actual offsetting collections	(57,610,431)	(37,800,603)
Change in uncollected payments from Federal sources	(1,323,688)	(38,454,243)
Recoveries of prior year paid obligations	431	371
Budget Authority, net, (total)	-	-
Outlays, gross	$ 21,485,852	$ 14,838,646
Actual offsetting collections	(57,610,431)	(37,800,603)
Outlays, net, (total)	(36,124,579)	(22,961,957)
Agency outlays, net	$ (36,124,579)	$ (22,961,957)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY

A. Reporting Entity

The Gulf Coast Ecosystem Restoration Council (Council) was established pursuant to the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) (33 U.S.C. § 1321(t) and note). The Council is comprised of 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.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

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

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Council in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* as amended, and the Council accounting policies, which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Council's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Certain prior year amounts have been adjusted to conform with the current year presentation. Unless specified otherwise, all amounts are presented in dollars.

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

B. Fund Balance with Treasury

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

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

C. Expenditure Transfers Receivable

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

D. Property, Equipment, and Software

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

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

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

Description	Useful Life (years)
Software	5
Equipment	5

E. Liabilities

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

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

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

F. Use of Estimates

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

G. Funds from Dedicated Collections

The RESTORE Act established the Gulf Coast Restoration Trust Fund (Trust Fund) in the Treasury of the United States, into which amounts equal to 80 percent of all administrative and civil penalties paid by responsible parties in connection with the Deepwater Horizon oil spill are to be deposited.

Pursuant to the RESTORE Act, 60 percent of deposits into the Trust Fund and 50 percent of interest on such deposit, available until expended, are transferred to the Council for disbursement in connection with Council-Selected Component projects and programs.

H. Imputed Costs

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The Council received support from Council Members primarily through non-reimbursable details and support services. The Council recognized imputed costs and financing sources in fiscal years 2018 and 2017 to the extent directed by accounting standards.

NOTE 3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2018 and 2017 were as follows:

FUND BALANCE WITH TREASURY (CASH) ACCOUNT BALANCES	2018	2017
Fund Balances (General Fund):		
Council-Selected Restoration - Administration Costs	$ 490,572	$ 108,683
Council-Selected Restoration – Program Costs		
Programmatic Expense	1,042,078	617,833
Projects and Programs (grants)	49,335,747	25,076,418
Spill Impact Program (grants)	16,010,143	4,951,027
Total	$ 66,878,541	$ 30,753,961

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		
	2018	**2017**
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 85,565,240	$ 120,651,233
Unavailable	378,386	2,797
Obligated Balance Not Yet Distributed	178,784,221	106,625,550
Uncollected Payments from Federal Sources, End of Year	(197,849,306)	(196,525,619)
Total	$ 66,878,541	$ 30,753,961

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

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

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

NOTE 4. EXPENDITURE TRANSFERS RECEIVABLE

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

EXPENDITURE TRANSFERS RECEIVABLE		
	2018	**2017**
Funds Apportioned	$ 58,873,688	$ 76,254,474
Funds Received	(57,550,000)	(37,800,232)
Prior Year Receivable Carry Forward	196,525,618	158,071,376
Balance Expenditure Transfers Receivable	$ 197,849,306	$ 196,525,619

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2018 and 2017.

MAJOR CLASS		
Internal Use Software	**2018**	**2017**
Acquisition Cost	$ 789,868	$ 789,868
Accumulated Depreciation	(360,194)	(202,221)
In Development	-	-
Netbook Value	$ 429,674	$ 587,647

NOTE 6. INTRAGOVERNMENTAL LIABILITIES – ACCOUNTS PAYABLE

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

INTRAGOVERNMENTAL LIABILITIES - ACCOUNTS PAYABLE AND PAYROLL TAXES		
	2018	**2017**
United States Department of Agriculture	$ 357	$15,012
United States Coast Guard	-	34,476
United States Department of Commerce	32,453	175,362
DHS/ICE/Federal Protective Service	-	1,267
General Services Administration	-	49
United States Department of Geological Survey	131,413	241,759
The National Protection and Programs Directorate	-	18
National Ocean and Atmospheric Administration	2,071	-
Office of Inspector General	41,735	-
Treasury Franchise Fund	1,003	2,948
NOAA Pacific Islands Regional Offices Fisheries Service	22,500	-
Government Publishing Office	-	38,796
Payroll OPM	17,938	15,961
Payroll FICA	5,331	5,269
Total Intragovernmental Liabilities	$ 254,801	$ 530,917

NOTE 7. Other Liabilities

Other Liabilities as of September 30, 2018 and 2017 were as follows:

OTHER LIABILITIES		
	2018	2017
Other Liabilities		
Accrued Payroll and Leave	$443,754	$ 354,119
Employer Taxes Payable	4,030	3,576
Total Other Liabilities	$ 447,784	$ 357,695

NOTE 8. Grants Payable

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

GRANTS PAYABLE		
	2018	2017
Intragovernmental Grants Payable	$ 3,254,929	$ 4,717,331
Grants Payable With the Public	1,153,238	7,039,162
Total Grants Payable	$ 4,408,167	$ 11,756,493

NOTE 9. INTRAGOVERNMENTAL COST

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

INTRAGOVERNMENTAL COSTS		
	2018	2017
Intragovernmental Costs	$ 1,586,938	$ 6,581,872
Public Costs	12,642,795	19,365,748
Total Costs	$14,229,733	$25,947,620
Total Intragovernmental Earned Revenue	(37,500)	-
Total Net Cost	$ 14,192,233	$ 25,947,620

NOTE 10. IMPUTED COSTS

The Council received support totaling $140,957 in fiscal year 2018 and $85,077 in fiscal year 2017. The table that follows identifies the level of support provided by agency/organization.

IMPUTED COSTS		
	2018	**2017**
Office of Personnel Management	$ 140,957	$ 85,077
Total	$ 140,957	$ 85,077

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

The 2018 Budget of the United States Government, with the "Actual" column completed for 2017 has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the periods ended September 30, 2018 and 2017, budgetary resources obligated for undelivered orders amounted to $79,874,306 and $80,270,968, respectively.

NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Council has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET		
	2018	**2017**
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 94,034,301	$ 106,022,676
Spending Authority from Offsetting Collections and Recoveries	(59,323,897)	(76,273,563)
Obligations Net of Offsetting Collections and Recoveries	34,710,404	29, 749,113
Net Obligations	34,710,404	29,749,113
Other Resources		
Imputed Financing from Costs Absorbed by Others	140,956	85,077
Net Other Resources Used to Finance Activities	140,956	85, 077
Total Resources Used to Finance Activities	34,851,360	29,834,190
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(20,659,127)	(3,888,214)
Total Resources Used to Finance Net Cost of Operations	14,192,233	25,945,976
Components Not Requiring or Generating Resources		1,644
Net Cost of Operations	$ 14,192,233	$ 25,947,620

NOTE 14. LEASES

The Council entered into an operating lease for 1,883 usable (2,399 rentable) square feet of office space with GSA in September 2014 in the Hale Boggs Federal Building/Courthouse in New Orleans. The Council entered their fourth year of occupancy effective October 1, 2017. The Council may relinquish space upon four months' notice thus the Council's financial obligation is four months of rent.

OTHER INFORMATION (UNAUDITED)

SCHEDULE OF SPENDING AND EXPLANATORY NOTES

GULF COAST ECOSYSTEM RESTORATION COUNCIL
SCHEDULE OF SPENDING
FOR THE YEARS ENDED SEPTEMBER 30, 2018 & 2017
(In Dollars)

	2018	2017
What Money is Available to Spend?		
Total Resources	$ 179,977,927	$ 226,676,703
Less Amount Not Agreed to be Spent	(85,565,240)	(120,651,233)
Less Amount Not Available to be Spent	(378,386)	(2,797)
Total Amounts Agreed to be Spent	94,034,301	106,022,673
How was the Money Spent?		
Personnel Compensation	$ 2,310,106	$ 2,189,384
Personnel Benefits	687,546	675,532
Travel and transportation of persons	209,542	195,091
Transportation of things	1,189	607
Rent, Communications, and Utilities	5,859	32,179
Printing and reproduction	20,385	1,692
Other contractual services	2,183,629	1,467,699
Supplies and materials	6,879	14,615
Equipment	21,978	31,290
Grants, subsidies and contributions	88,587,188	101,414,586
Total Amounts Agreed to be Spent	$ 94,034,301	$ 106,022,675
Who did the Money go to?		
Federal	$ 21,031,861	$ 31,659,797
Non-Federal	73,002,440	74,362,878
Total Amounts Agreed to be Spent	$ 94,034,301	$ 106,022,675

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

In fiscal year 2018, the Council received a total of $58,873,688 in new authority, carried forward $120,654,029 from fiscal year 2017, and obligated $94,034,301 in total. This Funding covered salary and benefits costs for 18.4 Full Time Equivalent (FTE). IAA's for accounting, procurement, travel, legal, audit, payroll, building security, website hosting and GIS support services, grant system hosting and support services, were entered into with

ARC, the Department of Commerce, Department of the Treasury Office of Inspector General, the USDA National Finance Center, Department of Homeland Security Immigration and Citizenship Service, Department of the Interior US Geological Service, and the Department of Commerce National Technical Information Services, respectively comprise "other contractual services." Rent, communications and utilities costs included a lease for office space and cell phone equipment and service. Equipment consisted of RAAMS Grant Management Software and office and IT equipment.

The Council has no revenue forgone and does not collect taxes.

MANAGEMENT CHALLENGES AND RESPONSE

The Treasury Inspector General (IG) has oversight responsibility over the Council. The 2018 Management and Performance Challenges (OIG-CA-19-001) Report and the Council's response are as follows.

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: 2018 Management and Performance Challenges (01G-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.' 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 Brokers 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.

[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]

<u>Improper Payments Elimination and Recovery Act of 2010 (IPERA)</u>

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 their award agreements. In response,

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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* (01G-18-027; December 12, 2017).

[9] 010, *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).

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 Grants Solutions, 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.

"/s/"
Eric M. Thorson
Inspector General, Department of the Treasury

cc: Ben Scaggs, Executive Director

Gulf Coast Ecosystem Restoration Council

November 6, 2017

Eric M. Thorson
Inspector General, U.S. Department of the
Treasury Washington, DC 20022

Re: Response to the OIG Report, 2018 Management and Performance Challenges Facing the Gulf Coast Ecosystem Restoration Council (OIG-CA-18-003)

Dear Inspector General Thorson,

Thank you for the opportunity to review the Office of Inspector General's (OIG) report 2018 Management and Performance Challenges Facing the Gulf Coast Ecosystem Restoration Council (OIG-CA-18-003). As you have pointed out, the Council is a relatively small Federal entity with many responsibilities under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). We concur with your report that two of the previous major challenges identified in the letter, e.g., to "Implement an Infrastructure to Administer Gulf Coast Restoration Activities," and "Federal Statutory and Regulatory Compliance" are not yet fully addressed. We further agree with the new challenge, Grant and Interagency Agreement Compliance Monitoring.

We appreciate your recognition of the Council's accomplishments to include the development of the "Draft 2017 Funded Priorities List: Comprehensive Commitment and Planning Support'' to be voted on in fiscal year 2018; meeting our planning and reporting requirements under the Digital Accountability and Transparency Act of 2014 (DATA Act); obtaining our third unmodified opinion on our financial statements with no material weaknesses or significant deficiencies; and that we sufficiently addressed the 2017 Stakeholder Coordination and Outreach challenge. Discussion of this year's challenges follows.

Challenge 1: Implementing an Infrastructure to Administer Gulf Coast Restoration Activities

The Council successfully recruited a Deputy CFO to manage the Council's Enterprise Risk Management (ERM) program. The Council met the June 2017 deadline for completing its initial risk profile, published the GCERC Risk Profile Update and Critical Risk Mitigation July 2017, and conducted testing of agency controls with statistically significant samples of financial transactions. The Council also recruited a CIO, completed its Information Management Strategic Plan, and defined and documented its IT security policies and procedures to implement a Risk Management Framework as defined in NIST standards and guidelines. The CIO left the Council in July 2017 but is returning to the Council in November 2017.

At this time, the position of Chairperson of the Council is vacant and will be filled upon the nomination of a new Chair by the States and appointment by the President. Two other key positions remain vacant, that of the Executive Director and the Enterprise Risk Management Specialist. the Council will recruit for a permanent Executive Director upon appointment of the new Chair. the Council is recruiting for the ERM specialist for the second time as there were no suitable candidates in the first attempt.

Challenge 2: Federal Statutory and Regulatory Compliance

The Council successfully met the first quarter reporting requirements of the DATA Act, developed management controls over its DATA Act submission, reconciliation, and certification process that were reasonably designed, implemented and operating effectively, and properly implemented, and used the 57 financial data standard elements established by the Office of Management and Budget and Treasury. the Council recognizes that the limited number of staff and manual processes pose a risk as volume increases, and will work to mitigate this risk through automated interfaces in the new grant system needed to replace RAAMS.

Challenge 3: Grant and Interagency Agreement Compliance Monitoring

The Council has followed a practice of incrementally increasing its staffing levels to be commensurate with the level of work being performed, starting with two FTE in fiscal year 2014 and increasing to an authorized level of 21.5 FTE in fiscal year 2017. the Council will continue to monitor workload and required resources as the volume of awards and activity increases.

The Council acknowledges that the vacancy for the ERM specialist reduces the Council's capacity to exercise adequate oversight and as indicated in Challenge 1, the Council is recruiting for this position. However, in addition to the compliance oversight that will be the responsibility of the ERM specialist, the Council has other procedures to help mitigate the risks of inadequate compliance monitoring. the Council requires a comprehensive Organizational Assessment from each applicant, performs an organizational risk assessment of each recipient, and completes an in-depth pre-award review of all applications. The Council is implementing a cross-functional post-award oversight program that includes procedures to relate a recipient's risk level to required oversight procedures. the Council also recognizes the importance of its future migration from RAAMS to a new fully functioning system and has initiated a requirements definition effort to support the selection of a new system.

We appreciate the ongoing cooperation and support we receive from your staff. Their expertise has been invaluable and will be particularly important as we continue to fund projects. We look forward to working with you to address the challenges identified in this 2018 Management and Performance Challenges report.

Sincerely,

Ben Scaggs
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 2018. This information is consistent with the Council's FMFIA Statement of Assurance.

Table 6 – Summary of Financial Statement Audit					
Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	NA	0

Table 7 – Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA - § 2)						
Statement of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	NA	NA	0
Effectiveness of Internal Control over Operations (FMFIA - § 2)						
Statement of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	NA	NA	NA	0
Conformance with Financial Management System Requirements (FMFIA - § 4)						
Statement of Assurance	**Conform**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	NA	NA	NA	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FMFIA)		
	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

PAYMENT INTEGRITY

Background

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

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

Programs of the Council Assessed for Risk

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

Risk Assessment Determination

1. Council-Selected Projects and Programs, Council expenditures for non-Federal persons, non-federal entities and federal employees totaled $21,360,600 in fiscal year 2018. Of those disbursements, 14 percent were payments for salary, benefits and travel reimbursements to Council employees, 2.3 percent were payments to eight commercial vendors, and 77 percent were payments to five grant recipients.

The payment recapture audit, performed by the Council's financial services provider, the Bureau of Fiscal Services, Department of the Treasury, identified 3 out of 874 payments as overpayments, for a rate of 0.22 percent. One administrative error resulting in one overpayment of $30,073.63 was identified through post-award monitoring. The total dollar value of improper payments was $36,917.35, a rate of 0.17 percent of total payments made. Payments recaptured totaled $36,917.35 and no erroneous or improper payments were outstanding at the end of the fiscal year.

2. Qualitative Assessment: The qualitative assessment, performed by the Council's financial service provider, the Bureau of Fiscal Services, Department of Treasury, resulted in a low-risk rating for the overall fund group. The following risk factors were considered in determining if the programs in the Council were likely to exceed 1.5 percent of all payments.

    a. The Council had a very small number of contracts and contractors, e.g., six, and a small number of payments, e.g., 59 totaling $489,056.

    b. The Council had a very small number of grant recipients, e.g., five, and a small number of payments, e.g., 185 payments equaling $16,481,555 both programs combined. Four of the grant recipients are states, and one recipient is a state governmental entity.

    c. The Council requires every recipient of financial assistance to complete an Organizational Assessment, which is then evaluated and rated by the Council. the Council had one high-risk recipient due to the immature financial and management infrastructure of that entity.

    d. For those recipients determined to be high risk, a 100 percent pre-audit of all payment requests prior to disbursement is required. Ten payments totaling $1,819,165 were pre-audited – 11 percent of grant payments made and 5 percent of the dollar amount of all grant payments since FY16. No improper payments were made for this recipient.

    e. As part of the risk review of each recipient, past audit reports are screened for significant deficiencies, findings or relevant management findings, and none were found for any grant recipient.

I. Payment Reporting

Table 8
Improper Payment Reduction Outlook
($ in millions)

Program or Activity	PY Outlays	PY IP %	PY IP$	CY Outlays	CY IP %	CY IP$
Council Selected Projects	$11.0	.003%	$.003	$16.4	.002%	$.037
Spill Impact	$1.3	0	0	$4.4	0	0
Total	$12.3	.003%	$.003	$20.8	.002%	$.037

a. Improper Payment Root Cause Categories

Root cause for improper payments was administrative error made in processing a payroll entitlement and a vendor payment.

Table 9
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	3	0	0	0

II. Recapture of Improper Payments Reporting

a. The Payment Recapture Audit was an internal review and analysis of the Restore Council's accounting and financial records, supporting documents, and other pertinent information supporting its payments specifically designed to identify overpayments.
    i. All required program and activity types were included in the Program.
    ii. No Payment Recapture Audit Programs for any program or activity have been deemed not cost effective.
    iii. No class of contract has been excluded.
    iv. Number and amount of improper payments: 2 for a total of $6843.72
    v. Amount of improper payments recaptured: $6843.72.
    vi. Recaptured payments were no-year funds and returned to their original purpose.
    vii. There are no unrecovered improper payments.

b. Overpayments Recaptured Outside of Payment Recapture Audits
One administrative error resulting in one overpayment of $30,073.63 was identified through post-award monitoring.

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

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

Table 10
Results of the Do Not Pay Initiative in Preventing Improper Payments

	Number of Payments reviewed for possible improper payments	Dollars ($) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars ($) of payments stopped	Number (#) of potential improper payments reviewed and determined accurate	Dollars ($) of potential improper payments reviewed and determined accurate
Reviews with the Do Not Pay databases	874	$73,391,544	0	0	0	0
Reviews with databases not listed in IPERIA as Do Not Pay Databases	0	0	0	0	0	0

IV. Barriers

None

V. 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.

VI. 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.

VII. Sampling and Estimation

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

FRAUD REDUCTION REPORT

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 Enterprise Risk Management Analyst position was filled in late February 2018. After that hiring, the Fiscal Year 2017 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 have initiated 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 21.5 FTE, two NAS fellow and two contractors. Council staff who are local to the New Orleans metropolitan area work in the Council's office space, while other staff members work remotely from home offices throughout the Gulf Coast. The distributed workforce reduces the amount of square footage required for office space and minimizes to the greatest extent possible the footprint of the Council. The Council is not undertaking a reduction to the office space it currently occupies.
d. The Council does not own any buildings; therefore, we have not disposed of owned buildings, nor have any such reduction targets.

GONE ACT

The Council issued its first grant agreement in fiscal year 2016. The Council has only one grant that has completed its period of performance with an end date in the 3rd quarter of FY18. Closeout of this grant is expected in FY19.

BIENNIAL REVIEW OF USER FEES

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