Audit Report

OIG-21-008

FINANCIAL MANAGEMENT

Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2020 and 2019

November 16, 2020

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF INSPECTOR GENERAL

November 16, 2020

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

Dear Chairperson Wheeler:

Under a contract monitored by our office, RMA Associates, LLC (RMA), an independent certified public accounting firm, audited the financial statements of the Gulf Coast Ecosystem Restoration Council (Council) as of September 30, 2020 and 2019, and for the years then ended, provided a report on internal control over financial reporting, and a report on compliance with laws, regulations, contracts, and grant agreements tested. The contract required that the audit be performed in accordance with government auditing standards and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*.

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

In its audit of the Council, RMA found:

- the financial statements were fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America;

- no deficiencies in internal control over financial reporting that are considered material weaknesses; and

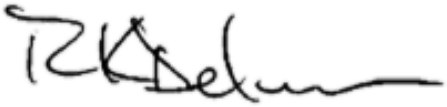
- no instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested.

In connection with the contract, we reviewed RMA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express an opinion on the Council's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. RMA is responsible for the attached auditors' report dated November 13, 2020, and the conclusions expressed in the report. However, our review disclosed no instances where RMA did

not comply, in all material respects, with U.S. generally accepted government auditing standards and OMB Bulletin No. 19-03.

I appreciate the courtesy and cooperation extended to RMA and my staff during the audit. If you wish to discuss this report, please contact me at (202) 528-8997, or a member of your staff may contact Deborah Harker, Assistant Inspector General for Audit, at (202) 927-5400.

Sincerely,



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

Enclosure

cc: Ben Scaggs, Executive Director

SECTION I

Independent Auditors' Report

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RMA | Associates
Auditors. Consultants. Advisors.

1005 North Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Independent Auditor's Report

Deputy Inspector General
Department of the Treasury

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Gulf Coast Ecosystem Restoration Council (Council) which comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements" or "basic financial statements"), for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

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

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of September 30, 2020 and 2019, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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Arlington, VA 22201
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Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

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Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

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, 2020

SECTION II

Gulf Coast Ecosystem Restoration Council
Agency Financial Report
Fiscal Year 2020

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GULF COAST ECOSYSTEM RESTORATION COUNCIL

RESTORE

Agency Financial Report
Fiscal Year 2020

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GULF COAST ECOSYSTEM RESTORATION COUNCIL

AGENCY FINANCIAL REPORT

FISCAL YEAR 2020

GULF COAST ECOSYSTEM RESTORATION COUNCIL

AGENCY FINANCIAL REPORT

FISCAL YEAR 2020

This Agency Financial Report for fiscal year 2020 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; Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) and the Payment Integrity Information Act of 2019*
- *Accountability of Tax Dollars Act (ATDA) of 2002;*
- *Reports Consolidation Act of 2000;*
- *Government Management Reform Act of 1994;*
- *Government Performance and Results Act (GPRA) of 1993 as amended by the Government Performance and Results Act Modernization Act (GPRAMA) of 2010;*
- *Chief Financial Officers (CFO) Act of 1990;*
- *Federal Managers' Financial Integrity Act (FMFIA) of 1982; and*
- *Digital Accountability and Transparency Act of 2014 (DATA Act).*

This report is available on the internet at https://www.restorethegulf.gov/reports/performance-and-accountability-reports.Cover photos courtesy of: National Oceanic and Atmospheric Administration

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MESSAGE FROM THE EXECUTIVE DIRECTOR
Gulf Coast Ecosystem Restoration Council
November 13, 2020

I am pleased to submit the Agency Financial Report (AFR) for the Gulf Coast Ecosystem Restoration Council (Council) for fiscal year 2020. The AFR provides an assessment of the Council's financial information and outlines the Council's accomplishments in implementing the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act).

The RESTORE Act dedicates 80 percent of all Clean Water Act administrative and civil penalties arising from the *Deepwater Horizon* (DWH) oil spill to the Gulf Coast Restoration Trust Fund (Trust Fund) and established the Council as an independent entity within the Federal government. The Council was formally established in 2012 with a clear mission to implement a long-term, comprehensive plan for the ecological and economic recovery of the Gulf Coast region. The Council, consisting of the five Gulf Coast states (States) directly impacted by the DWH oil spill and six Federal agencies, is committed to working with Gulf communities and partners to invest in actions, projects, and programs that will ensure the long-term environmental health and economic prosperity of the Gulf Coast region. In fiscal year 2020, the Council obligated $144.4 million through grants and interagency agreements to carry out projects and programs under the RESTORE Act, bringing the total amount awarded to $398.75 million: $184.39 million from the Council-Selected Restoration Component , or "Bucket 2" and $214.35 million from the Spill Impact Component, or "Bucket 3".

The Council approves projects and programs for Bucket 2 funding as set forth in Funded Priorities Lists (FPLs). The Council develops FPLs through collaboration among its members and with feedback from stakeholders across the Gulf. The Council was initially planning on developing FPL 3 during fiscal year 2020 as a single action, consisting of a list of restoration projects and programs addressing ecosystem needs across the Gulf coast. As a result of the Council's collaborative process, the Council decided to develop FPL 3 in two phases. On February 12, 2020, the Council approved the first phase, referred to as FPL 3a which included two projects: River Reintroduction into Maurepas Swamp as a priority for potential future funding, and budgeted $130,000,000 in implementation funds for this project; and $26,880,000 in planning and implementation funds for the Perdido River Land Conservation and Habitat Enhancements project, which involves the acquisition, conservation, management, and restoration of approximately 10,000-12,000 acres of coastal habitat in Alabama.

In March 2020, the Council solicited proposals for potential funding under Bucket 2 in the second phase referred to as FPL 3b. In developing FPL 3b, the Council is adhering to the FPL

development processes committed to by the Council, particularly as they relate to the use of the best available science (BAS), public engagement and transparency, and the Council's 2019 Planning Framework. In FPL 3b, the Council is considering proposals that address ecosystem needs in Texas, Mississippi, Florida, and Alabama, along with Gulfwide (covering two or more states) proposals. The Council has submitted proposed projects and programs (posted on the Council's website) addressing land conservation, quality improvement, habitat conservation and restoration, and other ecosystem projects and programs (collectively referred to as activities) across the Gulf coast. Many of these activities would continue to strategically leverage investments with other restoration efforts, including building upon successes of past FPL activities. It is anticipated that FPL 3b will be finalized during the Spring of 2021.

As the Council continues to work towards achieving the goals and objectives of the Comprehensive Plan, it emphasizes sound management of its funding and resources, as evidenced by the 2020 financial statement audit resulting in an unmodified opinion with no material weaknesses or significant deficiencies and that the financial statements present fairly, in all material respects, the financial position of the Council. In accordance with guidance from the Office of Management and Budget (OMB), I have determined, to the best of my knowledge and belief, that the performance and financial data included in this report are complete and reliable, and that the internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations are operating effectively.

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

/S/ Original signed
Ben Scaggs
Executive Director

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

OVERVIEW

This Agency Financial Report (AFR) presents the financial management performance of the Council for fiscal year 2020. The Council has chosen to publish a separate fiscal year 2020 Annual Performance Report on the Council's website concurrent with the release of the fiscal year 2022 President's Budget Request.

Background

The Council was established in July 2012, pursuant to the RESTORE Act. 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 Comprehensive Plan Update 2016: Restoring the Gulf Coast's Ecosystem & Economy (an update to the 2013 Initial Comprehensive Plan) developed by the Council. The remaining 30 percent is allocated to the states under the Spill Impact Component of the Act, according to a formula and regulation approved by the Council in December 2015. Spill Impact Component funds will be spent according to individual State Expenditure Plans (SEPs), developed by each state Council member, that will contribute to the overall economic and ecological recovery of the Gulf. The SEPs must adhere to criteria set forth in the Act and are subject to approval by the Council chair in accordance with those criteria.

MISSION AND ORGANIZATION

The Gulf Coast environment was significantly damaged by the 2010 *Deepwater Horizon* oil spill. In an effort to advance environmental and economic recovery from the spill, Congress passed the RESTORE Act in 2012. The Council is charged with helping to restore the ecosystem and economy of the Gulf Coast region by developing and overseeing Trust Fund expenditures in the implementation of the Comprehensive Plan and approval of SEPs and carrying out other responsibilities. The Council is comprised of the Governors of Alabama, Florida, Louisiana, Mississippi, and Texas, the Secretaries of the U.S. Departments of Agriculture, the Interior, the Army, Commerce, and Homeland Security, and the Administrator of the U.S. Environmental Protection Agency. In 2012, the Secretary of Commerce became the Council's first Chairperson. In March 2016, the Secretary of Agriculture became the Council Chairperson, and in January 2018, the Administrator of the U.S. Environmental Protection Agency became the current Council Chairperson.

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

State of Alabama
Kay Ivey
Governor

State of Florida
Ron DeSantis
Governor

State of Louisiana
John Bel Edwards
Governor

State of Mississippi
Tate Reeves
Governor

State of Texas
Greg Abbott
Governor

U.S. Department of Agriculture
Sonny Perdue
Secretary

U.S. Department of the Army
Ryan D. McCarthy
Secretary

U.S. Department of Commerce
Wilbur Ross
Secretary

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

U.S. Department of the Interior
David Bernhardt
Secretary

The RESTORE Act

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

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

Under the RESTORE Act, the Council must use the best available science and give highest priority to ecosystem projects and programs that meet one or more of the following four Priority Criteria.

- Projects that are projected to make the greatest contribution to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region, without regard to geographic location within the Gulf Coast region.
- Large-scale projects and programs that are projected to substantially contribute to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast ecosystem.
- Projects contained in existing Gulf Coast State comprehensive plans for the restoration and protection of natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region.
- Projects that restore long-term resiliency of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands most impacted by the *Deepwater Horizon* oil spill.

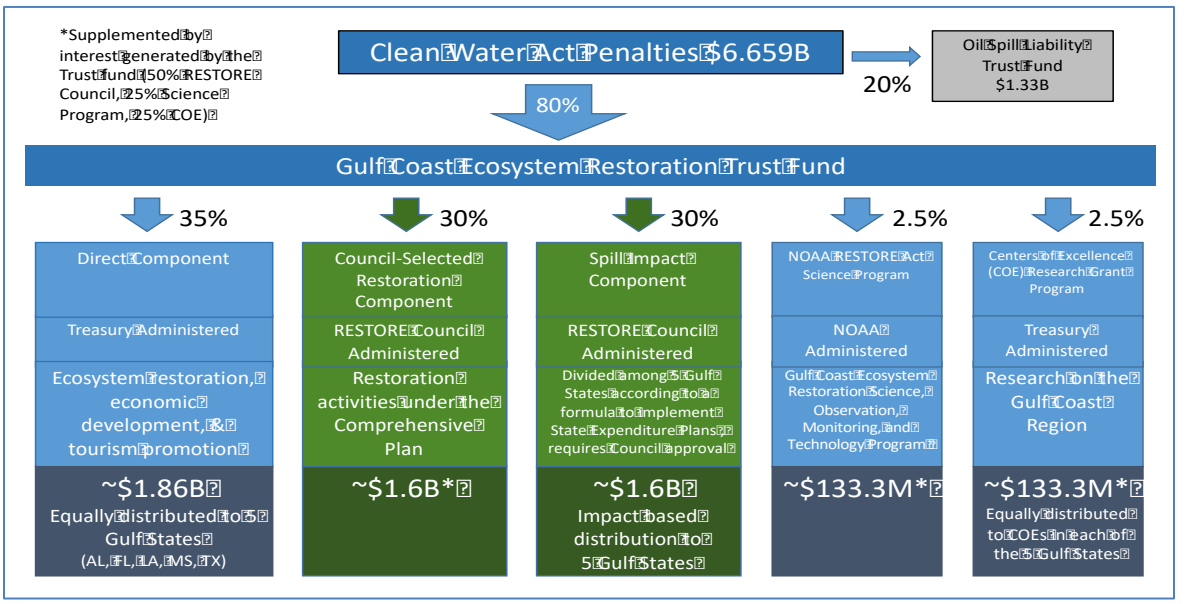
The funds supporting the Council's efforts are specified by the RESTORE Act, which divides funds made available from the Trust Fund into five components and sets parameters for how these funds will be spent.

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.

On April 4, 2016, a federal court in New Orleans entered a consent decree resolving civil claims against BP arising from the *Deepwater Horizon* oil spill (United States vs. BPXP et al.). The resolution of civil claim totals for entities held responsible for the *Deepwater Horizon* oil spill will yield more than $20 billion, the largest civil penalties ever awarded under any environmental statute, and the largest recovery of damages for injuries to natural resources of The United States. Of these penalties, the RESTORE Act will provide $5.33 billion (80 percent of $6.659 billion) to the Trust Fund, based on the following: $1 billion (plus interest) in civil penalties from Transocean Deepwater Inc. and related entities for violating the Clean Water Act in relation to their conduct in the *Deepwater Horizon* oil spill; $159.5 million from a civil fine paid by Anadarko Petroleum Corporation; and $5.5 billion (plus interest) from BP Exploration and Production, Inc. (BP) for a Clean Water Act civil penalty under the April 4, 2016 consent decree, payable over a fifteen-year period.

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



PERFORMANCE

GOALS, OBJECTIVES, AND RESULTS

Council Goals

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

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

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

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

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

The fifth goal focuses on reviving and supporting a sustainable Gulf economy. This goal does not apply to the Council-Selected component (Bucket 2).This goal pertains to expenditures

by the Gulf Coast States authorized in the RESTORE Act under the Direct Component (Bucket 1, administered by the Department of the Treasury) and the Spill Impact Component (Bucket 3, administered by the RESTORE Council), and ensures that these investments can be considered in the context of comprehensive restoration.

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

Council Objectives

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

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

education efforts that include formal and informal educational opportunities, professional development and training, communication, and actions for all ages.

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

Performance Goals and Indicators for Fiscal Year 2020

The Annual Performance Plan for fiscal year 2020 identified the following performance goals:

1. Promote a Gulf-wide comprehensive approach to restoration by:
    a. Examination of stressors and environmental drivers with Council members, the NGO community, interested stakeholders and public during fiscal year 2018 results in project proposals for gulf-wide restoration efforts on a watershed-estuary scale rather than random acts of restoration. Proposed projects will substantially improve the restoration or conservation of key watersheds without regard to political boundaries or provide foundational support for future efforts towards gulf-wide restoration.
    b. Promoting coordination and collaboration among members and other restoration efforts of Gulf restoration to maximize the Council's "return on investment."
2. Council-Selected Restoration Performance Excellence through:
    a. Drafting improved Proposal Submission Guidelines and Review Process (Guidelines) to facilitate the submission of effective and coordinated proposals by evaluating the efficacy of concepts, lessons learned and best practices for potential inclusion in the next FPL development process.
    b. Advance efficiency of the Environmental Compliance processes to support Council actions.
    c. Programmatic Review of Grant and Interagency Agreements. The programmatic component of the Council staff will review all grant and Interagency Agreement applications for funding under the Initial FPL meeting timelines established by the RESTORE Act, Council Guidelines, and the Notice of Funds Availability. This will include review of submissions for best available science and environmental compliance with NEPA and other environmental federal regulations.
    d. Compliance Review of Grant and Interagency Agreements. The grants and compliance component of the Council staff will review all grant and Interagency Agreement applications for funding under the Initial FPL meeting timelines established by the RESTORE Act, Council Guidelines, and the Notice of Funds Availability. The review will ensure compliance with all administrative and regulatory requirements under the RESTORE Act, Part 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and other federal regulatory requirements.
3. Spill Impact Component Performance Excellence by:

a. Timely review (i.e., 60-days) of State Expenditure Plans (SEPs) and SEP amendments while ensuring public comment was duly considered and other Council Member input is addressed.

4. Operational Excellence
    a. Effective oversight of Grant and Interagency Agreement post-award cash disbursement processes supports the prevention of improper payments.
    b. Metrics and milestones are employed to measure program effectiveness.
    c. Ensure all Applicant/Recipient Guidance Materials are updated. The Council will publish comprehensive guidance to inform potential applicants of the statutory and administrative requirements for proposals, SEPs, grant applications and IAA applications.
    d. Ensure all Council Grants Management System Guidance and Technical Resources are current.
5. Management Excellence
    a. Requisite reports are submitted in a timely manner.
    b. OIG audit findings and recommendations are addressed in a timely manner.
    c. GCERC workforce is managed in accordance with the 21st Century Cross-Agency Priority Goal and its Sub-goals.
    d. Organizational risk is assessed, and risk mitigation factors properly employed.
    e. Selection of a new grant/IAA system proceeds on track.

Analysis of Results

1. <u>Assessment of the Council's Progress Toward Program Goals</u>

Council-Selected Restoration Component

The Council's 2013 Comprehensive Plan identified five (5) Program Goals which were further refined in the 2016 Comprehensive Plan Update along with seven (7) associated Council Objectives, as previously discussed. The RESTORE Act gave the Council responsibility for oversight of the Council-Selected Restoration Component which utilizes a collaborative decision-making process to select awards through a Funded Priorities List (FPL) mechanism to accomplish ecosystem restoration in the Gulf of Mexico as guided by the Council's Goals and Objectives.

Funds are provided to the state members through grants, while Interagency Agency Agreements (IAAs) are utilized to provide funding to the federal members of the Council. To date, three FPLs have been completed. The first FPL approved in December 2015 focused on the first two goals (Restore and Conserve Habitats and Restore and Conserve Water Quality). The second FPL focused on providing resources to Council members to enable them to more fully meet the commitments and planning articulated in the 2016 Comprehensive Plan. The Council was initially planning on developing FPL 3 as a single action, comprised of a list of restoration projects and programs addressing ecosystem needs across the Gulf coast. As a result of the collaborative process, the Council has determined that developing FPL 3 in two phases enables the Council to respond to ecosystem needs, save money, and take advantage of important partnership opportunities to advance large-scale ecosystem restoration in the

first phase. In the second phase of FPL 3, the Council will consider restoration projects and programs that address additional ecosystem needs across the Gulf.

Initial Funded Priorities List (FPL 1)

The Council approved the Initial FPL in December 2015 (2015 Initial FPL) which provided funding for restoration and conservation activities that focus on habitat and water quality based on a watershed or estuary approach, as well as several Gulfwide projects. These activities are intended to provide near-term "on-the-ground" ecological results while also building a planning and science foundation for future success of projects.

Second Funded Priorities List: Commitment and Planning Support (FPL 2)

A review of the process used to develop the 2015 Initial FPL was conducted that included input from both Council members and the public. Following completion of this review, the Council developed the *2016 Comprehensive Plan Update: Restoring the Gulf Coast's Ecosystem & Economy* (2016 Comprehensive Plan Update).To advance these commitments, the Council approved a second FPL in January 2018, referred to as the *2017 Commitment and Planning Support FPL* (2017 CPS FPL). Rather than funding specific restoration projects or programs, the 2017 CPS FPL dedicates funds over a five-year period to help Council members meet 2016 Comprehensive Plan Update commitments and identify potential areas for future FPL proposal development.

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

Funding Priorities List 3a (FPL 3a)

It was also through this collaborative process that the Council recognized that developing FPL 3 in two phases would enable the Council to fund projects requiring near-term attention and take advantage of important partnership opportunities to advance large-scale ecosystem restoration in the first phase, FPL 3a. FPL 3a adheres to the FPL development process committed to by the Council, including BAS, public engagement and transparency, and the Planning Framework. Where applicable, the final project descriptions were modified based upon internal and external reviews and public comments.

a. River Reintroduction into Maurepas Swamp

In FPL 1, the Council approved approximately $14.2 million for planning, engineering and design, and permitting for the River Reintroduction into Maurepas Swamp (Maurepas project). This project would restore processes that will enhance ecosystem health and reduce or minimize future loss of approximately 45,000 acres of bald cypress-water tupelo

forest in coastal Louisiana by reintroducing Mississippi River water into the Maurepas Swamp. There are many ecological problems in this area, but probably the most significant is the current hydrologic regime, which is no longer conducive to sustain swamp forest habitat. Historically, the swamp received oxygenated water, sediment, and nutrient inputs from the Mississippi River during seasonal river flooding and via a smaller distributary, Bayou Manchac. That process was interrupted by the construction of local and eventually federal levees along the Mississippi River for flood control as well as the blockage of its connection with Bayou Manchac. This altered hydrologic regime has prevented natural connection of the swamp to the river's life-sustaining waters and resulted in oxygen-poor, stagnant water conditions that impair forest health and associated aquatic habitats. The reintroduction of river water would help revitalize the Maurepas Swamp by providing freshwater, nutrients, and sediments needed for healthy trees and long-term sustainability. This river reintroduction project (also known as a river "diversion") involves an intake and control structure on the Mississippi River, a channel to convey the river water to the swamp, and "guide levees" along the channel to ensure the water gets to the intended location and to prevent flooding.

The total estimated implementation cost of the Maurepas project is $190 million. The Council is budgeting $130 million for this project, and Louisiana is planning to use approximately $60 million from Bucket 3 and/or another source to cover the remaining cost. The State and USACE are currently considering whether a portion of the environmental benefits that will be derived from implementation of the Maurepas project could be used to mitigate for swamp habitat impacts that will occur from the implementation of the WSLP levee project. The Council has no role in determining how to mitigate for the WSLP levee impacts and defers fully to the State and USACE on that matter. The Council's budgeting of $130 million of Bucket 2 funds and Louisiana's plan to use approximately $60 million from Bucket 3 and/or another source for the Maurepas project do not depend on whether the levee mitigation concept advances.

The Maurepas final project description, developed by Louisiana, provides additional detail on the project, including information regarding compliance with the RESTORE Act, background, methods, risk and uncertainties, and budget. This project description has been revised in response to internal and external reviews.

b. Perdido River Land Conservation and Habitat Enhancements

Through the FPL collaborative planning process, Alabama has identified an opportunity for a large-scale, multi-member, multi-project, coordinated program in the Perdido Watershed. The States of Alabama (70%) and Florida (30%) share the watershed and the Perdido River as a border. This watershed includes floodplain forests, hydric pine forests, longleaf pine forests, and freshwater wetlands. Water quality and quantity protections are derived through its floodplains, which store and disperse runoff from storms and floods and recharge aquifers. Undeveloped areas act as natural filters, protecting water quality and sustaining wildlife such as recreationally and commercially important fish and oyster resources. Land use conversion and urbanization have contributed to habitat loss and water quality

degradation in this watershed. Much of the forested land in this area is in silviculture which impacts water quality via runoff to area water bodies; and contributes to habitat fragmentation, loss, and degradation. This area of Baldwin County also is rapidly urbanizing, with significant development pressures.

FPL 3a approves $26,880,000 in planning and implementation funds, and budgets $1,120,000 for an additional implementation component. This project involves the acquisition and placement into state conservation management of approximately 10,000 - 12,000 acres of habitat that will serve as a cornerstone for advancing the vision of a large-scale, coordinated program in the Perdido watershed. The State is seeking parcel(s) that would supplement an existing 17,337 acres in public ownership in Alabama, and roughly 12,400 acres in public ownership in Florida. Alabama has identified a potential parcel for acquisition, referred to as Magnolia South, and is engaged in conversations with the owner. This property has extensive frontage along the Perdido River and is located adjacent to existing publicly-owned conservation lands.

In addition to acquisition, the State will conduct habitat management and stewardship on the tract which could include prescribed burning, invasive species removal, longleaf pine restoration, and protection and habitat enhancements for species including the gopher tortoise. Education and outreach activities, including installation of signage and an educational display about the Perdido watershed, will be conducted. Acquired land will also be available for recreational use by the public and become part of the Perdido Wildlife Management Area.

Acquiring this property in the Perdido watershed can reduce the amount of land available for development and the associated ecosystem stressors that are the inevitable result of urbanization. Additionally, this action will serve as a cornerstone for a broader ecosystem conservation and restoration effort where stressors affecting water quality and habitat quality and function could be addressed synergistically. By acting now, the Council will protect this valuable habitat while also facilitating future watershed restoration efforts in this area.

The Perdido final project description, developed by Alabama, provides additional detail on the project, including updated information regarding compliance with the RESTORE Act, environmental laws, background, methods, risk and uncertainties, and budget. This project description has been further revised in response to internal and external reviews of the original proposal and public comments.

Funding Priorities List 3b (FPL 3b)

Upon approving FPL 3a in February 2020, the Council continued its focus on identifying projects and programs to address other Gulf Coast ecosystem needs through FPL 3b funding. Using 2017 CPS FPL resources, Council members (members) continued to collaborate among themselves and with stakeholders to identify and shape project and program concepts for potential inclusion in FPL 3b. In the early stages of collaboration, members identified and discussed potential priorities, which ranged from broad programmatic goals

to specific project concepts. Throughout this process, project and program concepts were reviewed and discussed by all members, further refined, and in some cases, dropped from further consideration based on feedback and other factors (e.g., availability of alternative funding sources). These discussions helped members further shape their respective project and program concepts as they developed FPL 3b proposals.

Draft FPL 3b reflects lessons learned from the 2015 Initial FPL process and commitments made in the 2016 Comprehensive Plan Update, most notably, enhanced collaboration and strategic planning to achieve large-scale ecosystem benefits. The 2015 Initial FPL contains activities described as "foundational" in that they will contribute to comprehensive Gulf restoration by complementing other projects in order to produce environmental benefits greater than the sum of the individual activities. This approach to identifying priority restoration activities acknowledges the interconnected nature of coastal and marine ecosystems. It also recognizes the importance of addressing system-wide stressors that reduce ecosystem health. Draft FPL 3b advances this concept by proposing to invest in programmatic approaches to address the ecosystem needs in certain geographic areas. The FPL 3b proposals, reviews, responses, Internal BAS Review Panel discussions, and original proposals, are available to the public on the Council's website for FPL 3b..

The activities proposed in draft FPL 3b (Table 1) also build upon investments made in FPL 3a, as well as the 2015 Initial FPL. In the 2015 Initial FPL, the Council focused on activities that primarily addressed the Comprehensive Plan goals *Restore and Conserve Habitat* and *Restore Water Quality and Quantity*. In FPL 3a, the Council included two restoration projects that primarily address the goal *Restore and Conserve Habitat*. In draft FPL 3b, the Council proposes to continue to invest in these goals, as well as the *Enhance Community Resilience*.

Table 1. The activities proposed for inclusion in FPL 3b are listed, along with their location and the types of work that is proposed to be funded.

Draft Funded Priorities List 3b				
Activity	**Geographic Area**	**Type**	**Amount Category 1**	**Amount Category 2***
Shoreline Protection Through Living Shorelines	Texas	Planning	$1,286,250	-----
		Implementation	-----	$10,963,750
Texas Coastal Water Quality Program	Texas	Planning	$3,262,500	-----
		Implementation	-----	$19,237,500
	Texas	Planning	$1,579,500	-----

Texas Land Acquisition Program for Coastal Conservation		Implementation	-----	$22,720,500
Wind-Tidal Flat Restoration Pilot	Texas	Planning & Implementation	$321,000	----
Chenier Plain Ecosystem Restoration Program	Texas	Planning	$1,700,000	-----
		Implementation	-----	$18,300,000
Coastal Nearshore Habitat Restoration and Development Program in Mississippi	Mississippi Sound	Planning	$6,920,000	-----
		Implementation	-----	$27,680,000
Water Quality Improvement Program for Coastal Mississippi Waters	Mississippi Sound	Planning	$6,850,000	-----
		Implementation	-----	$27,400,000
Enhancing Hydrologic Connectivity in Justin's Bay (Mobile Bay)	Mobile Bay and Mobile-Tensaw Delta, AL	Planning	$1,000,000	-----
Coastal Alabama Regional Water Quality Program	Mobile Bay and Mobile-Tensaw Delta, AL; Perdido Bay and River, AL-FL	Planning	$16,130,750	-----
		Implementation	-----	$19,000,000
Develop Ecological Flow Decision-Support for Mobile River and Perdido River Basins	Mobile Bay and Mobile-Tensaw Delta, AL; Perdido Bay and River, AL-FL	Planning & Implementation	$3,400,000	-----

Perdido Watershed Water Quality Improvements and Restoration Assessment Program	Perdido Bay and River, AL-FL	Planning	$1,500,000	-----
The Apalachicola Regional Restoration Initiative: Strategies 2 & 3	Florida	Planning & Implementation	$5,000,000	-----
Florida Gulf Coast Resiliency Program	Florida	Planning	$5,600,000	-----
		Implementation	-----	$8,400,000
Florida Gulf Coast Tributaries Hydrologic Restoration Program	Florida	Planning	$3,437,500	-----
		Implementation	-----	$10,312,500
Florida Water Quality Improvement Program	Florida	Planning	$6,750,000	------
		Implementation	-----	$20,250,000
Florida Strategic Gulf Coast Land Acquisition Program	Florida	Planning	$1,400,000	-----
		Implementation	-----	$12,600,000
Gulf Coast Conservation Reserve Program	Gulf wide (FL, AL, MS)	Planning & Implementation	$3,100,000	-----
Enhancing Gulf Waters through Forested Watershed Restoration	Gulf wide (FL, Al, MS)	Planning & Implementation	$23,000,000	-----
Gulf of Mexico Conservation Corps Program	Gulf wide (All five states)	Implementation	$11,971,250	-----
Tribal Youth Coastal Restoration Program	Gulf wide (FL, AL, MS, LA)	Planning & Implementation	$927,000	-----

* Council members will continue to collaborate on environmental compliance in an effort to move implementation components listed in draft FPL 3b as FPL Category 2 into FPL Category 1 status prior to a Council vote on the final FPL.

Spill Impact Component

Spill Impact Component funds will be invested in projects, programs, and activities developed by the States and identified in approved State Expenditure Plans (SEPs). The RESTORE Act allocates 30 percent of the Trust Fund to the Gulf Coast States under a formula established by the Council through a regulation and spent according to individual SEPs. Each State will develop one or more SEPs describing how it will disburse the amounts allocated to it under the Spill Impact Component. These projects and programs will be implemented through grants to the States in a manner that is consistent with the requirements of the RESTORE Act as well as the goals and objectives of the Comprehensive Plan.

Assessment of Results from the Council Programs

Over the five fiscal years of 2016 through 2020, the following awards have been made: 25 grants and 24 IAAs under FPL 1, 5 grants and 5 IAA's under FPL 2, and 52 SEP awards (Table 2). The Council Selected Restoration Component has provided $184.39 million (Table 3a) in funding over this time period, with $116.59 million in grants to the states and $67.80 million transferred to federal members through IAAs for restoration activities in the Gulf. The Spill Impact component provides grant funds to the state Council members, with a total of $214.37 million awarded over this five year period.

Table 2. Number of awards (grants and IAA) by program and year.

Fiscal Year	**FPL 1**		**CPS (FPL2)**		**SEP**	**Total**
	Grants	IAA	Grants	IAA		
2016	1	1			2	4
2017	13	8			2	23
2018	6	9	5	4	4	28
2019	4	4		1	5	14
2020	1	2			39	42
Totals	25	24	5	5	52	111

All projects funded by the Council are required to monitor the performance of the award toward ecosystem restoration. The Council has currently identified 56 performance-level metrics for grants to states and IAA's with the federal members funded through the Council-

Selected Restoration Component and for grants funded under the Spill Impact Component of the RESTORE Act. These metrics are used to monitor and evaluate the efficacy of projects and programs in meeting the mission goals and objectives of the Council and track annual performance. The FPL and SEP projects funded during fiscal years, 2016, through 2020 are already achieving results. To date, Council funds have been used to acquire 7,957.95 acres of land and restore 2,091.25 acres of wetlands and 6,586 acres of non-wetland areas, primarily in support of the Council's goal to Restore and Conserve Habitat (FY20 Annual Performance Plan). It should be noted that most land acquisition and improved management practices also have direct connection to improving water quality and quantity. Council funds under Council-Selected Restoration and Spill Impact Components are being used to restore land, marine habitat, wetlands and remove invasive species (1,255 acres) which support the Council's goal to Restore and Conserve Habitat. Funds invested through the Council-Selected Restoration and Spill Impact Components are also providing support for research and planning, monitoring activities, outreach and education, and providing economic benefits in support of the Council's goal to Restore and Revitalize the Gulf Economy.

Outreach through promoting natural resource stewardship and environmental education is an important component of the Council's efforts as shown by 713 people being reached by outreach, training or technical assistance activities, while 1,734 users are engaged with online activities. While much of this work is ongoing, thus far these metrics have resulted in improvement of management practices on 20,680.33 acres through Best Management Practices (BMP) and 98 people have enrolled to implement BMPs. The Council is also improving science-based decision-making processes by completing nearly 19 studies to inform management and monitoring 3,447.87 acres in 130 sites across the Gulf.

2. Summary of Performance in Terms of Historical Trends

Meeting Council Goals

The Council purposely focused FPL 1 on the first two Council Goals resulting in $136.73 million to support the Restore and Conserve Habitat Goal ($90.33 million in grants to states and $46.4 million in IAAs), and $26.83 million in support of the Council goal to Restore Water Quality and Quantity ($15.77 million in grants and $11.06 million in IAA's)as shown in Table 3a. In addition, the states have received $94.87 million through Spill Impact grants to support the Restore and Conserve Habit Goal, and $84.43 million to support the goal to Restore Water Quality and Quantity (Table 3b). The states also received Spill Impact funds to support the goals to Enhance Community Resilience ($6.76 million), Restore and Revitalize the Gulf Economy ($26.22 million) and Replenish and Protect Living Coastal and Marine Resources ($2.08 million).

Funding trends by fiscal year are shown in Figure 2 for all funding sources (Buckets 2 and 3) in support of the Council's goal to Restore and Conserve Habitat, while the Restore Water Quantity and Quality are provided in Figure 3 which show the strength of state support for these goals over the five-year funding timeframe. The cumulative funding for all Council goals (Figure 4) indicates nearly 86% of the funding from the Council-Selected Restoration

and Spill Impact Components have supported Restore and Conserve Habitat ($231.6 million / 58.1%) and Restore Water Quality and Quantity ($111.26 million / 27.9%); the remaining funds have been used to support Enhance Community Resiliency (1.7%), Restore and Revitalize the Gulf Economy (6.6%) and support for all of the Council goals through the CPS FPL (5.2%).

Table 3a. RESTORE Council-Selected Component funding by Goals and Fiscal Year in millions of dollars.

GOAL	2016	2017	2018	2019	2020	Total to Date
Restore and Conserve Habitat	$7.71	$62.92	$27.67	$32.49	$5.94	**$136.73**
Restore Water Quality and Quantity		$18.79	$6.54		$1.5	**$26.83**
Awards that Support All Goals			$18.73	$2.1		**$20.83**
Totals	**$7.71**	**$81.66**	**$52.94**	**$34.59**	**$5.74**	**$183.59**

Table 3b. Spill Impact Component Funding by Council Goal and Fiscal Year ($ millions)

GOAL	2016	2017	2018	2019	2020	Total to Date
Restore and Conserve Habitat	$4.64	$19.47	$18.5		$52.26	**$94.87**
Restore Water Quality and Quantity	$0.85	$0.29	$17.08	$13.40	$52.81	**$84.43**
Enhance Community Resilience				$2.83	$3.93	**$6.76**
Restore and Revitalize the Gulf Economy				$0.33	$25.88	**$26.22**
Replenish and Protect Living Coastal and Marine Resources					$2.08	**$2.08**
TOTALS	**$5.49**	**$19.76**	**$35.60**	**$16.56**	**$136.96**	**$214.37**

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

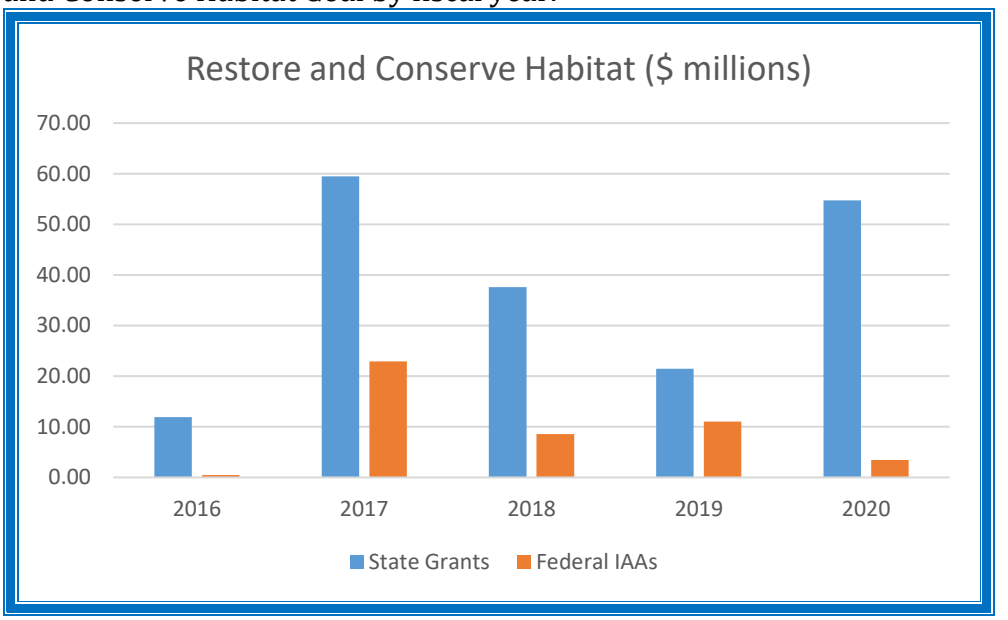


Figure 3. Funding trends for grants and IAA's from FPL 1 and SEPs in support of the Restore and Conserve Water Quality and Quantity Goal by fiscal year.

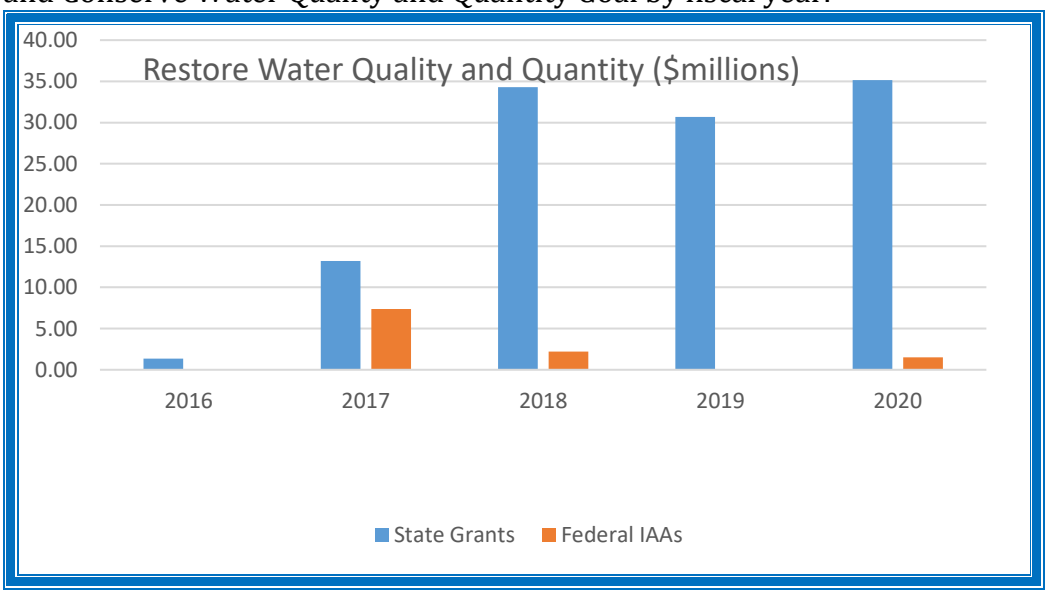
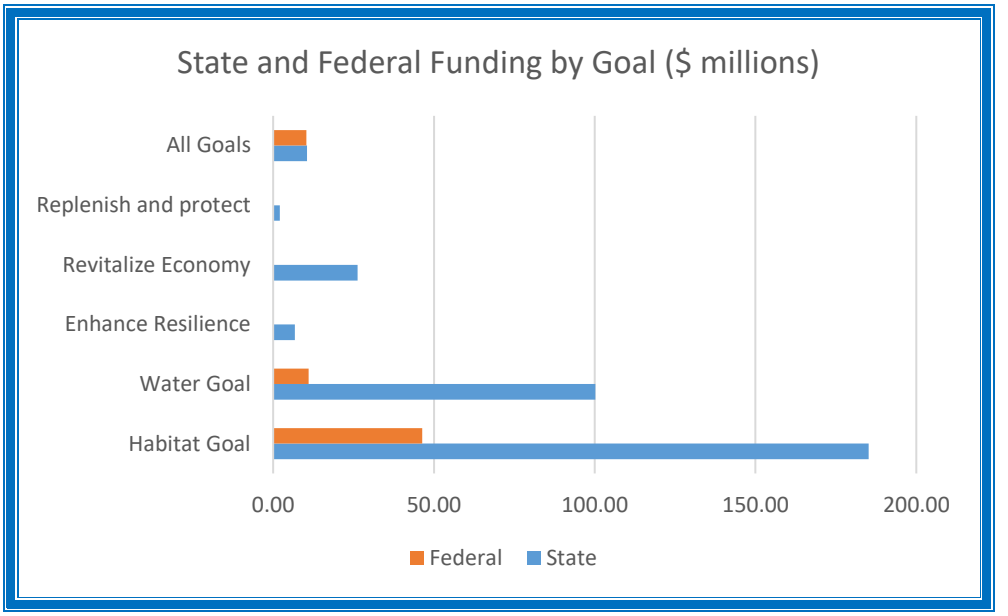


Figure 4. Funding trends for state and federal members (all sources) by fiscal year in support of Council's Goals.



Meeting Council Objectives

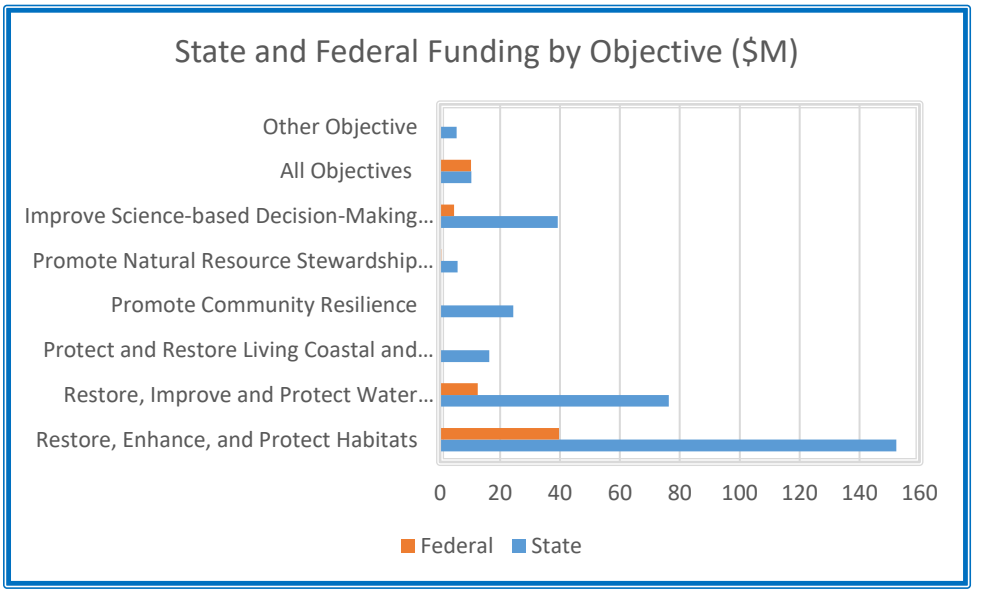
The Council identified seven (7) objectives in its Comprehensive Plan to support the Council's Goals. The Council uses these objectives to select and fund projects and programs that restore and protect the natural resources, ecosystems, water quality, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region. The initial Council focus on restoring and conserving habitat and restoring water quality and quantity goals are reflected in the level of funding supporting the associated objectives to Restore, Enhance and Protect Habitats ($192.03 million from all funding sources) and Restore, Improve and Protect Water Resources ($88.95 million from all funding sources), which represents 48.2% and 22.3% , respectively, of all Bucket 2 and 3 funds (grants and IAAs) as shown in Table 4. This funding trend is clearly shown, particularly for the state investments, in Figure 5.

Table 4. Total funding by Objective and Fiscal Year for FPL 1 and SEP through FY20

	2016	2017	2018	2019	2020	**Total to Date**
Restore, Enhance, and Protect Habitats	$7.26	$57.45	$49.03	$32.49	$45.80	**$192.03**
Restore, Improve and Protect Water Resources		$18.79	$19.48	$4.10	$46.58	**$88.95**
Protect and Restore Living Coastal and Marine Resources	$0.85	$0.29	$1.23	$9.3	$4.71	**$16.38**
Promote Community Resilience				$2.83	$21.61	**$24.44**
Promote Natural Resource Stewardship and Environmental Education	$0.45	$0.75			$5.14	**$6.34**

Improve Science-based Decision-Making Processes	$4.64	$24.16			$15.15	**$43.95**
All Objectives			$18.73	$2.1		**$20.83**
Other Objective				$0.21	$5.40	**$5.52**
TOTALS	**$13.20**	**$101.44**	**$88.47**	**$50.94**	**$144.39**	**$398.75**

Figure 5. Distribution of funding for state and federal Council members from the Council-Selected Restoration and Spill Impact Components by watershed.



Funding by Watershed

The use of a watershed/estuary-based approach for comprehensive ecological restoration was captured as a fundamental component of the Comprehensive Plan Update following completion of FPL 1 which included funding in 10 key watersheds. Linking projects to environmental stressors by watershed or estuary is scientifically sound and offers operational advantages which assist in leveraging ecosystem restoration program resources. While the use of a watershed/estuary-based approach is a good framework, it is important to note that there are features of the Gulf system that extend beyond coastal watershed boundaries, including private lands in upper watersheds, and marine and offshore habitats.

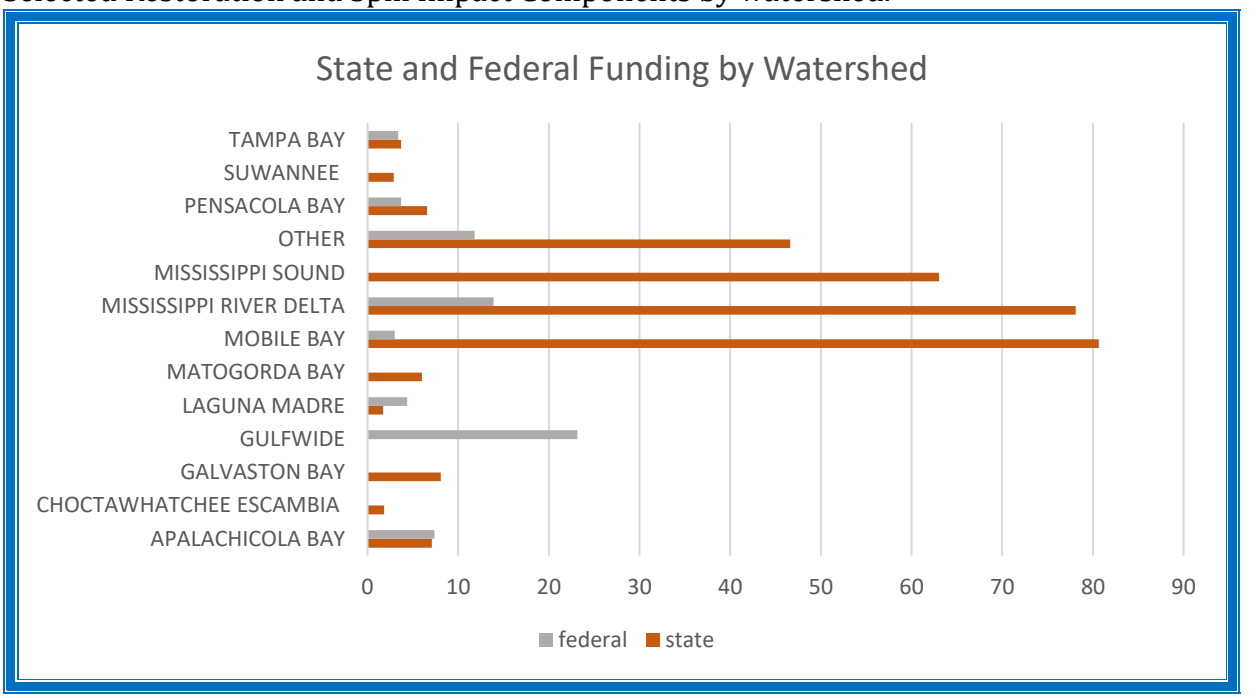
The watersheds that have received the most funding as a total of all funding sources (Table 5) are the Mississippi River Delta ($92.02 million), Mobile Bay ($83.67 million) and Mississippi Sound ($62.52 million), representing 24.49%, 22.2% and 20.5% of 16.7% total funds. The federal IAA's (Figure 6) have primarily been in support of a Gulf-wide focus ($22.92 million; 33.8% of federal project funds); the "Other" category ($74.3 million) includes funds to support the CPS FPL ($10.3 million,) and other non-watershed focused efforts like the Louisiana's Adaptive Management Program funded under Bucket 3 ($19.47 million in FY17 and $15.15 million in FY20. The states have funded work in several

watersheds through both the Council-Selected Restoration and Spill Impact as shown in Figure 6.

Table 5. Total funding by Watershed and Fiscal Year.

	2016	**2017**	**2018**	**2019**	**2020**	**Total to Date**
APALACHICOLA BAY		$13.9		$0.39	$0.19	$14.48
CHOCTAWHATCHEE ESCAMBIA					$1.67	$1.67
GALVASTON BAY			$ 8.08			$ 8.08
GULFWIDE	$0.45	$17.77	$ 3.0	$0.22	$1.70	$ 23.14
LAGUNA MADRE		$ 4.38	$1.32	$ 0.40		$ 6.10
MATOGORDA BAY		$ 6.01				$6.01
MOBILE BAY		$0.36	$6.13	$3.91	$73.27	$83.67
MISSISSIPPI RIVER DELTA	$7.26	$26.92	$27.82	$11.56	$18.46	$92.02
MISSISSIPPI SOUND	$0.85	$2.93	$17.08	$30.96	$10.70	$62.52
OTHER	$4.64	$19.76	$18.73	$3.72	$27.45	$74.30
PENSACOLA BAY		$6.56	$2.20		$1.50	$10.26
SUWANNEE WATERSHED		$2.88			$2.08	$4.96
TAMPA BAY			$4.19		$7.37	$11.56
TOTALS	$13.20	$101.47	$88.55	$51.16	$144.39	$398.75

Figure 6. Distribution of funding for state and federal Council members from the Council-Selected Restoration and Spill Impact Components by watershed.



3. <u>Summary of Strategies and Resources Used to Achieve Goals</u>

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

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

future success. FPL 1 included planning funds for large-scale ecosystem restoration projects. Funding for FPL 3a and proposals for FPL 3b largely build on this strategy.***Comprehensive Plan Update***

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

Commitment and Planning Support FPL

The Council recognized that meeting its Comprehensive Plan commitments requires resources to support the personnel, travel, and logistics necessary for more effective collaboration and planning. In 2018, the Council approved funding to support this planning and collaboration. A major challenge to Gulf-wide ecosystem restoration is coordinating efforts within each state, among Council members, among stakeholders, and across the Gulf restoration efforts. This funding was approved in a second FPL titled "Funded Priorities List: Comprehensive Plan Commitment and Planning Support" (FPL 2). Prior to FPL 2, there was no designated funding to support Council member efforts to plan and coordinate restoration activities under Bucket 2. Council members had to rely upon general, tax-generated or appropriated funds to support such work. The FPL 2 funding provides the necessary resources for Council members to stimulate and encourage the coordination and collaboration necessary to achieve the commitments of the of the Comprehensive Plan. FPL2 can be found on the Council's website. Specifically, the CPS FPL funding will provide funds necessary for members to:

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

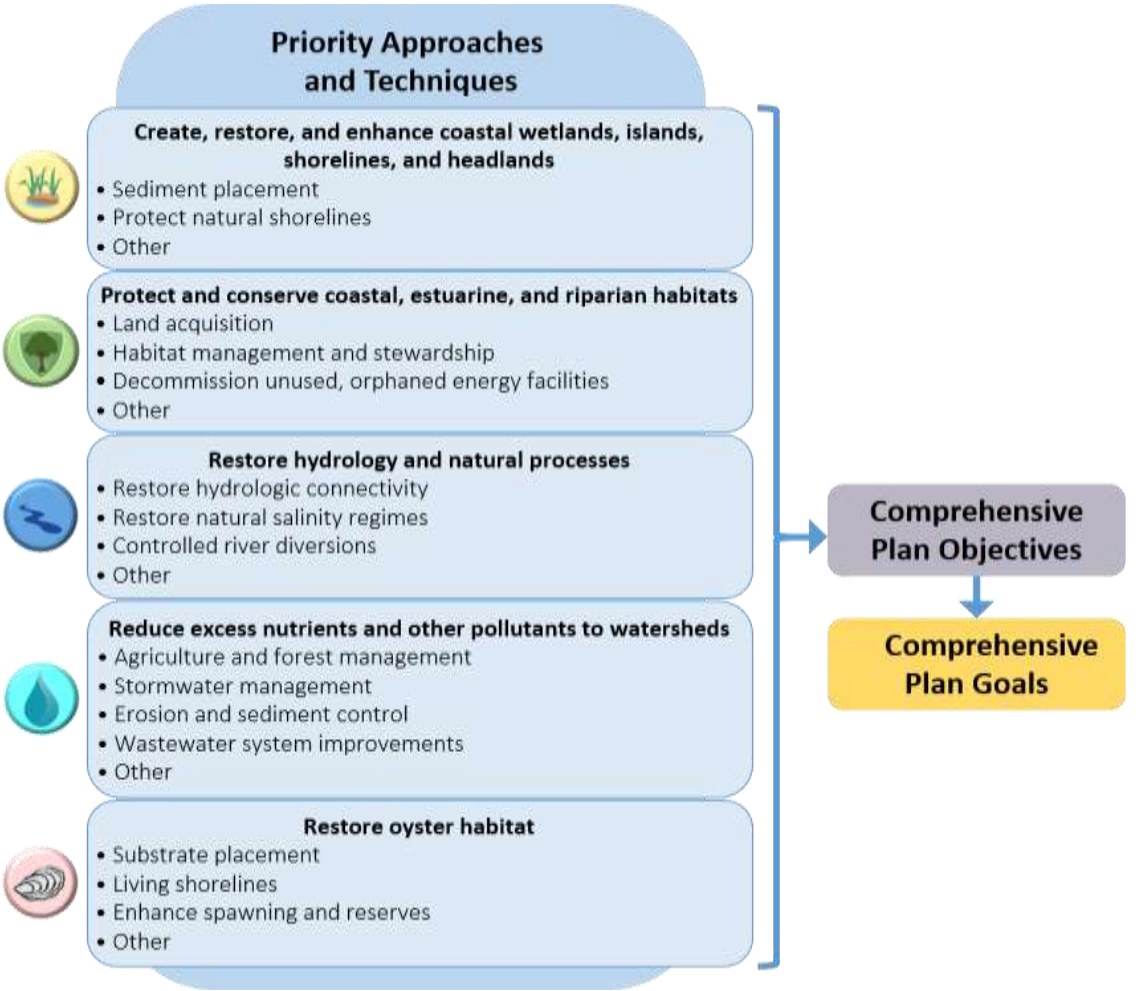
Planning Framework

The Planning Framework is a new element of the FPL process and was used for the first time in the development of FPL 3a and b. The Planning Framework serves as a "bridge" between the Comprehensive Plan and FPLs, and from one FPL to the next. The Planning Framework strategically links past and future restoration funding decisions to the overarching goals and objectives outlined in the 2016 Comprehensive Plan Update. As the 2015 Initial FPL focused on Comprehensive Plan goals related to habitat and water quality, the Planning Framework provided an indication of the types of resources, habitats, and geographic areas where the

RESTORE Council would focus in FPL 3a and b in advance of selecting projects and programs. In this way, this Planning Framework indicates priorities designed to continue building on previous investments in habitat and water quality, while expanding opportunities to meet all Comprehensive Plan goals and objectives in the future.

For the RESTORE Council, the Planning Framework represents another step toward meeting the commitments of improved, transparent, and collaborative planning and decision-making to achieve the vision of the 2016 Comprehensive Plan Update for "*A healthy and productive Gulf ecosystem achieved through collaboration on strategic restoration projects and programs.*" The Planning Framework lists priority restoration approaches and techniques (Figure 6), their relationship to the Comprehensive Plan goals and objectives, and associated geographic areas. The priority approaches and associated techniques and their application within certain geographic areas provide the public and potential funding partners with a better understanding of the context under which projects were developed as part of FPL 3a and b. The Council views the Planning Framework as a "living document" that will support the Council's continued efforts to build upon prior restoration investments during the project or program selection process. As part of the development process for future FPLs (e.g., FPL 4, FPL 5, etc.), the Planning Framework will be reviewed and revised as needed. In addition to RESTORE Act activities, the Council will consider restoration activities funded by DWH NRDA, NFWF GEBF, and other restoration efforts in the Gulf of Mexico region as it determines future funding priorities.

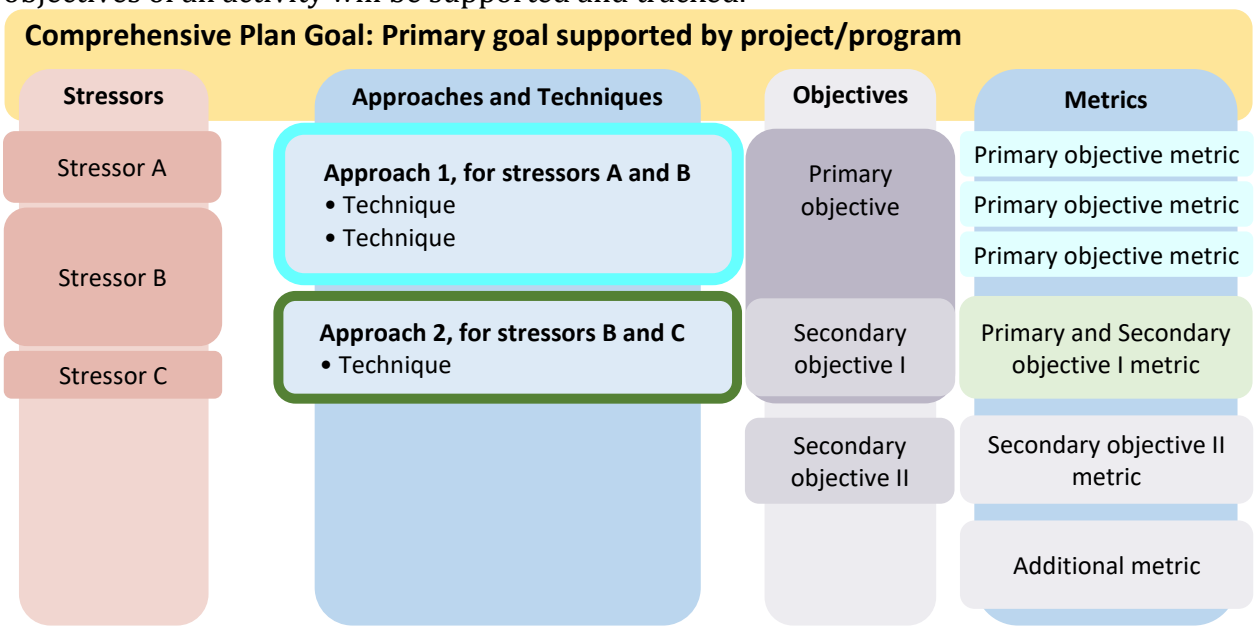
Figure 7. The 2019 Planning Framework priority approaches and techniques can be applied to support the Comprehensive Plan objectives and goals.



The Planning Framework also provides a value tool in helping to describe how projects and programs selected for funding under the Council-Selected Restoration component relate to the Council's Goals and Objectives. The relationship between the Comprehensive Plan goals and how the objectives of an activity will be supported and tracked are shown in Figure 7. The primary goal supported by the activity is shown at the top; any secondary goals are not depicted. All other information is organized into rows to provide a simplified depiction of how each column relates to the 2019 Planning Framework approaches. Each approach box (second column) lists the corresponding techniques that will be implemented, and aligns with the stressors it will be used to address (first column), the objective(s) it will support (third column), and metrics that may be used to track its benefits to the supported objective(s) (fourth column). For activities with one or more secondary objectives, an approach may support both the primary objective (uppermost row) and a secondary objective, as shown for 'Approach 2'. Objectives that are placed below the row(s) aligned to approaches, as shown for 'Secondary objective II', are supported by all of the approaches to

be implemented by the activity. Additional metrics may be proposed which do not align with selected approaches and/or objectives (bottom row). Note that techniques are not meant to align on particular rows, and that stressors only align with approaches. Similar Planning Framework graphical illustrations were developed for all FPL 3a funded projects and FPL 3b proposed projects and programs.

Figure 8. Stylized Planning Framework illustrating how the Comprehensive Plan goals and objectives of an activity will be supported and tracked.



4. <u>Summary of Significant Underlying Factors that Affected the Performance</u> (including factors outside of the Council's control as well as those the Council could control)

There are myriad natural and man-made factors that could potentially affect performance of the projects and programs funding through the Council. Therefore, the Council must consider a wide range of past, ongoing, and emerging environmental threats which could impact performance of awards under the Council-Selected Restoration and Spill Impact components of the RESTORE Act. For example, sea-level rise combined in some areas with ongoing subsidence can pose a significant risk to coastal ecosystems and communities, and to the Council's own coastal restoration investments. Tropical systems, like Hurricane Laura that hit the western portion of Louisiana and eastern Texas during FY2020 can have a deleterious impact on coastal restoration efforts. Water quality degradation is another environmental issue impacting resilience and sustainability leading to, among many other impacts, one of the world's largest hypoxic regions ("Dead Zone") which forms each year off the Louisiana coast and can reach the size of the State of New Jersey. The Council is committed to using the best available science to consider relative sea-level rise, water quality, and other risks as it makes coastal restoration funding decisions. The Council is also //committed to working with a broad range of stakeholders interested in coastal resilience.

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

5. Identification of Anticipated and Unaccepted Risks

There are several strategies that the Council employs to anticipate and prepare for risk with associated mitigation strategies. The Council has completed an Enterprise Risk Assessment, and developed a risk profile that identifies strategic, operational, compliance, financial and reporting risks, assesses their likelihood and impact, and determines an overall risk rating with a categorization of critical, high, medium and low. This analysis highlighted seven critical risks (high likelihood and high impact). One of the risks speaks to the potential for overlapping project funding for the same purpose, which could take the form of project duplication within the Council-Selected Restoration Component, or a project funded by either the Spill Impact Component, or by one of the other Deepwater Horizon funding streams, including NRDA or the NFWF GEBF. The Council is providing financial support for the DWH Project Tracker, available at https://dwhprojecttracker.org/, which provides a comprehensive way to track restoration efforts from a variety of DWH funding sources. The emphasis and funding provided through the CPS FPL to support collaboration among the Council members and the other DWH funding streams also specifically addresses this risk.

Further, the Council also approved an updated Proposal Submission Guidelines and Review Process policy document in 2019 that consists of several components to reduce risks by avoiding project duplication, ensuring alignment with Council Goals and Objectives, and providing for adequate levels of project monitoring during and following completion of the project or program. This critical policy document is utilized by Council members to prepare their proposals for Bucket 2 funding, as well as by Council staff to evaluate the proposals, including consideration of the associated risks. The following are the basic elements of these guidelines:

- RESTORE Act Priority Criteria: Every application is reviewed to ensure that it meets one of the four Priority Criteria defined in the RESTORE Act, including:
    - Projects that are projected to make the greatest contribution to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region, without regard to geographic location within the Gulf Coast region.
    - Large-scale projects and programs that are projected to substantially contribute to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast ecosystem.
    - Projects contained in existing Gulf Coast State comprehensive plans for the restoration and protection of natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region.

- Projects that restore long-term resiliency of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands most impacted by the *Deepwater Horizon* oil spill.

- Best Available Science: The RESTORE Act requires the Council to "undertake projects and programs, using the best available science (BAS) that would restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, and economy of the Gulf Coast." In the 2016 update to its Comprehensive Plan, the Council strengthened its commitment to using BAS and delivering and measuring success through the use of common standards and monitoring protocols, and the development of indicators and metrics of restoration and conservation success by project, region, and/or watershed.
    - Using best available science, summarize risks and uncertainties associated with the proposed activity, along with any proposed measures to mitigate such risks and uncertainties. In general, risks and uncertainties should be considered in both the near- and long-term, and with respect to the anticipated lifespan of the proposed project or program. This section may provide perspective on such risks and uncertainties relative to the potential benefits of the proposed project or program. For example, a long-term risk to the project or program posed by sea level rise might be offset by the potential near- and mid-term environmental benefits of the activity. Conversely, a potential benefit of the proposed project or program might be the mitigation of future risks associated with sea level rise, subsidence and/or storms.
    - The proposal should discuss whether the project or program is vulnerable to applicable climate risks under varying future scenarios, including but not limited to sea level rise, alterations in rainfall patterns, and/or potential increases in hurricane intensity. Consider how such risks might affect the benefits and duration of the project or program. The proposal should describe any design or other measures taken to mitigate these risks.
    - Other applicable risks and uncertainties might include questions and unknowns relating to construction feasibility, unanticipated cost increases, land rights, regulatory review, project timing, public opposition, and/or the potential for unanticipated adverse environmental and/or socio-economic impacts. Any relevant scientific uncertainties and/or data gaps should also be discussed (including the appropriate citations). Proposed measures to mitigate risks should be discussed. For proposals that involve only planning (no construction), this section should discuss how the foregoing risks and uncertainties would be addressed in the planning process.

- Environmental Compliance: As a federal entity, the Council must comply with all applicable federal environmental laws and other requirements (such as Executive Orders) when approving funding under the Council-Selected Restoration Component. The environmental laws that apply to a proposal are a function of the specific

activities being proposed, and their possible direct and indirect influence on the environment. National Environmental Policy Act, Endangered Species Act, Magnuson-Stevens Fishery Conservation and Management Act, National Historic Preservation Act, and the Fish and Wildlife Coordination Act. Other environmental laws and requirements may apply at the award or construction stage of a project or program. The Council does not disburse Spill Impact Component funding for activities in approved SEPs until it has confirmed that all applicable laws have been addressed.

6. Summary of Plans to Improve Performance

In its Comprehensive Plans, the Council has committed to delivering results, measuring impacts, and implementing/improving adaptive management. Ongoing coordination around science and monitoring has already reaped tangible benefits such as: alignment of overlapping tasks across entities, shared work products, and plans for future leveraging of shared resources. The Council is also exploring opportunities to create consistency and collaborate with NRDA efforts where appropriate. For example, the intersection between the Council Monitoring and Assessment Work Group (CMAWG) efforts with the NRDA Cross-Technical Implementation Group, Monitoring and Adaptive Management Workgroup may yield important programmatic and science efficiencies.

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

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

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

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

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

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

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

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

ANALYSIS OF THE FINANCIAL STATEMENTS

Apportionments

The Council is funded in its entirety by the RESTORE Trust Fund and it serves as an expenditure fund to the Trust Fund. It does not receive appropriated funds, and all funding is Category B mandatory funding. The Council's financial statements reflect the amount of the funds available to and used by the Council. Table 6 below shows the current status of the trust fund components that are managed by the Council: the Council-Selected Restoration Component, and the Oil Spill Impact Component. The Council-Selected Administrative Funds and Council-Selected Program Expense Funds are subcategories of the Council-Selected Restoration Funds and are used by the Council to carry out its operations. The apportionments received by the Council are used to develop programs, carry out operations and fund projects.

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

Table 6 shows the Council's trust fund apportionments received in fiscal years 2013-2020. An apportionment is an Office of Management and Budget approved plan on how to spend resources provided by a mandatory appropriation, an annual or supplemental appropriation act, or a continuing resolution as well as other sources of funding such as a Trust Fund. An apportionment contains the amounts available for obligation and expenditure. It also specifies and limits what obligations can be done and what expenditures can be made during specified timeframes, for programs, projects, and activities or any combination of these.

In fiscal year 2020, $221 million in new apportionment funding was approved. Of this amount, $35M was used in support of Council Selected Administrative and Program Expenses and $185.7 million was used to fund projects included in State Expenditure Plans as follows: Alabama $79.5 million, Florida 31.7 million, Louisiana $46.0 million and Mississippi $28.5 million.

Table 6: Trust Fund Apportionments Received Summary

Trust Fund Balance (After Sequestration)	Council Selected Administrative Funds	Council Selected Program Funds			Spill Impact Funds
		Council Selected Program Expense Fund	Council Selected Projects and Programs Funds	Total	
TRUST FUND DEPOSITS	**$18,594,421**			**$601,219,611**	**$596,402,240**
Apportionment FY13-14	(1,256,214)	(1,067,950)	(-)	(1,067,950)	(-)
Apportionment FY15	(1,241,229)	(2,307,158)	(-)	(2,307,158)	(-)
Apportionment FY16	(1,107,649)	(3,157,558)	(156,553,618)	(159,711,176)	(6,400,000)
Apportionment FY17	(1,375,568)	(4,078,906)	(-)	(4,078,906)	(70,800,000)
Apportionment FY18	(1,417,740)	(4,544,671)	(30,611,276)	(35,155,947)	(22,300,001)
Apportionment FY19	(1,445,181)	(4,317,211)	(5,717,000)	(10,034,211)	(94,310,000)
Apportionment FY20	(1,109,447)	(5,272,021)	(29,005,000)	(34,277,021)	(185,726,643)
Total Apportioned to the Council	**(8,953,028)**	(24,745,475)	(221,886,894)	**(246,632,369)**	**(379,536,644)**
Balance Available in Trust Fund	**$9,641,393**			**$354,587,242**	**$216,865,596**

Five-Year Operational Costs Summary

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

Table 7 identifies each fiscal year's new apportionment for operations, recoveries from prior year obligations, current year and total revenue, funded obligations incurred, total cost of operations, and carryforward from prior and current year. Council approval is required for use of carryforward funds if an expense exceeds a certain threshold but has not been included in the approved annual operating budget. In FY 2020 $1,124,423 in carryforward funds were used to fund interagency agreements for the annual financial audit, procurement, accounting, budget and payroll services, and GIS, Website Hosting, Best Available Science, translation services and GrantSolutions dashboards. In addition, carry-forward funds in the amount of $795,810 remaining from the $1.2 million reserved for the Unified Solution (GrantSolutions and PIPER) to replace the Council's previous electronic grants management system (the Restoration Assistance and Awards Management System or RAAMS) were carried into fiscal year 2020. Carry-forward funding into fiscal year 2021 will be greater than anticipated due to the following: travel, training and conference expenses were significantly lower than budgeted in fiscal year 2020 due to the impact of COVID-19 saving the Council $229,316. Additionally, project costs for GrantSolutions were deferred in order to bring the system on-line and operational well before the termination of RAAMS.

In fiscal year 2021, fiscal year 2020 carryforward is planned to be used for the development of program/work plan functionality in PIPER and budget and reporting functionality enhancements in GrantSolutions. Excess fiscal year 2020/2021 carry-forward funds will be applied to fiscal year 2022 operational requirements in lieu of requesting new funding from the Trust Fund.

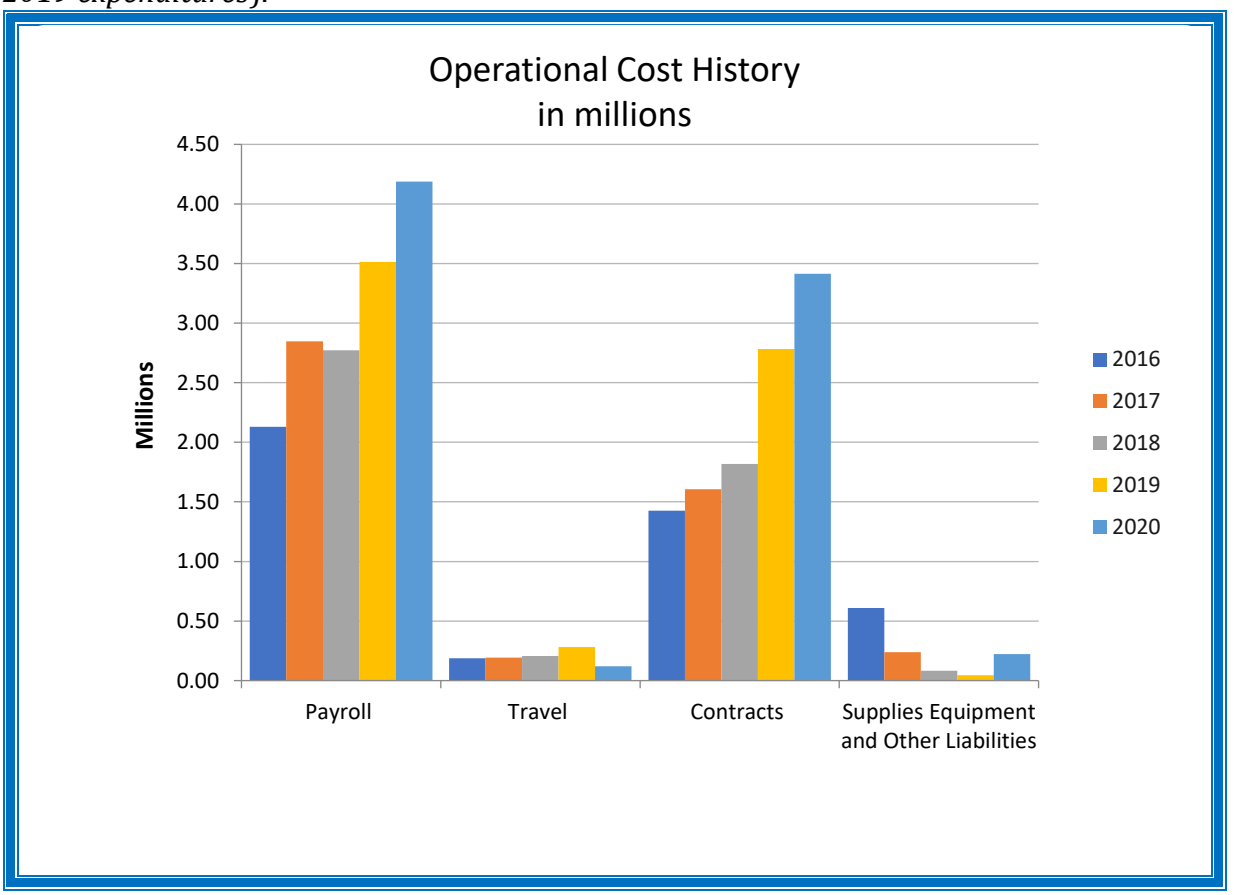
Table 7: Revenue and Operational Cost History (dollars in millions)

Council Operational Cost History	Carry-forward from PY	New apportionment	Recoveries from PY obligations	Current year trust fund revenue	Total revenue	Funded obligations incurred	Total Cost of Operations	Carry-forward
FY16 Operational Costs	$ 922	$4.265	$ .374	$5.561	$5.738	$4.337	$4.514	$1.224
FY17 Operational Costs	$ 1.224	$ 5.454	$ .019	$ 6.697	$ 6.697	$ 4.608	$ 4.608	$ 2.089

FY18 Operational Costs	$2.089	$ 5.962	$ -	$ 8.051	$ 8.051	$ 5.447	$ 5.447	$ 2.604
FY19 Operational Costs	$ 2.604	$ 5.792	$ .007	$8.403	$ 8.430	$ 6.620	$ 6.780	$ 2.234
FY20 Operational Costs	$ 2.234	$ 6.381	$ .333	$ 8.948	$8.948	$ 7.945	$ 6.990	$2.229

Five Year Operational Cost Trends

Chart 6 presents the Council's operating expenses (obligations) incurred for fiscal year 2016 – 2020 by cost category (*see also the Schedule of Spending for fiscal year 2020 and fiscal year 2019 expenditures*).



In fiscal year 2015 the Council established its New Orleans headquarters office; developed its administrative and programmatic infrastructure; developed and deployed its core administrative systems; implemented its grants, science, and environmental compliance

programs; acquired and published its website; and designed its automated grants management system thus establishing its administrative infrastructure. In fiscal year 2016 costs were incurred to complete and deploy the Restoration Assistance and Awards Management System (RAAMS), the Council's original grants management system.

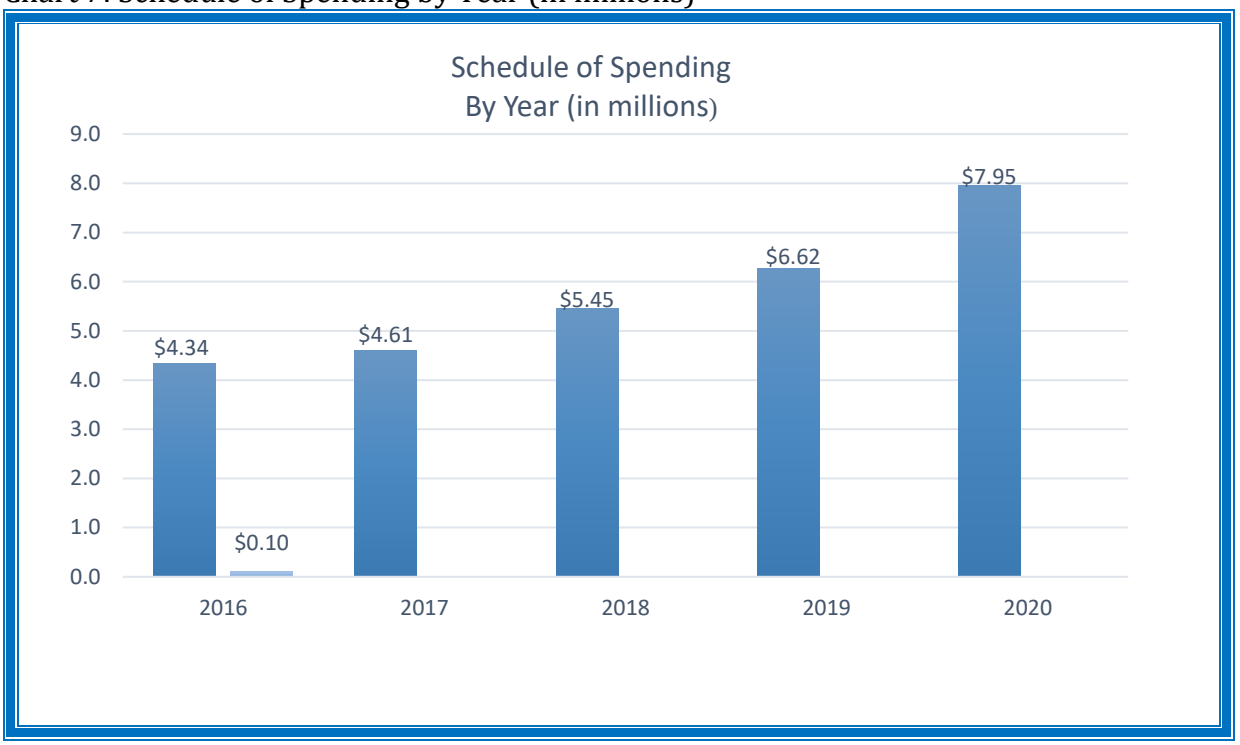
Operations costs for the Council have consistently increased each year with three primary cost drivers, salaries and benefits costs, travel, and contracts, and agreements for services, to include costs associated with the automated grant system. However, the Council follows an incremental approach to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

The Council increases staff commensurate with the maturation of operations. The number of full time equivalents (FTE) in fiscal year 2016 was 17.7, and by the end of fiscal year 2019, Council staff positions had increased to 23.5 FTE. Higher operating expenses in fiscal year 2020 were the result of a 17% increase in salaries and benefits due to hiring 2 new Grant Specialists and a Program Specialist. Travel costs increased from fiscal years 2016-2019 commensurate with the increase in staff. However, in fiscal year 2020, travel significantly decreased by 58% due to the Coronavirus epidemic and mandatory travel restrictions for the health and safety of the staff.

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

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

Chart 7: Schedule of Spending by Year (in millions)



Administrative Expenses

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

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

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

projected closeout date of all grants. Based on the Consent Decree payment schedule and the projected closeout timeframe for grants awarded, Council operations have been projected through 2042 to ensure that operational costs are fiscally prudent and well managed through the life of the program. This analysis projects that the cumulative administrative expense will be approximately $48.7 million which is less than the $49.1 million that will be available for such expenses from the aggregate current and future deposits into the Trust Fund (not including accrued interest).

Table 8 shows the funds deposited as of September 30, 2020 for the Council-Selected Restoration component, and the amount of funds available for administrative expenses. The amount apportioned for administrative expenses is well below the amount of administrative funds available in the Trust Fund and is equal to 3% of the total funds apportioned for the Council-Selected Restoration Component. Of the $625.2 million, including interest, deposited into the Trust Fund for the Comprehensive Plan component, $619.8 million was made available. Due to sequestration, $5.4 million was withheld in fiscal year 2020, but these funds will be returned at the start of fiscal year 2021. Of the $18.6 million available for administrative expenses, $9.6 million still remains in the trust fund. Overall, 48% of the available administrative funds have been apportioned which equates to 1.4% of the total available trust funds.

Table 8: Three Percent Analysis

STATUS OF 3% ADMINISTRATIVE EXPENSE FUNDS (*as of 09/30/2020*)	
Trust Funds-Comprehensive Plan	
Amount Available	$625,185,067
Sequestration for 2020	(5,371,035)
Total Amount Available	619,814,032
Administrative Expense Funds Available (Total Amount Available x 3%)	18,594,421
Total Administrative Funds Apportioned through 2020	(8,953,028)
Balance of Administrative Funds Remaining in the Trust Fund	**$9,641,393**

Projects and Programs

The first FPL for $156.6 million was approved in fiscal year 2016. Additionally, the first FPL included $26.4 million in Category 2 projects. Thus far, 8 FPL Category 2 projects have completed their environmental compliance requirements and been approved by the Council for funding through a formal vote. By the end of fiscal year 2020, only 8 FPL Category 1 projects totaling $36.9 million dollars are pending award. Activity under FPL1 was limited in fiscal year 2020 and consisted of one new grant award, two interagency agreements, and one amendment to add funding. In fiscal year 2018 the Commitment and Planning Support FPL2 was approved and all but two projects awarded in the same year. Since these projects

support planning and collaboration, they do not require the longer lead times to develop nor do they have environmental compliance requirements.

The Louisiana and Mississippi SEPs were approved in fiscal year 2017, followed by approval of the Florida SEP in fiscal year 2018, and the Texas and Alabama SEPs in fiscal year 2019. Although SEPs were approved, the projects included in the Plans must be fully developed and planning and environmental compliance completed before funding can be awarded. Each State has discretion as to which projects are developed and for which funding is requested and when they choose to do so. In fiscal year 2020 award activity under the various State Expenditure Plans (SEPs) increased dramatically, with 37 grant awards approved. This increase is largely the result of applications from the State of Alabama, the Gulf Consortium of Florida and Louisiana. Alabama awarded 15 grants totaling $69 million for projects such as the 3-Mile Creek Watershed Restoration, the Fairhope Sewer Upgrade Phase 1, and the Fort Morgan Parkway Trail extension. In Florida, the Gulf Consortium awarded $14 million in grants under their SEP for projects such as Cockroach Bay Aquatic Preserve Land Acquisition and Ecosystem Restoration, Lake Seminole Sediment Removal and the Suwannee Sound/Cedar Key Oyster Restoration project while Louisiana awarded their remaining Parish Matching Program grants and added funds to their Adaptive Management Program. Grants were also awarded to Mississippi for Living Shorelines and the Citizen Led Initiative and to Texas for its Nature Based Tourism Program.

The table below identifies the project and program funds awarded annually.

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

Projects And Programs	**2016**	**2017**	**2018**	**2019**	**2020**	**Total to Date**
FPL1	$ 7.71	$ 81.65	$ 34.26	$ 32.49	$ 7.44	$ 163.55
FPL2	0	0	18.73	2.10	0	20.83
FPL 3a	0	0	0	0	0	0
SEP	5.49	19.76	35.60	16.56	136.96	214.37
TOTALS	**$13.20**	**$101.41**	**$88.59**	**$51.15**	**$144.40**	**$ 398.75**

In fiscal year 2020, the Council continued to move forward with its collaborative efforts to develop and evaluate proposals for FPL 3. By utilizing a phased approach with this FPL, the Council is able to better respond to ecosystem needs, take advantage of partnership opportunities and save money in the process. This FPL is divided into two components: FPL 3a and FPL 3b. FPL 3a was voted on and approved in February 2020 and consists of two large-scale projects. The first is the River Reintroduction into Maurepas Swamp in Louisiana for $130.0 million and the second is the Perdido Riverland Conservation and Habitat Enhancements in Alabama for $28.0 million. The Maurepas Swamp project is one component of a larger Louisiana Project and is currently a Category 2 project, therefore

although the project is included in FPL3a as a category 2 project, funding has not yet been approved by the Council nor apportioned by OMB. $26.880M of the Perdido project is Category 1 and funds have been apportioned; the remainder is Category 2 funding and requires Council approval before the Council can request an apportionment.

The second phase of FPL 3, FPL 3b, is expected to be approved in the Spring of 2021. In July 2020, a consensus was reached by Steering Committee members on proposed projects, programs, and funding amounts to be included in the FPL 3b draft. Consideration will be given to proposals that address ecosystem needs in Florida, Mississippi, Texas, and Alabama, as well as regional and Gulf-wide needs. The Council Staff has completed its review of all proposals and they are available for viewing on the Council's website. Council Staff is preparing a draft FPL 3b document to be released for public review and comment in November 2020. The proposals for priority projects in FPL 3b currently total $302.0 million, although many of these projects will be Category 2 projects and funds will not be apportioned until they are voted on to move to Category 1.

Costs Incurred

From fiscal year 2013 through fiscal year 2016, the Council's incurred costs (costs incurred as expenses are realized, and contracts and agreements liquidated) mainly consisted of operational costs such as salaries and benefits, administrative services and expenses, travel, and automated services in support of program and grant activities. Approval of the initial Funded Priority List and (FPL) and State Expenditure Plans (SEPs) took place in fiscal year 2016 and shortly thereafter the first four grant and interagency agreement (IAA) awards were issued. Administrative and programmatic operational expenditures are consistent with annual obligations. Because restoration projects are so diversified and complex, performance of these awards has taken longer causing expenditures to occur at a slower rate, however, as the chart below shows, the expenditure rate is steadily increasing. See also the Statement of Net Costs for fiscal years 2020 and 2019 cost incurred.

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

Year(s)	Administrative Expense	Programmatic Operating Expense	Council-Selected Projects and Programs	Spill Impact Projects and Programs	TOTAL COST
2013-2016	$4,231,545	$6,490,188	$226,400	$496,553	$11,444,686
2017	1,382,651	3,408,642	17,439,961	3,716,366	25,947,620
2018	1,087,320	4,009,184	7,281,852	1,813,877	14,192,233
2019	1,451,259	5,366,030	31,822,483	14,067,879	52,707,651
2020	1,693,186	5,334,158	38,739,098	33.316,966	79,083,408
TOTAL	**$9,845,961**	**$24,608,202**	**$95,509,794**	**$53,411,641**	**$183,375,598**

The cost incurred in fiscal year 2017 reflects the impact of the Texas land acquisitions and in fiscal year 2018, the accrual methodology was updated.

Variance Analyses

Below are the Council variance analyses of its financial statements for fiscal year 2020 and fiscal year 2019, respectively. The analyses measure the Council financial and operational data between fiscal year 2020 and fiscal year 2019. The analyses provide key data on the Council expenses, revenue, and grants.

Assets

Assets for the Council for fiscal years 2020 and 2019, respectively, are shown in Table 11 below and Chart 8 on page 47. As of September 30, 2020, Council total assets were $521,865,686, an increase of $186,568,351 or 56% over fiscal year 2019.

Table 11: Council Assets

Council Assets	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Fund Balance with Treasury	$187,374,687	$89,852,937	$97,521,750	109%
Expenditure Transfers Receivable and Other	$334,186,999	$245,172,698	$89,014,301	36%
Property, Equipment, and Software, Net	$304,000	$271,700	$32,300	12%
Assets	$521,865,686	$335,297,335	$186,568,351	56%

The Fund balance with Treasury account is the Council's resources available/cash account which equals the sum of the Council drawdowns from the Trust Fund less disbursements to liquidate the Council's obligations, make expenditures and pay liabilities. The previous methodology used by the Council to determine cash requirements and accruals was based on recipient cash forecasts and did not provide a consistent methodology nor did it result in accurate projections. In fiscal year 2020, the Council changed its grant accrual methodology to correspond to the standard methodology promulgated by Treasury to its customers for operational IAAs, called the "life-to-date" methodology. This methodology assumes an even liquidation of a grant or IAA over the life of the project and is used for both cash forecasts and accruals. The Council may make adjustments to certain very large restoration projects in consideration of the fact that expenses may not be incurred evenly over the life of the project because certain costs, such as construction costs, may be heavily weighted to occur later in the life cycle of the project.

The Fund balance with the Treasury realized a 108% increase equal to $97,521,750. The increase is consistent with the change in accrual/cash forecasting methodology. An increasing expenditure rate associated with projects either nearing completion or projects

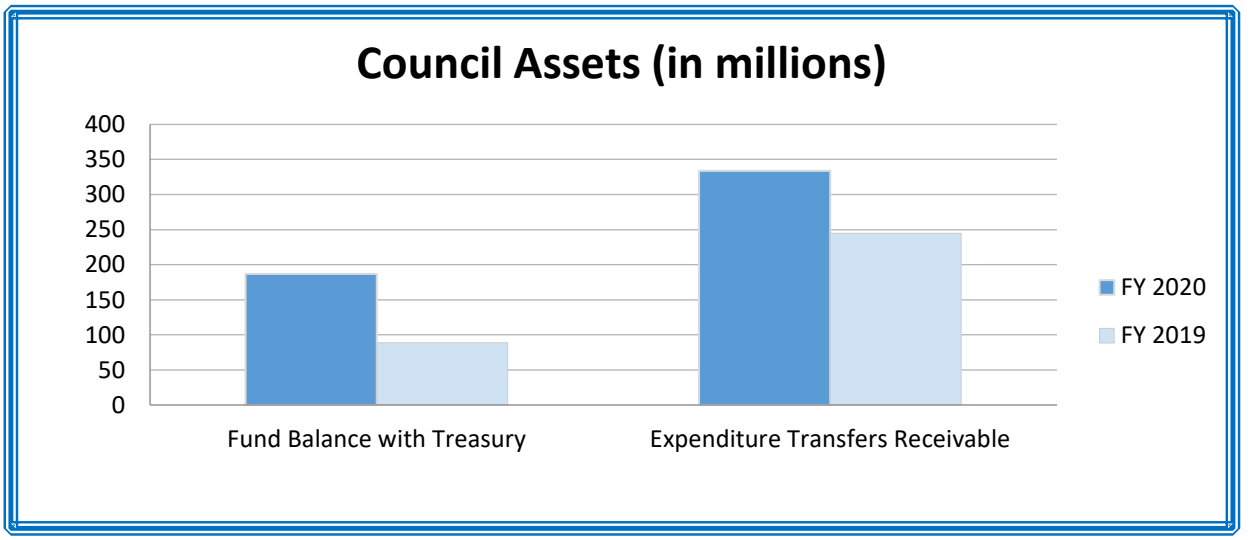
entering into their construction phase impacts the amount of cash drawn from the trust fund since cash drawdowns also anticipate the amount projected to be paid in the upcoming quarter and are planned to maintain a cushion of funds for each program to help prevent emergency drawdowns.

The Expenditure Transfers Receivable saw an increase of 36%, equal to $89,013,111. Expenditure Transfers Receivable is the Council's receivable from the Trust Fund and is increased when an apportionment from the Trust Fund is approved by OMB to provide the Council budget authority for operations, projects and programs under the Council-Selected and Spill Impact Components. Funds are apportioned for each FPL in its entirety upon approval by the Council, while the amount of funds apportioned for SEPs are based on recipient-provided estimates of the amount and timing of awards for projects in their SEP.

The balance in the Receivable denotes the maximum amount of cash the Council may draw from the Trust Fund at any time based on the net difference between apportioned amounts and cash drawdowns from the Trust Fund. Although the Council could draw funds equaling the total amount of each appropriation, the Council has chosen to only draw funds in the amount necessary to liquidate obligations and expenses expected to come due each quarter. This decision was made in order to maximize the length of time funds could remain in the Trust Fund to earn interest since 50% of such interest earned is assigned to the Council.

The increase in the Receivable is a result of the approval of FPL 3a and the apportionment of funding for planned SEP grant applications/awards by Alabama and Florida as well as the extended period of performance necessary to execute restoration projects.

Chart 8: Council Assets (in millions)



Property, Equipment, and Software saw an increase of 12%, equal to $32,300 which is the net result of the write-off of the outgoing Council grant system, RAAMS, and the deployment of the Council's new PIPER system.

Liabilities

Liabilities for the Council for fiscal year 2020 and fiscal year 2019, respectively, are shown in Table 12.

As of September 30, 2020, Council total liabilities were $66,306,598, an increase of $44,339,880 or 202% over fiscal year 2019.

Table 12: Total Liabilities

Council Liabilities	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Accounts Payable	$374,377	$465,911	$(91,534)	-20%
Grant Payable	$65,244,264	$20,941,149	$44,303,115	212%
Employer Contribution on Payroll Taxes Payable	$44,400	$30,377	$14,023	46%
Other Liabilities	$643,557	$528,281	$115,276	22%
Total Liabilities	$66,306,598	$21,965,718	$44,339,880	202%

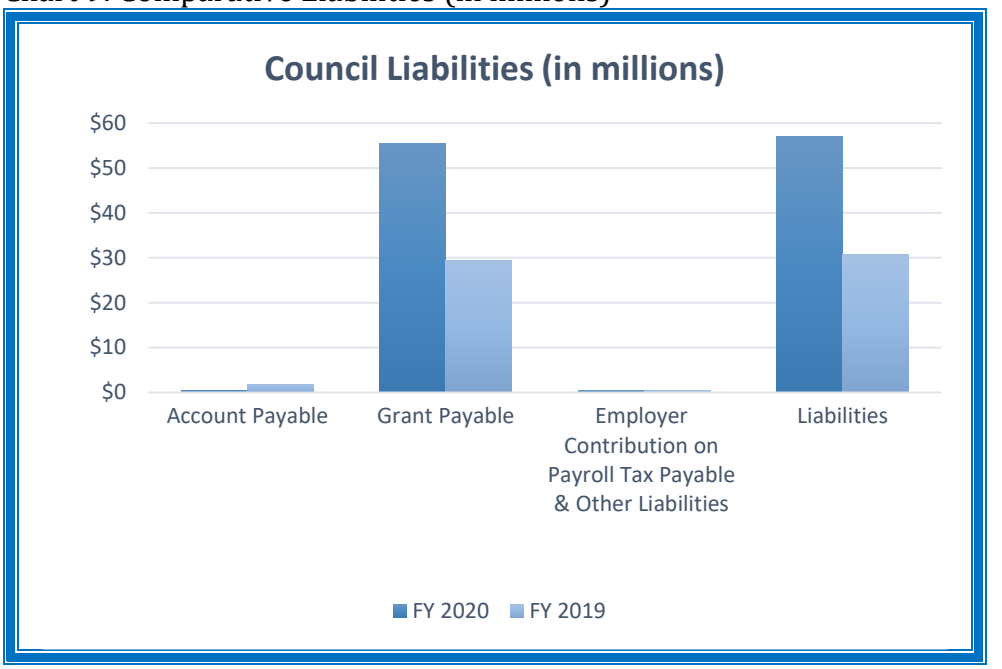
The Council's Accounts Payable consists of outstanding invoices and accruals from both public and federal partners. The reduction of $91,534 is a result of closing out several Memoranda of Understanding with federal partners, specifically the Department of Commerce for legal services, Department of Interior for tribal services, and the Department of Transportation for TranServe benefits. The liability to the US Geological Survey for the development of PIPER, which was accrued in fiscal year 2019, was liquidated in fiscal year 2020.

The Council Employer Contribution and Other Liabilities reflects the Council's unpaid contribution to selected payroll benefits such as the Federal Employee Retirement System, Federal Employee Health Benefits, Flexible Spending Account, Federal Insurance Contributions Act and hospital insurance taxes.

The Total Liabilities increase in fiscal year 2020 is primarily attributable to an increase in the Grant Payables. The Council grant payables consist of outstanding invoices and accruals from both non-federal grant recipients and federal partners. Intragovernmental Grants Payable decreased due to a change in accrual methodology to be consistent with the policies of the Council's federal partners. Grants payable with the Public reflects the "life to date" accrual methodology used for non-federal grants and is indicative of the fact that large restoration projects realize expenses later in the life cycle of performance.

Comparative Liabilities by the Council are displayed in Chart 9.

Chart 9: Comparative Liabilities (in millions)



Statement of Changes in Net Position

Net Position for the Council for fiscal year 2020 and fiscal year 2019, respectively, are shown in Table 13 and Chart 10 on the next page.

As of September 30, 2020, the Council's Net Position was $455,559,088 an increase of $142,227,471 or 45%, from fiscal year 2019.

Table 13: Net Position

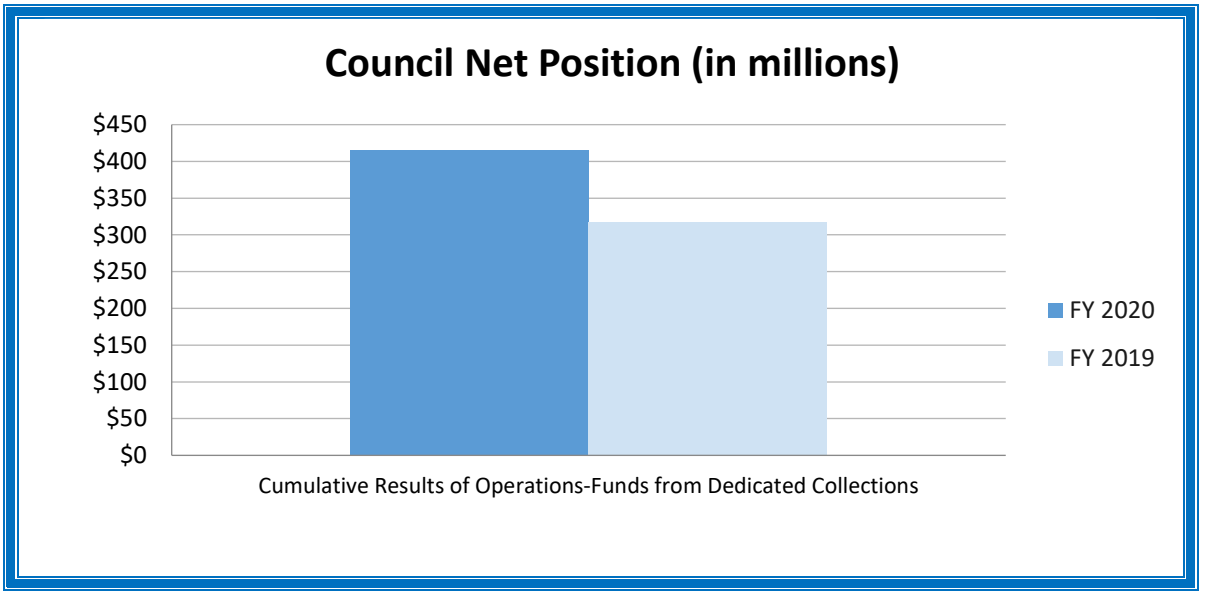
Net Position	FY 2020	FY 2019	Increase/ Decrease	% Change
Net Position	$455,559,088	$313,331,617	$142,227,471	45%

The Council Cumulative Results of Operations is the net difference between expenses and financing sources since the inception of Council activities, including apportionments (financing sources), reimbursed and non-reimbursed revenues, expenses and imputed costs of employee benefits for life insurance and retirement. The increase in Net Position is due to the increase in financing sources, e.g., apportionments from the Trust Fund for the first two FPLs and SEP projects. In fiscal year 2020 funding was requested for anticipated new activity in the Spill Impact Component after the approval of the final three SEPS. However, project development and application, review and approval timelines coupled with long project completion or implementation timelines has resulted in large unobligated or unexpended

balances and a lower net cost, thus generating a significant increase in Net Position. The Statement of Changes in Net Position also includes in the "Other" line item, the write-off of $113,726 for the net value of RAAMS upon its retirement. Since this was recorded on the proprietary accounts, it is shown as an off-setting increase and decrease to Budgetary Financing Sources and Non-Exchange Financing Sources.

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

Chart 10: Council Net Position (in millions)



Net Cost

Net Cost for the Council fiscal years 2020 and 2019, respectively, are shown in the table and chart below.

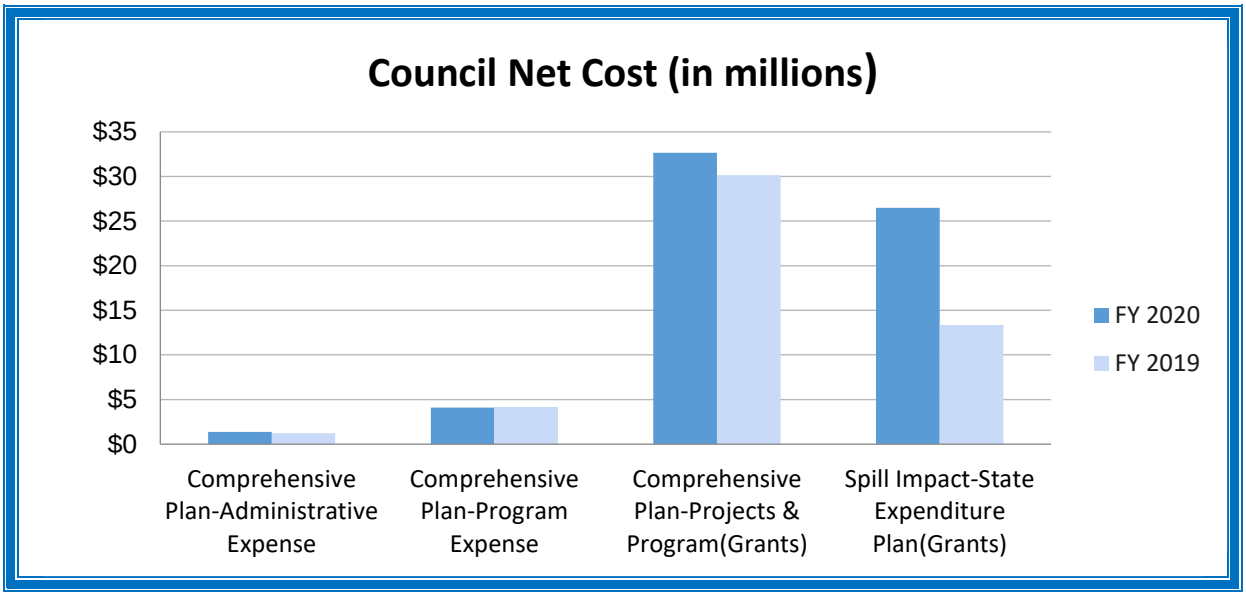
As of September 30, 2020, the Council's Net Cost was $79,045,908, an increase of $26,375,757 or 50%, from fiscal year 2019.

Table 14: Net Cost

Council Net Cost	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Comprehensive Plan-Administrative Expense	$1,693,186	$1,451,259	$241,927	17%
Comprehensive Plan-Program Expense	$5,296,658	$5,328,530	$(31,872)	(1%)
Comprehensive Plan-Projects & Program (Grants)	$38,739,098	$31,822,483	$6,916,615	21%
Spill Impact-State Expenditure	$33,316,966	$14,067,879	$19,249,087	137%

Plan (Grants)				
Net Cost	$79,045,908	$52,670,151	$26,375,757	50%

Chart 11: Net Cost by Program in millions



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

Budgetary Resources Analysis

Budgetary Resources for the Council fiscal years 2020 and 2019, respectively are shown in the table below. As of September 30, 2020, the Council's Budgetary Resources were $356,083,785, an increase of $164,313,353 or 86%, from fiscal year 2019.

Table 15: Budgetary Resources

The Council Budgetary Resources	FY 2020	FY 2019	Increase/ Decrease	% Change
Unobligated Balance Brought Forward, Oct 1	$133,996,847	$85,943,626	$48,053,221	56%

Recoveries of Prior Year Unpaid Obligations	943,827	7,414	936,413	12630%
New Spending Authority (from offsetting collections, e.g. the Trust Fund)	221,143,111	105,819,392	115,323,719	109%
Total Budgetary Resources	**$356,083,785**	**$191,770,432**	**$164,313,353**	**86%**
Obligations Incurred	152,347,969	57,773,585	94,574,384	164%
Total Unobligated Balance, end of year	**$203,735,816**	**$133,996,847**	**$69,738,969**	**52%**

The increase in budgetary resources is attributable to the Council's apportionment for new spending authority for the Spill Impact Component for Alabama, Florida, Louisiana and Mississippi and FPL 3a. Alabama projected funding requirements for all of the funding available in the Trust Fund while The Florida Consortium estimated funding requirements for approximately a two to three year period. Louisiana requested funding to increase its Adaptive Management Program and to award its Parish Matching projects. Mississippi requested funds for Beneficial Use of Dredge Materials, Beachfront Resilience and Living Shoreline extension, among others but many of these grants have not yet been applied for or approved and a number of projects for which funding was requested in prior years are still pending. However, Obligations Incurred does reflect the fact that the amount of new grant awards is increasing significantly - almost tripling in fiscal year 2020.

Forward-Looking Information

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

Summary Financial Condition

The changes reflected in the financial statements are a reasonable and accurate reflection of the Council's implementation of its programs and administrative infrastructure. The Council's financial condition as of September 30, 2020 is sound, and the Council has sufficient processes in place to ensure its budget authority is not exceeded and funds are utilized efficiently and effectively. The Council has completed an enterprise-wide risk assessment and implemented a robust risk management program in accordance with OMB Circular A-

123. The Council has documented and implemented strong internal control policies and procedures in place to ensure the Council is exercising sound fiduciary management of the Trust Funds for which it is responsible. The Office of Inspector General Audits for DATA Act Compliance and Quality have shown that the Council has met DATA Act requirements for completeness, accuracy and timeliness and is of higher quality.

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

Limitations of the Financial Statements

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

Financial Performance Measure Summary

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

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

This section provides information on the Council's adherence with the objectives of the Federal Managers' Financial Integrity Act (FMFIA). FMFIA requires that CFO Act agencies establish controls to provide reasonable assurance that obligations and costs comply with applicable law; assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. It requires the agency head to provide an assurance statement of the adequacy of management controls and conformance of financial systems with government standards. The Council has provided its annual assurance statement, signed by the Executive Director, on the following page

COUNCIL'S FMFIA STATEMENT OF ASSURANCE
November 13, 2020

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

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

The Council has established internal controls over its agreements, disbursements, and end-user controls, and relies on the controls over accounting, procurement and general computer operations that ARC has in place. The Council obtained the ARC 2020 Statement on Standards for Attestation Engagements (SSAE) Number 18, Attestation Standards; Clarification and Recodification-Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting report and reviewed it to assist in assessing the internal controls over the Council's financial reporting. After a thorough review of the results, the Council did not discover any significant issues or deviations in its financial reporting during fiscal year 2020.

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 2019 actual column of the Program and Financing Schedules reported in the fiscal year 2020 Budget of the U. S. Government. Such information is supported by the related financial records and related data.

In fiscal year 2020, the Council continued to develop its comprehensive Federal Information Security Modernization Act (FISMA) program for its information systems. This program included the implementation of a defined Risk Management Framework that implements National Institute of Standards and Technology (NIST) defined security controls and requirement for periodic audits. This has resulted in the Council's ability to manage organizational risk and maintain an effective information security program

For fiscal year 2020, 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, 2020 was operating effectively.

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

/S/Original signed
Ben Scaggs
Executive Director
Gulf Coast Ecosystem Restoration Council

FINANCIAL SECTION

MESSAGE FROM THE CHIEF FINANCIAL OFFICER
November 13, 2020

I am pleased to present our financial statements for fiscal year 2020. 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 13, 2020, resulted in an unmodified (or "clean") opinion.

In fiscal year 2020, the Council sustained an effective Information Assurance (IA) program as required by the Federal Information Security Modernization Act (FISMA). The Council's IA program uses the National Institute of Standards and Technology (NIST) Risk Management Framework (RMF); which is an effective methodology for managing IA risk to ensure FISMA compliance. The Council implemented NIST RMF security controls and performed periodic testing to validate the selected controls effectiveness. This action resulted in the Council having an effective Information Assurance (IA) program and indicates that the Council is managing IA risk to acceptable levels.

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

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

/ S/ Original signed
Mary C. Pleffner
Chief Financial Officer and Director of Assistance

Pages 57 - 62 have been moved to the front of this report prior to Section II:

For the Transmittal Letter to the Chairperson (pages 57 - 58), see pages 5 - 6 (prior to Section I); and

For the Independent Auditors' Report (pages 59 - 62), see the first 6 pages in Section I.

GULF COAST ECOSYSTEM RESTORATION COUNCIL

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019

GULF COAST ECOSYSTEM RESTORATION COUNCIL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019

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GULF COAST ECOSYSTEM RESTORATION COUNCIL
BALANCE SHEET
AS OF SEPTEMBER 30, 2020, AND 2019
(In Dollars)

	2020	2019
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 3)	$187,374,687	$ 89,852,937
Expenditure Transfers Receivable (Note 4)	334,185,809	245,172,698
Other	1,190	-
Total Intragovernmental	521,561,686	335,025,635
Property, Equipment, and Software, Net (Note 5)	304,000	271,700
Total Assets	$521,865,686	$ 335,297,335
Stewardship PP&E		
Liabilities:		
Intragovernmental		
Accounts Payable (Note 6)	$162,508	$ 392,991
Grants Payable (Note 8)	2,188,401	5,567,383
Employer Contribution On Payroll Taxes Payable (Note 6)	44,400	30,377
Total Intragovernmental	2,395,309	5,990,751
With the Public		
Accounts Payable	$211,869	$ 72,920
Grants Payable (Note 8)	63,055,863	15,373,766
Other Liabilities (Note 7)	643,557	528,281
Total Liabilities With the Public	63,911,289	15,974,967
Total Liabilities	$66,306,598	$ 21,965,718
Commitments and Contingencies		
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections	455,559,088	313,331,617
Total Net Position	$455,559,088	$ 313,331,617
Total Liabilities and Net Position	$521,865,686	$ 335,297,335

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In Dollars)

	2020	2019
Program Costs:		
Council-Selected Restoration - Administrative Expenses:		
Gross Costs	$ 1,693,186	$ 1,451,259
Less: Earned Revenue	-	-
Net Council-Selected Restoration - Administration Expenses	$ 1,693,186	$ 1,451,259
Council-Selected Restoration- Programmatic Expense:		
Gross Costs	$ 5,334,158	$ 5,366,030
Less: Earned Revenue	(37,500)	(37,500)
Net Council-Selected Restoration Programmatic Expenses	$ 5,296,658	$ 5,328,530
Council-Selected Restoration Projects and Programs (grants)		
Gross Costs	$38,739,098	$ 31,822,483
Less: Earned Revenue	-	-
Net Council Selected Restoration Projects and Programs (grants)	$ 38,739,098	31,822,483
Total Net Council-Selected Restoration Program and Grant Costs	$ 44,035,756	$ 37,151,013
Spill Impact - State Expenditure Plan (grants)		
Gross Costs	$ 33,316,966	$ 14,067,879
Less: Earned Revenue	-	-
Net Spill Impact Costs (grants)	$ 33,316,966	$ 14,067,879
Net Cost of Operations (Note 9)	$ 79,045,908	$ 52,670,151

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

(In Dollars)

	2020	2019
Cumulative Results of Operations:		
Beginning Balances	$ 313,331,617	$ 260,029,118
Adjustments		
Beginning Balances, as Adjusted	313,331,617	260,029,118
Budgetary Financing Sources:		
Transfers In/Out Without Reimbursement	$ 221,113,111	$105,789,392
Other	(113,726)	-
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	$ 160,269	$183,259
Other	113,726	-
Total Financing Sources	221,273,380	105,972,651
Net Cost of Operations	(79,045,908)	(52,670,151)
Net Change	142,227,471	53,302,500
Cumulative Results of Operations	$ 455,559,088	$ 313,331,617
Net Position	$455,559,088	$ 313,331,617

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In Dollars)

	2020	2019
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 133,996,847	$ 85,943,626
Adjustment to Unobligated Balance Brought Forward, October 1	-	-
Unobligated Balance Brought Forward, October 1, as adjusted	133,996,847	85,943,626
Recoveries of Prior Year Unpaid Obligations	942,943	6,801
Other changes in unobligated balance	884	613
Unobligated balance from prior year budget authority, net	134,940,674	85,951,040
Spending authority from offsetting collections	221,143,111	105,819,392
Total Budgetary Resources	$ 356,083,785	$ 191,770,432
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 152,347,969	$ 57,773,585
Unobligated balance, end of year:		
Apportioned, unexpired accounts	203,732,350	132,529,147
Unapportioned, unexpired accounts	3,466	1,467,700
Total unobligated balance, end of year	203,735,816	133,996,847
Total Budgetary Resources	$ 356,083,785	$ 191,770,432
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 201,028,788	$ 178,784,221
Obligations Incurred	152,347,969	57,773,585
Outlays (gross)	(34,609,134)	(35,522,216)
Recoveries of Prior Year Unpaid	(942,943)	(6,801)
Unpaid obligations, end of year	317,824,680	201,028,788
Uncollected payments:		
Uncollected payments from Federal sources, brought forward, October 1	(245,172,698)	(197,849,306)
Change in uncollected payments from Federal Sources	(89,013,111)	(47,323,392)
Uncollected payments from Federal sources, end of year	(334,185,809)	(245,172,698)
Memorandum entries:		
Obligated balance, start of year	(44,143,910)	$ (19,065,085)
Obligated balance, start of year, as adjusted	(44,143,910)	(19,065,085)
Obligated balance, end of year	(16,361,129)	$ (44,143,910)
Outlays, Net and Disbursements, Net:		
Budget authority, gross	$ 221,143,111	$ 105,819,392
Actual offsetting collections	(132,130,884)	(58,496,613)
Change in uncollected payments from Federal sources	(89,013,111)	(47,323,392)
Recoveries of prior year paid obligations	884	613
Budget Authority, net, (total)	-	-
Outlays, gross	$ 34,609,134	$ 35,522,216
Actual offsetting collections	(132,130,884)	(58,496,613)
Outlays, net, (total)	(97,521,750)	(22,974,397)
Agency outlays, net	(97,521,750)	(22,974,397)
Disbursements net, total) Mandatory)	$ (97,521,750)	$ (22,974,397)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY

A. Reporting Entity

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

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

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

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

resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

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

B. Fund Balance with Treasury

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

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

C. Expenditure Transfers Receivable

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

D. Property, Equipment, and Software

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

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

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

Table 16: The useful life classifications for capitalized assets

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 of 2012 established in the Treasury of the United States a trust fund known as the Gulf Coast Restoration Trust Fund, which consists of deposits equal to 80% of all administrative and civil penalties paid by responsible parties in connection with the explosion on and sinking of the mobile offshore drilling unit Deepwater Horizon.

Pursuant to P.L. 112-141 Sec 1601-1608, 60% of administrative and civil penalty deposits in the Gulf Coast Restoration Trust Fund (020X8625) and 50% of interest revenue collections from the amount in the Gulf Coast Restoration Trust Fund, available until expended, are transferred to the Gulf Coast Ecosystem Restoration Council.

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 2020 and 2019 to the extent directed by accounting standards.

NOTE 3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2020 and 2019 were as follows:

FUND BALANCE WITH TREASURY (CASH) ACCOUNT BALANCES		
	2020	2019
Fund Balances (General Fund):		
Comprehensive Plan – Administrative Cost	$ 740,688	$ 1,223,131
Comprehensive Plan – Program Cost		
Programmatic Expense	1,882,439	2,625,296
Projects and Programs (grants)	87,061,745	53,328,131
Spill Impact (grants)	97,689,815	32,676,379
Total	$ 187,374,687	$89,852,937

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		
	2020	2019
Status of Fund Balance with Treasury:		
Unobligated Balance	$ 203,732,115	$ 132,529,147
Available	3,466	1,467,700
Unavailable		
Unpaid Obligations, End of Year	317,824,915	201,028,788
Uncollected Payments From Federal Sources, End of Year	(334,185,809)	(245,172,698)
Total	$ 187,374,687	$ 89,852,937

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		
	2020	2019
Funds Apportioned	$221,143,111	$105,819,392
Funds Received	(132,130,000)	(58,496,000)
Prior Year Receivable Carry Forward	245,172,698	197,849,306
Balance Expenditure Transfers Receivable	$334,185,809	$245,172,698

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2020 and 2019.

MAJOR CLASS		
Internal-Use Software	2020	2019
Acquisition Cost*	$304,000	$789,868
Accumulated Depreciation	n/a	(518,168)
Net Book Value	$304,000	$271,700

* Acquisition costs are for Program Information Platform for Ecosystem Restoration (PIPER).

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 following table provides additional detail.

INTRAGOVERNMENTAL LIABILITIES - ACCOUNTS PAYABLE & PAYROLL TAXES PAYABLE		
	2020	2019
Defense CI and Security Agency	$ 7,867	$ -
National Archives and Records ADM	5,237	-
United States Department of Agriculture		357
United States Coast Guard		7,276
United States Department of Commerce	-	32,453
United States Department of Interior	-	70,000
Environmental Protection Agency	-	14,396
Program Support Center	49,313	60,253
Program Support Center-1	65	-
United States Department of Geological Survey	19,971	94,997

The National Protection and Programs Directorate	-	384
National Oceanic and Atmospheric Administration	4,140	-
Office of Inspector General	48,451	44,836
Office of Chief Financial Officer USDA	18,362	
Treasury Franchise Fund	-	983
Transportation OST-WCF	144	-
GSA Heartland Finance Center	1,458	-
NOAA Pacific Islands Regional Offices Fisheries	7,500	-
Employer Contribution on Payroll Taxes Payable	44,400	30,377
Total Intragovernmental Liabilities	$206,908	$356,312

NOTE 7. OTHER LIABILITIES

Other Liabilities as of September 30, 2020 and 2019 were as follows:

OTHER LIABILITIES		
	2020	2019
Other Liabilities		
Accrued Payroll and Leave	$636,614	$523,192
Employer Taxes Payable	6,943	5,089
Total Other Liabilities	$643,557	$528,281

NOTE 8. GRANTS PAYABLE

Grants Payable as of September 30, 2020 was as follows:

GRANTS PAYABLE		
	2020	2019
Intragovernmental Grants Payable	$ 2,188,401	$5,567,383
Grants Payable With the Public	63,055,863	15,373,766
Total Grants Payable	$65,244,264	$20,941,149

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		
	2020	2019
Intragovernmental Costs	10,096,354	$24,736,471
Public Costs	68,987,054	27,971,180
Total Costs	79.083,408	52,707,651
Total Intragovernmental Earned Revenue	(37,500)	(37,500)
Total Net Cost	$79,045,908	$52,670,151

NOTE 10. IMPUTED COSTS

The Council received support totaling $160,269 in fiscal year 2020 and $183,258 in fiscal year 2019. The table that follows identifies the level of support provided by agency/organization.

IMPUTED COSTS		
	2020	2019
Office of Personnel Management	$160,269	$183,258
Total	$160,269	$183,258

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

The 2020 Budget of the United States Government, with the "Actual" column completed for 2019, 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, 2020 and 2019, budgetary resources obligated for undelivered orders amounted to $72,451,430 and $5,399,752 respectively.

NOTE 13. RECONCILIATION OF NET COST AND BUDGET OUTLAYS

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

RECONCILIATION OF NET COST AND BUDGET OUTLAYS			
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC):	**10,541,220**	**68,504,688**	**79,045,908**

Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(157,974)	(157,974)
Property, plant, and equipment disposal & reevaluation	-	(113,727)	(113,727)
Increase/(decrease) in assets:			
Accounts receivable	89,013,111	-	89,013,111
Other assets	1,190	-	1,190
(Increase)/decrease in liabilities not affecting Budget Outlays:			
Accounts payable	230,483	(138,949)	91,534
Salaries and benefits	(14,024)	(115,276)	(129,300)
Other liabilities	3,378,982	(47,682,097)	(44,303,115)
Other financing sources:			
Federal employee retirement benefit costs	(160,268)		(160,268)
Transfers out (in) without reimbursement	(221,113,109)		(221,113,10)
Other imputed finance			
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(128,663,635)**	**(48,208,023)**	**(176,871,658)**
Components of the Budget Outlays Not Part of Net Operating Cost			
Acquisition of capital assets	304,000	-	304,000
Total Components of the Budget Outlays Not Part of Net Operating Cost	304,000	-	304,000
Net Outlays (Calculated Total)	**(117,818,415)**	**20,296,665**	**(97,521,750)**
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			**(97,521,750)**
Outlays, Net (SBR 4210)			**(97,521,750)**

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 seventh year of occupancy effective October 1, 2020. The Council may relinquish space upon four months' notice. Thus, the Council's financial obligation will be reduced to four months of rent.

OTHER INFORMATION (UNAUDITED)

SCHEDULE OF SPENDING AND EXPLANATORY NOTES

GULF COAST ECOSYSTEM RESTORATION COUNCIL SCHEDULE OF SPENDING FOR THE YEARS ENDED SEPTEMBER 30, 2020 & 2019 (In Dollars)		
	2020	2019
What Money is Available to Spend?		
Total Resources	$ 356,083,785	$ 191,770,432
Less Amount Not Agreed to be Spent	(203,732,350)	(132,529,147)
Less Amount Not Available to be Spent	(3,466)	(1,467,700)
Total Amounts Agreed to be Spent	$ 152,347,969	$ 57,773,585
How was the Money Spent?		
Personnel Compensation	$ 3,160,393	$ 2,700,009
Personnel Benefits	1,027,536	812,525
Travel and transportation of persons	118,989	280,289
Transportation of things	1,624	3,673
Rent, Communications, and Utilities	7,340	10,517
Printing and reproduction	4,600	-
Other contractual services	3,415,284	2,782,829
Supplies and materials	5,069	11,473
Equipment	204,480	19,339
Grants, subsidies and contributions	144,402,654	51,152,931
Total Amounts Agreed to be Spent	$ 152,347,969	$ 57,773,585
Who did the Money go to?		
Federal	$ 8,173,685	$ 15,586,266
Non-Federal	144,174,284	42,187,319
Total Amounts Agreed to be Spent	$ 152,347,969	$ 57,773,585

In fiscal year 2020, the Council received a total of $132,130,000 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 2020, the Council received a total of $221,143,111 in new authority, carried forward $133,996,847 from fiscal year 2019, and obligated $152,347,969 in total. This Funding covered salary and benefits costs for 24.5 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 2021 Management and Performance Challenges (OIG-CA-21-002) Report and the Council's response are as follows:

OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 7, 2020

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

Re: 2021 Management and Performance Challenges (OIG-CA-21-002)

Dear Chairperson Wheeler:

As required by the Reports Consolidation Act of 2000, I am providing you, as Chairperson for the Gulf Coast Ecosystem Restoration Council (Council), my office's annual perspective of the most serious management and performance challenges facing the Council. In assessing these challenges, we remain mindful that the Council is a relatively small entity with many responsibilities under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Since my prior year letter, circumstances have significantly changed in how organizations accomplish their missions as they navigate through the Coronavirus 2019 Disease (COVID-19) pandemic. Public health measures to combat COVID-19 such as working remotely have been in practice by Council staff for some time. While the Council's operating environment may not have been adversely affected by the COVID-19 pandemic as of this writing, we acknowledge that addressing the following challenges may be difficult given the numerous organizations that the Council interacts with to accomplish its work. Going into fiscal year 2021, we continue to report the following two challenges noted from the prior year and present a new challenge:

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

Although challenges exist, I would like to acknowledge some noteworthy accomplishments since my last letter. This includes the successful outcome of the Council's third evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA).[1, 2] The Council's information systems security program and practices were assessed as effective for the period July 1, 2019 through June 30, 2020. Also, for the sixth year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.[3]

[1] Public Law 113-283 (December 18, 2014).
[2] OIG, *Information Technology: The Gulf Cost Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2019*, (OIG-CA-20-006; October 25, 2019).
[3] OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2019 and 2018*, (OIG-20-013; November 19, 2019).

We also commend the Council on its deployment of a new multi-system grants management solution, in March 2020, to replace the Restoration Assistance and Award Management System (RAAMS), which was no longer receiving software vendor support. That said, we find that changing technology coupled with organizational changes pose risks to the Council's ongoing achievements made in the areas of Federal statutory and regulatory compliance and grant and interagency agreement compliance monitoring, which we continue to report as ongoing challenges in fiscal year 2021.

Challenge 1: Loss of Key Leadership Over Administration of Gulf Coast Restoration Activities (New)

In my prior year's letter, we removed the longstanding challenge related to the Council's organizational development, "Implementing an Infrastructure to Administer Gulf Coast Restoration Activities" because the Council had successfully filled several critical administrative and programmatic positions to address organizational challenges. Since last year's letter, two senior officials, the Chief Financial Officer (CFO) and Executive Director, announced retirements effective January 2021 and December 2020, respectively. Not only are these positions critical to the Council's success, but the CFO position has been filled by an individual who has been part of the standup of the Council's operations since fiscal year 2013, and the incumbent of the Executive Director position has been with the Council since fiscal year 2017. Many organizational gains due to their institutional knowledge of Council operations and the Gulf Coast restoration activities are at risk. Additionally, the retirements come at a time when the Council is still building functionality for many pieces in the new grants management systems as described in challenge 2.

The Council lacks a comprehensive succession plan for the loss of key positions, although there is an initial plan to change the organizational structure by reducing the number of Senior Executive Service positions and increasing the number of director positions. In November 2018, the Council Steering Committee approved this new organizational structure and staffing plan, and the Council has taken steps to implement certain changes. The Council plans to develop a follow-on succession plan once the transition to the new structure is complete. As the retirement of the CFO and Executive Director are fast approaching, it is imperative that the Council timely executes a finalized plan to ensure a smooth transition. Without a plan, the Council could be at risk of major interruptions in operations of the organization. Furthermore, although no formal succession planning meetings have taken place, the Council has taken some steps to prepare for the retirement of the CFO. The CFO has transferred duties to subordinate grants and financial staff to help prepare for the transition. There are still uncertainties surrounding the succession plan for the Executive Director position, although a Deputy Executive Director has been on board since fiscal year 2015.

The Executive Director position is critical as communicating regularly with the Federal Council[4] is a primary responsibility. Successors to both the CFO and Executive Director will have to build and develop relationships with the Federal Council members.

In addition to the uncertainties that the Council faces going into fiscal year 2021, there are longstanding challenges related to Federal statutory and regulatory compliance (challenge 2) and grant and interagency agreements compliance monitoring (challenge 3) that will need the leadership and oversight of experienced individuals. Although the CFO is expected to return part-time in a consulting capacity after retirement, the Office of Personnel Management has not yet approved a request for this action. Council will need to ensure that skilled individuals backfill both the CFO and Executive Director positions that have been a large part of the Council's continuity of operations thus far. Furthermore, Council staff will need to adjust to the loss of key leaders and any new responsibilities that they may inherit until permanent leadership is in place. As such, ongoing training and staff development are essential to the Council's operating continuity, especially with the ever-growing list of Federal requirements and the completion of new grant management systems.
A comprehensive and documented succession plan is critical to the Council's continuity and productivity, in both the near-term and the long-term, so that operations are minimally impacted. The uncertainties that the COVID-19 pandemic has created also brings to light the importance of planning for unexpected events.

Challenge 2: Federal Statutory and Regulatory Compliance (Repeat)

Council must ensure that activities and projects funded by the RESTORE Act meet all environmental laws and regulations at the Federal and State level, and also ensure its compliance with applicable laws and regulations as a Federal entity. In March 2020, the Council implemented major technology changes to carry out its grant administration and monitoring activities. Migrating to new technology brings inherent challenges to any organization. In the case of the Council, the speed with which the migration occurred poses risk to data accuracy and the Council's ability to comply with new as well as existing Federal requirements.

On March 16, 2020, the Council went live with two new grant management solutions that were selected in fiscal year 2018 to replace RAAMs, which was losing vendor software support. To manage award data, the Council implemented the Department of Health and Human Services' (HHS) GrantSolutions system (GrantSolutions). To address the need to house scientific programmatic data, the Council deployed the *Program Information Platform for Ecosystem Restoration* (PIPER) developed by the United States Geological Survey. During fiscal year 2020, Council staff intensified and accelerated efforts to identify all the work necessary for migrating to these systems within a short time frame. Furthermore, the Council processed an unusually large number of awards from RAAMS to facilitate the movement of as much legacy data as possible during the second quarter of fiscal year 2020, increasing the risk of data inaccuracy or omission. Implementation of the new systems was relatively smooth, despite challenges with implementing certain functionality in the GrantSolutions system. The Council had wanted to build a milestone module in GrantSolutions to submit, review, and track each project or program's milestones over time, but found overcoming limitations in the functionality of the module within GrantSolutions

[4] Federal Council members include Governors from Alabama, Florida, Louisiana, Mississippi and Texas, the Administrator of the Environmental Protection Agency, and Secretaries from the United States Departments of Agriculture, Army, Commerce, Homeland Security (Coast Guard) and Interior.

would be cost prohibitive. As a work around, the Council decided to build the milestone module in PIPER instead, as it is fully customizable at a reasonable cost. The new PIPER module will provide a structured tool for development and submission of milestones with the applications, and for submission of updates to milestones with semi-annual financial and progress reports. In addition, GrantSolutions houses the grant financial and budget data and is used for administrative compliance, and the Council would like to build a more dynamic post-award monitoring piece including financial reporting in the future. The ongoing work to complete the migration of remaining data and full functionality of both systems includes further application customization and testing, and training of staff and award recipients, among other things. As a result, the change to this multisystem solution will continue to impact the workload of staff who will have to balance post deployment duties and any new responsibilities that result from senior level organizational changes discussed in challenge 1.

The Council experienced challenges trying to integrate GrantSolutions with the Bureau of the Fiscal Service Administrative Resource Center's (ARC) Oracle database, which processes and reports the Council's financial data. It was determined that GrantSolutions' limited fields and static data made it too expensive to customize. After learning that an automated transfer of grants information into ARC would include costly service fees for a primarily manual transfer process, the Council elected to continue to rely on its manual review and reconciliation process, which poses a higher risk of errors or omissions than an automated process.

A complete and successful transition to GrantSolutions and PIPER is critical to the Council's continued compliance with FISMA, the Digital Accountability and Transparency Act of 2014 (DATA Act) and future improper payment reporting required by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA).[5] Looking ahead, agencies that administer grants and interagency agreements (IAA) will have to implement changes to adopt a standardized data structure for information requests and reporting on award recipients under the *Grant Reporting Efficiency and Agreements Transparency Act of 2019* (GREAT Act).[6] As discussed below, this will increase the responsibilities and workloads of the Council staff.

DATA Act

DATA Act implementation is an ongoing government-wide initiative. Agencies must report spending data for publication on USAspending.gov on a recurring schedule. The Council has undergone two data quality audits and will undergo a third audit covering its fiscal year 2021 data. Our first audit of data quality reporting found that Council met DATA Act requirements; however its financial and award data had three variances in its fiscal year 2017, second quarter data submission.[7] As part of our second audit of the Council's data quality reporting we verified that the Council implemented prior recommendations to refine policies and procedures for compliance with DATA Act requirements, and continues to work closely with ARC to ensure there are no errors due to the timing of when transactions are recorded in various accounting systems. We also reported that the Council's fiscal year 2019, first quarter data submission met the standards for

[5] Public Law 111-204, (July 22, 2010).
[6] Public Law 116-103; (December 30, 2019).
[7] OIG, *DATA Act: Council Met Reporting Requirements Under the DATA Act Despite Challenges*, (OIG-18-008; November 2, 2017).

completeness, accuracy, timeliness, and was of higher quality, but there were errors in certain procurement data elements made by ARC. As a result, certain procurement data elements in the Council's data submission were inaccurate. The Council staff had not reviewed data entered in the Federal Procurement Database System – Next Generation (FPDS-NG)[8] because the Council relies heavily on ARC to review for accuracy. [9] We will follow up on Council's actions to address inaccuracies in reported procurement data as part of our third data quality audit of the Council's submission of fiscal year 2021 data.

Beginning in fiscal year 2019, OMB Memorandum M-18-16, *Management of Reporting and Data Integrity Risk* requires that agencies' Senior Accountable Officials (SAO) must consider the newly developed "Data Quality Plan" and the documented internal control contained therein when certifying quarterly data and preparing its annual assurance statement required by the *Federal Managers Financial Integrity Act of 1982.*[10] The SAO's consideration of its "Data Quality Plan" is required through fiscal year 2021 at a minimum, or until the SAO determines that it can provide reasonable assurance over the data controls that ensure the quality of data submitted in accordance with the DATA Act. Last year in our letter, we acknowledged the reasonableness of the Council's "Data Quality Plan," but noted the SAO will have to identify risks associated with the transition of data from RAAMs to GrantSolutions and update its plan to mitigate such risks. As the "Data Quality Plan" is being updated to reflect these changes, we plan to verify it as part of our next audit of data quality reporting.

The successful transition of financial and award data to GrantSolutions is critical to the Council achieving its data quality reporting goal of the DATA Act. We plan to review the controls over the new grants management systems, to include the Council's mitigation of identified risks, as part of our third audit of the Council's data quality reporting related to its fiscal year 2021 financial and award data.

IPERA

IPERA requires the head of the agency or Federal entity to periodically review all programs and activities that are administered and identify all programs and activities that may be susceptible to significant improper payments. For fiscal year 2019, my office determined that the Council was compliant with all applicable requirements, including the requirement to publish its Agency Financial Report and any accompanying material required by OMB on its website for fiscal year 2019.[11] Although the Council's total program and activity expenditures exceeded $10 million, its total estimate for improper payments was less than OMB's 1.5 percent threshold. [12] That said, we expect that in the upcoming year(s) as grant activity increases, the risk of improper payments will also increase.

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[8] FPDS-NG is used by Federal agencies to report all contract actions, including modifications, using appropriated funds for contracts whose estimated value is at or above $10,000. FPDS-NG is administered by the General Services Administration (GSA).

[9] OIG, *DATA Act: Council Met DATA Act Reporting Requirements but Data Accuracy Could be Improved*, (OIG-20-005; October 30, 2019).

[10] Public Law 97-255 (September 8, 1982).

[11] OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Compliance with IPERA for Fiscal Year 2019*,(OIG-20-035; May 15, 2020).

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

GREAT Act

Initial work under the GREAT Act requires OMB and HHS to establish new Federal data standards and the architecture for a new Federal grants platform. Federal agency administrators must prepare their agencies for consolidated Federal data collection and shared reporting to reduce the burden and cost to grant recipients. While there are no immediate agency compliance requirements going into fiscal year 2021, the Council will need to plan for changes to documents and processes to announce, award, and oversee Federal grants and IAAs for compliance with new GREAT Act data standards. Accurate and GREAT Act compliant records will be contingent upon the full implementation of GrantSolutions and PIPER where such data resides.

While the Council met its Federal statutory and regulatory compliance requirements in fiscal year 2020, there is inherent risk of incomplete and inaccurate data migration when transitioning to a new multi-systems platform. The Council will need to scrutinize the migrated data to ensure that the accuracy, completeness, and overall quality of award and scientific programmatic data have been maintained. This is critical with the growing demand for Federal agencies and entities to make their data as accurate and transparent as possible. As a small agency, it may be difficult for the Council to meet the growing list of data management requirements.

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

Until GrantSolutions and PIPER are fully functional with all award data from RAAMS completely migrated, ensuring adequate oversight of grants and IAAs remains a challenge. In addition, the loss of two key senior personnel may further challenge the Council's ability to provide adequate oversight as well. Since prior year's letter, awards have increased from 55 to 109 grants. As of July 31, 2020, IAAs are valued at approximately $376 million under the Council-Selected Restoration Component ($184 million) and the Spill Impact Component ($192 million) combined. Furthermore, approved State Expenditure Plans under the Spill Impact Component include projects exceeding $1 billion.

In response to this challenge in our previous letters, Council officials acknowledged that adequate oversight of grants was a challenge. In fact, as part of its Enterprise Risk Management risk management profile, Council continues to identify oversight and monitoring of grant recipients among its top critical risks. After reviewing its human resources requirements, and in response to the increasing volume of grants and IAAs, the Council hired two new grant specialists and a financial analyst at the end of fiscal year 2019, and an administrative staff position was reallocated to the program team to help with the increased workload.

Grant and IAA monitoring and oversight continues to be an area of concern given the changes that the Council has experienced so far with the transition from RAAMS to GrantSolutions and PIPER, and the impending loss of the Executive Director and CFO. Although the challenges highlighted in this letter are the most significant from my office's perspective, we communicate with the Council's staff on existing and emerging issues. As needed, we also engage with affected Federal, State, and local government entities to ensure effective oversight of programs established by the RESTORE Act. Federal statutory and regulatory compliance and monitoring of grant and IAAs will be a central focus of our work going forward.

Since the transition to the new grants and programmatic systems is central to meeting these challenges, we plan to audit Council's implementation activities as part of our audit of the Council's administration of the post award phase for Council-Selected Restoration Component awards as listed in our Annual Plan for Fiscal Year 2021. We are available to discuss our views on the management and performance challenges and other matters expressed in this letter in more detail.

Sincerely,

/S/ Original signed
Richard K. Delmar
Deputy Inspector General, Department of the Treasury

cc: Ben Scaggs, Executive Director

Gulf Coast Ecosystem Restoration Council

October 20, 2020

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

Re: Response to the OIG Report, 2021 Management and Performance Challenges (OIG-CA-21-002)

Thank you for the opportunity to review the Office of Inspector General's (OIG) 2021 Management and Performance Challenges (OIG-CA-21-002). As you have pointed out, the Council is a very 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), however, as you also noted, due to its dispersed operations throughout the Gulf and teleworking full time as our standard mode of operations, the Council incurred minimal impacts from the COVID-19 pandemic. We recognize that our stakeholders and customers may continue to be impacted by COVID-19 which in turn may affect the Council operations. We concur with your assessment that we face three major challenges, one of which is new, i.e., , Loss of Key Leadership Over Administration of Gulf Coast Restoration Activities, and two repeat challenges: Federal Statutory and Regulatory Compliance, and Grant and Interagency Agreement Compliance Monitoring.

We also appreciate your recognition of the Council's accomplishments which includes the successful outcome of the Council's third evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA). The Council's information systems security program and practices were assessed as effective for the period July 1, 2018 through June 30, 2019. Additionally, for the sixth year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.

We also appreciate your commendation of the Council on its deployment of a new multi-system grants management solution, in March 2020, to replace the Restoration Assistance and Award Management System (RAAMS), which was no longer receiving

software vendor support. That said, we agree with the finding that changing technology coupled with organizational changes pose risks to the Council's ongoing achievements made in the areas of Federal statutory and regulatory compliance and grant and interagency agreement compliance monitoring, which we continue to report as ongoing challenges in fiscal year 2021.

Challenge 1: Loss of Key Leadership Over Administration of Gulf Coast Restoration Activities (New)

As you note in your letter, two senior officials, the Chief Financial Officer (CFO) and Executive Director, have announced their retirements effective January 2021 and December 2020, respectively. In November 2018, the Council Steering Committee approved a new organizational structure and staffing plan and put in place an incremental process to achieve it. Elements of this plan included moving the administrative and enterprise risk management functions to report to the Deputy Executive Director followed by the establishment of two supervisory director positions as first line supervisors of Program Operations and Grant Management and Compliance. These steps removed first-line supervisory duties from the Deputy Executive Director and CFO for these three functions and allowed the CFO to focus on the development of the Financial Manager and Finance team to ensure a smooth transition of functions upon the CFO's retirement. In addition, the Deputy Executive Director has been on board since fiscal year 2015, thus ensuring continuity upon the departure of the Executive Director.

The Council published the recruitment announcement for the Executive Director on October 8, 2020 and has implemented an accelerated process to fill the vacancy. Likewise, the Council is exploring options for backfilling the CFO position upon her retirement. While the Council is developing a comprehensive documented succession plan that will extend beyond the November 2018 plan, the Council is confident that the skills, experience and leadership of the Deputy Executive Director, the three Office Directors and the Financial Manager will position the Council to manage both the challenges the Council continues to face and the challenges of a new FPL to be approved in fiscal year 2021.

Challenge 2: Federal Statutory and Regulatory Compliance (Repeat)

After a rigorous requirements analysis, the Council determined that a "unified solution" consisting of two systems, the Health and Human Services (HHS) GrantSolutions shared services system and a new system to be developed by the United States Geological Survey (USGS), the Program Information Platform for

Ecosystem Restoration (PIPER), would best meet the needs of the Council following the termination of the Restoration Assistance and Awards Management System (RAAMS). On March 16, 2020, the Council deployed these two systems after ensuring a complete migration of key grant data to each system. The archiving of all data from RAAMS was completed in September of 2020.

As you note in your letter, the Council processed an unusually large number of awards in RAAMS in the second quarter of fiscal year 2020 to facilitate the movement of as much legacy data as possible and in anticipation of a month-long period when no awards would be granted while the award data was migrated between systems. Although the workload was large, Council staff followed the same rigorous procedures for application review and award preparation, review, and approval. To date, no significant data inaccuracies or omissions have been found as a result of this surge in award numbers.

Council staff and contractors worked with HHS and USGS staff to ensure data integrity and a smooth transition between systems. A process for migration of data from RAAMS to GrantSolutions was developed, tested, and implemented. As soon as access to the data in GrantSolutions was available, team members began reviewing and testing the migrated data. A number of identified issues were communicated to HHS staff immediately for correction before award recipients were granted access to GrantSolutions. Similarly, a process for manually transferring programmatic information from RAAMS to PIPER was developed and implemented successfully.

Training was provided to Council staff and recipient users of both GrantSolutions and PIPER prior to deployment. The vast majority of the planned in-person training sessions were held prior to implementation of COVID-19 measures. Training sessions continue to be scheduled periodically via webinar to address training needs as they are identified. Dedicated Help Desk contractors are also available to assist users with issues or questions related to either system.

The Council continues to assess and determine which system or method will provide the most cost-effective solution to meet additional requirements. Work is underway to build out a new PIPER milestones module to provide additional functionality related to tracking award progress and providing links between performance and expenditures. Additional enhancements to PIPER have also been approved by the Council to increase post-award functionality and award activity tracking particularly with regards to program awards.

While the Council continues to rely upon a manual review and reconciliation process when transmitting obligation and other award information between GrantSolutions

and the Oracle financial database, associated risks have been evaluated and controls are in place to minimize errors and omissions. An additional contractor has also been hired to assist in data management, analysis and tracking to ensure data integrity into the future.

DATA Act

The Council has implemented processes and controls within its Data Quality Plan to ensure accurate data is sent to USA Spending. The Council's financial information that is reported under the DATA Act is stored in Oracle, GrantSolutions and the Federal Procurement Database System (FPDS). During the transition from RAAMS to GrantSolutions, Council staff worked with HHS to ensure that appropriate grant award information would be available for timely reporting and would meet standards for completeness and accuracy. GrantSolutions is a federal shared-service, and as such controls are in place to ensure the integrity of the migrated data and that associated with new awards. Processes, procedures and controls are also in place in PIPER to ensure data integrity. However, programmatic data retained in PIPER is not reported under the DATA Act. Since the transition a query has been developed, tested and implemented within GrantSolutions to produce the report that is submitted to the DATA Broker through the Financial Assistance Broker Submission (FABS) twice monthly. As discussed above, data integrity was considered throughout the transition process, and the Council's Data Quality Plan has been updated to identify risks associated with the transition to GrantSolutions and steps taken and planned to mitigate such risks.

The Council took action in coordination with the Bureau of Fiscal Service Administrative Resource Center Contracting Office to review issues that occur during the Broker reconciliation process and on issues noted in the 2019 TOIG Data Act Audit (OIG-20-005). The errors noted by the auditors in procurement data consisted of the award type and action date in file D1 did not match the contract document. The Agency worked with ARC contracts to develop and execute stronger internal controls after contract award and data entry by ARC Contracting into FPDS-NG including a two-person verification process.

IPERA

The Council has implemented an Enterprise Risk Management program focused on addressing the major risks facing the Council, two of which involve the risk of improper payments. In general, RESTORE project and program post- award monitoring and oversight risk is reduced due to the limited number of non-federal grant recipients (six) and federal members (six). While an increase in grant activity

will make the detection of improper payments more challenging, to mitigate those risks the Council has implemented a robust post-award compliance monitoring and oversight program. Additionally, ARC performs an annual payment recapture audit on behalf of the Council. In fiscal year 2019 the Council had disbursements equaling $27,235,471, with an improper payment rate of 0.02% of total payments made. Although the Council has seen a significant increase in grant and IAA awards with an associated increase in disbursements, it believes that its risk management and post-award oversight and monitoring program will enable it to continue to meet Federal statutory and regulatory requirements.

The Council's existing post-award compliance monitoring and oversight procedures have been successful in detecting improper payments. While conducting semi-annual reviews of financial reports, staff have successfully identified questionable payments and followed up with the recipients to identify potential improper payments and corrective actions. For example, in fiscal year 2020, a number of disbursements made through the Automated Standard Application for Payments (ASAP) system by a recipient were identified by staff as questionable during the review of their financial reports. Through discussions with the member, it was determined that the incorrect payments were the result of an administrative data-entry error. The errors were detected by the recipient through their reconciliation process and were subsequently corrected. The recipient has changed data entry personnel but will provide additional training to future staff, the Council will strengthen its internal controls with this recipient and follow up in fiscal year 2021 to ensure compliance with the additional controls.

GREAT Act

The Council's grants management solution already gathers and stores many of the data elements that are anticipated to be required for collection and sharing under the GREAT Act. Historically the Council has been focused on performance and outcomes which is consistent with the GREAT Act and the President's Management Agenda. For example, the Council designed RAAMS and now PIPER to gather and manage scientific and programmatic information such as milestones and performance metrics that may not have been routinely collected in an electronic system under many traditional grant programs. The Council has fully implemented both GrantSolutions and PIPER, and staff has scrutinized the migrated data migrated in both systems to ensure that the accuracy, completeness and overall quality of the award, scientific and other programmatic data have been maintained. Much of the award data that is addressed in the GREAT Act is managed and stored within the GrantSolutions platform. As GrantSolutions is a federal shared service, the Council will be able to leverage resources with other Federal agency partners in the implementation of new data

standards. In addition, while PIPER is a custom-built system, it is designed to be flexible enough to accommodate the anticipated Federal data standards. While potential challenges resulting from the GREAT Act in the announcement, awarding and oversight of grants and IAAs are recognized, in this case the Council's small size and associated nimbleness may be an asset.

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

Going into fiscal year 2021, GrantSolutions and PIPER are fully functional with regards to award data needed for oversight of grants and IAAs. Financial and performance reports are being collected in GrantSolutions and PIPER respectively. Other post-award actions are also being documented in the appropriate system. Where there may be gaps in system functionality, processes have been developed to collect all necessary information until that functionality can be fully established. For example, while the milestones module is being developed in PIPER, award recipients have been provided with customized milestones templates for submission with their semi-annual financial reports. The information is not lost but is collected in a different way and is still available to the staff for oversight and monitoring purposes. In addition. staff developed and implemented a new tool in fiscal year 2020 to evaluate risk at the award level to facilitate the targeting of limited resources to areas of highest risk.

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 2021 Management and Performance Challenges report.

Sincerely,

/S/ Original signed
Ben Scaggs
Executive Director

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables show that there were no material weaknesses or significant deficiencies in fiscal year 2020. This information is consistent with the Council's FMFIA Statement of Assurance.

Table 17 – Summary of Financial Statement Audit					
Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	-	-	-	NA	-

Table 18 – 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	-	-	-	NA	NA	-
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	-	-	NA	NA	NA	-
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	-	-	NA	NA	NA	-

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

PAYMENT INTEGRITY INFORMATION ACT

Background

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. 111-204, 31 U.S.C. 3301 note) and the Improper Payments Eliminations and Recovery Improvement Act of 2012 (IPERIA) (P.L. 112-248; 126 Stat. 2390) and the Payment Integrity Information Act of 2019 (PIIA) requires agencies to periodically review all programs and activities and identify those that may be susceptible to significant improper payments, take multiple actions when programs and activities are identified as susceptible to significant improper payments, and provide an annual compliance report.

Office of Management and Budget (OMB) Circular A-123, Appendix C, Requirements for Payment Integrity Improvement provides guidance to agencies to comply with IPERA and for agency improper payments remediation efforts. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. See also https://paymentaccuracy.gov/ for additional detailed information on improper payments.

In compliance with A-123 Appendix C, Part I. D, the Council used a systematic method to review all programs and activities to identify those susceptible to significant improper payments. Our risk assessment process incorporates the seven risk factors outlined in OMB Circular A-123, Appendix C. The factors considered in the determination of risk levels include:

- Whether the program or activity reviewed is new to the agency;
- The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts
- The volume of payments made annually

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

In doing so, the Council considered the results of the payment recapture audit performed, and then used a qualitative method to further evaluate its programs. During fiscal year 2019, the Council did not have any programs or activities susceptible to significant improper payments. In fiscal year 2020 the total amount of all program and activity payments exceeded $10,000,000 but the total estimate for improper payments was 3.0%. Based on the definition of "Significant" in M18-20 and in PL 116-117 Payment Integrity Information Act of 2019, section 3352(a)(3)(A), the Council programs are not deemed susceptible to significant improper payments.

Programs of the Council Assessed for Risk

1. Council-Selected Projects and Programs

2. Oil Spill Impact Program

Risk Assessment Determination

1. Qualitative Assessment: The Council conducted a program specific risk assessment utilizing the Bureau of Fiscal Service's Risk Assessment questionnaire in determining the level of risk for all programs. Each section assessed their programs using a scored response to 62 questions in the areas of internal control environment and activities, assessing risk such as those associated with recent policy changes, new certifier and/or system user training, as well as, payment eligibility oversight and management communication. Based on the collective scores from each section, the audit resulted in a low-risk rating for the overall fund group.

2. The Council-Selected Restoration Projects and Programs, Council expenditures for non-Federal persons, non-federal entities, and federal employees for fiscal year 2019 totaled $27,345,841. Of those disbursements, 11.3% percent were payments for salary, supplies and equipment and travel reimbursements to Council employees, 2.3% percent were payments to eight commercial vendors, and 86.4% percent were payments to six grant recipients. In fiscal year 2019 the Council had a .02% improper payment rate and improper payments projected forward are expected to be less than 2.5%.

3. The following risk factors based on fiscal year 2019 data were also considered in determining if the programs in the Council were likely to be susceptible to improper payments.
    a. With respect to contracts, the Council had a very small number of contracts and contractors, e.g., eight, and a low volume of payments, e.g., $627,779 which is only 2.3% of all payments. Post payment audits conducted by the Bureau of Fiscal Services ARC, Accounts Payable, reported the Council had $0 improper commercial contractor payments for fiscal year 2020.
    b. The Council had a very small number of grant recipients, e.g., six and a small number of payments, e.g., 275 payments, e.g., 6.4% of all payments. 5 of the grant recipients are states, and one recipient is a state governmental entity.
    c. All state recipients have received a low-risk rating by the Council. In fiscal year 2019, the year used for the qualitative risk rating, the Council had one high-risk recipient due to the immature financial and management infrastructure of that entity. This entity received a risk rating of moderate in fiscal year 2020.
    d. For those recipients determined to be high risk, a 100 percent review of all payment requests prior to disbursement is required. Seven payments totaling $327,845 were pre-audited. No improper payments were made by this recipient. This recipient was determined to be moderate risk in fiscal year 2020 therefore a 100% review is required of reimbursement requests after the drawdown from ASAP. No improper payments were identified for this recipient.

Payment Reporting

Table 19: Improper Payment Report ($ in millions)

Program	PY Outlays	PY IP %	PY IP$	CY Outlays[13]	CY IP %	CY IP$
Council Selected Restoration Program	$17.49	.03%	$.0043	$9.211	6.0%	$.555

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

Spill Impact Program	9.74	0	0	$10.487	.6%	$.063
Total	$27.23	.02%	$.0043	$19.698	3.14%	$.619

Improper Payment Root Cause Categories

The root cause for the improper payments were administrative errors. The improper travel payments were identified during the post payment audit of travel voucher claims as exceeding the allowance due to hotel and airfare refunds based on unexpected travel cancellations. The improper grant payments were made by a grant recipient while processing an ASAP drawdown. The employee distributed the amounts among five grants incorrectly. The errors were detected by the recipient through their reconciliation process and were subsequently corrected. The recipient has changed data entry personnel but will provide additional training to future staff and the Council will strengthen its internal controls with this recipient and follow up in fiscal year 2021 to ensure compliance with the additional controls.

Table 20: 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	12	1	0	2

Recapture of Improper Payments Reporting

The Payment Recapture Audit, performed by the Council's financial service provider, the Bureau of Fiscal Services, Department of Treasury, provided an internal review and analysis of 866 salary/travel transaction and grant/contract obligations totaling $122,437,285, which covered the 12 month period from 9/1/2019 – 8/30/2020.

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

1. All required program and activity types were included in the Program.
2. No Payment Recapture Audit Programs for any program or activity have been deemed not cost effective.
3. No class of contract has been excluded.

4. Number and amount of improper payments: 15 improper payments, totaling $618,777.60.
5. Amount of improper payments recaptured: $618,536.68 recaptured
6. Recaptured payments were no-year funds and returned to their original purpose.
7. There are no unrecovered improper payments. $53.41 were below the debt threshold and collection waived.

The payment recapture audit identified 15 out of 866 transactions as erroneous payments, for a rate of 1.7% percent. The total dollar value of improper payments was $618,777.60, a rate of .5% percent of total transactions made in fiscal year 2019. Recaptured payments totaled $618,536.68, and no erroneous or improper payments were outstanding at the end of the fiscal year. Travel debts which fell below the $25.00 threshold for collection were waived.

Overpayments Recaptured Outside of Payment Recapture Audits: ASAP erroneous payments of $617,486.51 were identified and recaptured by the recipient outside of the payment recapture audit. The recipient discovered the administrative errors and returned the funds through the ASAP system.

Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

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

Barriers

None

Accountability

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

Agency Information Systems and Other Infrastructure

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

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

Sampling and Estimation

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

FRAUD REDUCTION REPORT FISCAL YEAR 2020

The Council enterprise risk management assessment, profile, control activities, testing and monitoring include the Council's efforts at fraud prevention. The Council had implemented rigorous financial and administrative controls, with particular focus on controls and monitoring of its two financial assistance programs, the Council-Selected Projects and Programs, and the Spill Impact Program. To enhance the Restore Council's risk mitigation effort the Fiscal Year 2020 Risk Profile was updated with the main effort focused on the top 7 critical risks. Each risk was reviewed, and it was determined that effective controls were in place. The Council's Seventeen Principles of Internal Control checklist has been updated to demonstrate how the Council meets the requirements outlined in the Green Book and OMB Circular A-123. Council staff conducted financial drawdown desk reviews to assess expenditure compliance with recipients and site visits with member state recipients to review their internal controls, policies and procedures utilized to execute Restore Act grants.

REDUCE THE FOOTPRINT

a. The Council entered into a ten-year occupancy agreement (lease) with GSA for 2,399 sf of office space in New Orleans in September 2014. The amount of square footage leased has not changed.
b. The Council has no direct lease facilities that are subject to the Reduce the Footprint policy and thus has no operating costs to report.
c. The Council has an authorized level of 24.5 FTE's, 5 Contractors, and one MOU support personnel. Council staff who are local to the New Orleans metropolitan area traditionally work in the Council's office space, while other staff members work remotely from home offices throughout the Gulf Coast. However, due to COVID-19, all staff worked remotely from their home offices at the close of fiscal year 2020.
d. A distributed workforce reduces the amount of square footage required for office space and minimizes to the greatest extent possible the footprint of the Council. The Council is not undertaking a reduction to the office space it currently occupies.
e. The Council does not own any buildings; therefore, we have not disposed of owned buildings, nor have any such reduction targets.

BIENNIAL REVIEW OF USER FEES

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

GRANTS PROGRAM

The Council does not have any expired, but not closed Federal grants or cooperative agreements (awards), for which the period of performance elapsed before September 30, 2018.

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REPORT WASTE, FRAUD, AND ABUSE

Treasury OIG Hotline: 1-800-359-3898
Hotline@oig.treas.gov

Gulf Coast Restoration Hotline: 1-855-584.GULF (4853)
gulfcoastrestorationhotline@oig.treas.gov

Access Treasury OIG reports and other information online:
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