Audit Report



OIG-27-029

FINANCIAL MANAGEMENT

Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2026 and 2025

November 16, 2026

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, 2026

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

Dear Chairperson Fotouhi:

Under a contract monitored by our office, RMA Associates, LLC (RMA), a certified independent public accounting firm, audited the financial statements of the Gulf Coast Ecosystem Restoration Council (Council) as of September 30, 2026 and 2025, and for the years then ended. The contract required that the audit be performed in accordance with government auditing standards and Office of Management and Budget (OMB) Bulletin No. 24-02, *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 16, 2026, 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. 24-02.

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 or Pauletta Battle, Assistant Inspector General for Audit, at (202) 927-5400.

Sincerely,

/s/

Loren J. Sciurba
Deputy Inspector General, Department of the Treasury

Enclosure

cc: Mary Walker, Executive Director

SECTION I

Independent Auditors' Report

RMA Associates
Auditors. Consultants. Advisors.

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Independent Auditor's Report

Deputy Inspector General
Department of the Treasury

Deputy Administrator, U.S. Environmental Protection Agency and
Chairperson, Gulf Coast Ecosystem Restoration Council

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Gulf Coast Ecosystem Restoration Council (Council), which comprise the balance sheets as of September 30, 2026, and 2025, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of September 30, 2026, and 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards), and the Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for the Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audit 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

Management is responsible for the other information included in the Agency Financial Report. 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. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on 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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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

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material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on 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, noncompliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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 compliance. This section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 16, 2026

The Transmittal Letter to the Chairperson and the Independent Auditors' Report are also included in the following Agency Financial Report on pages 16-17 and 18-21, respectively

SECTION II
Gulf Coast Ecosystem Restoration Council
Agency Financial Report for
Fiscal Year 2026

GULF COAST ECOSYSTEM RESTORATION COUNCIL

AGENCY FINANCIAL REPORT

FISCAL YEAR 2026



500 Poydras Street, Suite 1117
New Orleans, Louisiana 70130
www.restorethegulf.gov

Prepared in accordance with OMB Circular A-136,
Financial Reporting Requirements (Revised May 29, 2026)

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MESSAGE FROM THE EXECUTIVE DIRECTOR

November 16, 2026

I am pleased to present the Gulf Coast Ecosystem Restoration Council's Agency Financial Report for fiscal year 2026. This report provides an accounting of the Council's stewardship of the Gulf Coast Restoration Trust Fund and describes the financial results of our work to restore the ecosystem and economy of the Gulf Coast region.

In 2026, the Council voted to approve a new Funded Priorities List (FPL), adding approximately $403 million in funding for restoration activities. The FPL included funding for newly approved restoration activities, additional funding for activities previously approved under prior FPLs, and reallocations of funding from previous FPLs to support restoration priorities. The Council worked with federal and state partners to oversee existing restoration investments, process new and amended awards, and close out completed awards under the Council-Selected Restoration Component and Spill Impact Component. During fiscal year 2026, the Council issued 12 new awards and 13 amendments and completed 18 award closeouts. At fiscal year-end, the Council had 145 active awards. These activities reflect the Council's continued commitment to advancing Gulf Coast restoration and ensuring responsible stewardship of RESTORE Act resources. More detail related to these activities is provided in the Management Discussion and Analysis.

For fiscal year 2026, the Council reported a net cost of operations of $242.06 million, obligations of $136.86 million, including approximately $127.22 million in grant obligations supporting the Council-Selected Restoration and Spill Impact Components, and an ending net position of $496.89 million. The change in net position primarily reflects Gulf Coast Restoration Trust Fund activity and the timing of restoration-related obligations and expenditures associated with the Council's multi-year projects and programs.

During fiscal year 2026, the Council continued to improve operational efficiency through shared-service transitions, including moving procurement services from the Treasury Common Services Center (TCSC), formerly the Department of the Treasury's Administrative Resource Center (ARC), to the U.S. General Services Administration (GSA) and transitioning its travel system to Go.gov. These transitions supported efficient administrative operations while maintaining service continuity and appropriate internal controls.

As Executive Director, I am responsible for ensuring that the performance and financial information presented in this report is complete and reliable. Based on management's assessment, the financial and performance data presented in this report are complete and reliable in accordance with applicable guidance issued by the Office of Management and Budget. No material inadequacies in the completeness or reliability of the financial and performance data were identified.

The Council also assessed the effectiveness of its internal controls during fiscal year 2026. Management identified no material weaknesses in internal control. The Council remains committed to maintaining an effective system of internal control that provides reasonable assurance that operations are effective and efficient, financial reporting is reliable, and activities comply with applicable laws and regulations.

For fiscal year 2026, the Council received an unmodified opinion on its financial statements, marking the twelfth consecutive year of unmodified audit opinions, with no material weaknesses and no significant

deficiencies identified. These results reflect the Council's continued commitment to sound financial management, accountability, transparency, and responsible stewardship of the Gulf Coast Restoration Trust Fund.

As we move forward, the Council will continue working with our federal and state partners to advance Gulf Coast ecosystem restoration while strengthening operational efficiency, maintaining effective internal controls, and ensuring that Trust Fund resources are managed responsibly and in accordance with the RESTORE Act.

I am grateful to the Council members, our federal and state partners, and the Council staff whose dedication and collaboration made these results possible.

/Original signed/

Mary S. Walker
Executive Director

SECTION I: MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

I. MISSION AND ORGANIZATIONAL STRUCTURE

The Gulf Coast environment was significantly damaged by the 2010 Deepwater Horizon oil spill. To advance environmental and economic recovery from the spill, Congress enacted the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act), 33 U.S.C. 1321(t) and note, which amended the Clean Water Act and created the Gulf Coast Ecosystem Restoration Council (the Council) and the Gulf Coast Restoration Trust Fund (the Trust Fund). Pursuant to the Act, the Trust Fund receives 80 percent of the civil and administrative penalties assessed under the Clean Water Act resulting from the 2010 Deepwater Horizon oil spill.

The Council is composed of the Governors of Alabama, Florida, Louisiana, Mississippi, and Texas; the Secretaries of the U.S. Departments of Agriculture, the Interior, the Army, Commerce, and Homeland Security; and the Administrator of the U.S. Environmental Protection Agency. The Council is headquartered in New Orleans, Louisiana, and maintained 23 full-time equivalent positions during fiscal year 2026.

Council-Selected Restoration Component

Under the Council-Selected Restoration Component, also referred to as the Comprehensive Plan Component, the Council selects and funds ecosystem restoration projects and programs that advance the goals and objectives of the Comprehensive Plan.

During FY 2026, the Council approved a new Funded Priorities List (FPL) and continued implementation and oversight of ecosystem restoration projects and programs previously approved through prior FPLs. Activities included monitoring existing awards, processing grant and interagency agreement actions, reviewing project performance and financial information, and coordinating with Council members and recipients to support successful implementation of approved restoration activities.

The Council also continued activities related to developing and implementing its restoration priorities, consistent with the Comprehensive Plan and the RESTORE Act. These efforts support long-term ecosystem restoration throughout the Gulf Coast region and promote effective stewardship of Trust Fund resources.

Performance Measure	FY 2026
New awards issued	3
Monetary award amendments issued	3
Award closeouts	10
FY 2026 obligations	$21.58 million
Active projects/programs under oversight	52

Note: FY 2026 obligations are presented net of de-obligations resulting from award closeouts during the fiscal year.

Spill Impact Component

The second RESTORE Act component administered by the Council is the Spill Impact Component, which includes 30 percent of the amounts in the Trust Fund. Under the Spill Impact Component, funds are allocated to the state Council members, except for Florida, where funds are allocated to a consortium of 23 affected Florida counties. Funds are made available to the states through State Expenditure Plans approved by the Council. The Council continued working with Alabama, Florida, Louisiana, Mississippi, and Texas on the implementation of approved SEPs. In FY 26, the Council approved SEP amendments for Florida, Mississippi, and Texas. Council activities included reviewing proposed SEP amendments, administering existing Spill Impact Component awards, processing grant actions, monitoring recipient performance, and providing technical assistance to support compliance with applicable statutory, regulatory, and grant requirements.

The Council's continued administration of the Spill Impact Component supports state-directed restoration activities while maintaining appropriate federal financial and grants management oversight.

Spill Impact Component Activity	FY 2026
New awards issued	9
Monetary award amendments issued	10
Grant Closeouts	8
FY 2026 obligations	$105.64 million
Active Awards	93

Note: FY 2026 obligations are presented net of de-obligations resulting from award closeouts during the fiscal year.

Improving Operational Efficiencies. During FY 2026, the Council continued initiatives designed to improve operational efficiency, strengthen internal controls, and ensure continuity of financial and grants management operations. As a small federal agency, the Council relies on shared services, technology, and cross-functional coordination to carry out its responsibilities efficiently.

Financial Management Services. During FY 2026, the Council continued activities associated with its financial management shared-services environment. These activities included coordinating financial operations with its service provider, validating financial data, supporting Treasury and Office of Management and Budget reporting requirements, and maintaining controls over accounting, budget execution, payments, and financial reporting. Where applicable, the Council also performed transition and implementation activities intended to maintain continuity of financial operations and improve the efficiency of financial management services.

Grants Management. FY 2026 activities included award and amendment processing, recipient monitoring, award closeout activities, interagency agreement processing, and continued efforts to improve the integration of programmatic and financial information. The Council also continued process improvements designed to reduce administrative burden while maintaining appropriate oversight of RESTORE Act funds.

Organizational Efficiency. During FY 2026, the Council evaluated its organizational structure and workforce requirements in response to government-wide workforce management initiatives and

completed a reorganization to distribute the duties of the retiring Deputy Director. The Council's approach emphasized maintaining the personnel and capabilities necessary to execute its statutory responsibilities, oversee Trust Fund resources, administer grants and interagency agreements, maintain effective internal controls, and meet federal financial reporting requirements.

To the extent organizational changes were structured to preserve mission-critical functions, clarify responsibilities, streamline operations, and maintain appropriate segregation of duties within the Council's small workforce.

FY 2026 operational highlights:

- Continued use and oversight of shared financial management services.
- Continued administration and enhancement of grants management processes and systems.
- Improved coordination among program, grants, budget, and financial management functions.
- Continued award closeout and post-award monitoring activities.
- Continued implementation of internal control and financial reporting requirements.
- Evaluation and, where applicable, implementation of organizational changes to improve efficiency while preserving mission-critical capabilities.
- Continued coordination with federal shared-service providers and Council member agencies to reduce administrative burden and maintain continuity of operations.

The Council will continue to evaluate opportunities to improve efficiency while maintaining the internal controls, financial management capabilities, and programmatic oversight necessary to safeguard Trust Fund resources and accomplish its Gulf Coast ecosystem restoration mission.

II. ANALYSIS OF FINANCIAL STATEMENTS

The Council presents comparative financial statements for the fiscal years ended September 30, 2026, and September 30, 2025. The following analysis highlights significant changes in financial results and position and explains the principal factors affecting the Council's budgetary resources and financial operations. Amounts are presented in millions and may differ slightly from calculated totals due to rounding.

Table 1: Table of Key Measures (Dollars in Millions)

Description	FY 2026	FY 2025	Increase / (Decrease) $	%
COSTS				
Gross Program Costs	$242.06	$218.50	$23.56	10.78%
Less: Earned Revenue	$0.00	$0.04	($0.04)	-100.00%
Net Cost of Operations	**$242.06**	**$218.46**	**$23.60**	**10.80%**
ASSETS				
Fund Balance with Treasury	$443.22	$397.20	$46.02	11.59%
Accounts Receivable, Net	$488.23	$651.68	($163.45)	-25.08%
Property, Plant, and Equipment, Net	$0.13	$0.21	($0.08)	-38.10%
Advances and Prepayments	$0.13	$0.03	$0.10	333.33%
Total Assets	**$931.72**	**$1,049.12**	**($117.41)**	**-11.19%**
LIABILITIES				
Accounts Payable	$0.44	$0.64	($0.20)	-31.25%
Federal Employee Salary, Leave, and Benefits Payable	$0.49	$0.56	($0.07)	-12.50%
Other Liabilities	$433.89	$378.26	$55.63	14.71%
Total Liabilities	**$434.82**	**$379.46**	**$55.36**	**14.59%**
Net Position (Assets minus Liabilities)	**$496.89**	**$669.66**	**($172.77)**	**-25.80%**

Assets

Total assets decreased by $117.41 million, or 11.19 percent, from $1,049.12 million at September 30, 2025, to $931.71 million at September 30, 2026. The decrease was primarily attributable to a $163.45 million reduction in accounts receivable, partially offset by a $46.02 million increase in Fund Balance with Treasury. These changes reflect the timing of Trust Fund reimbursements and the continued implementation of restoration activities under the Council’s Comprehensive Plan and Spill Impact Components.

Fund Balance with Treasury

Fund Balance with Treasury increased by $46.02 million, or 11.59 percent, from $397.20 million at September 30, 2025, to $443.22 million at September 30, 2026. The increase reflects the net effect of funding received and disbursements made during the fiscal year. The Council continues to maintain these

resources to support approved restoration activities, administrative requirements, and future program expenditures.

Accounts Receivable, Net

Accounts Receivable, net decreased by $163.45 million, or 25.08 percent, from $651.68 million as of September 30, 2025, to $488.23 million as of September 30, 2026. The decrease primarily reflects a reduction in outstanding amounts due from the Gulf Coast Restoration Trust Fund for approved restoration projects and programs. Accounts receivable balances fluctuate based on the timing of eligible project expenditures, reimbursement requests, and the processing of interagency payments. The lower year-end balance reflects a reduction in outstanding reimbursements associated with the Council's ongoing administration and implementation of restoration activities under the Comprehensive Plan and Spill Impact Components.

Total Liabilities

Total Liabilities increased by $55.36 million, or 14.59 percent, from $379.46 million in FY 2025 to $434.82 million in FY 2026. The increase was primarily attributable to a $55.63 million rise in other liabilities, partially offset by reductions in accounts payable and accrued employee compensation and benefits. The increase in other liabilities primarily reflects outstanding obligations associated with approved restoration grants and programs under the Council's Comprehensive Plan and Spill Impact Components. These balances reflect the timing of eligible project expenditures, payment processing, and the recognition of liabilities associated with ongoing restoration activities.

Net Position

Total Net Position decreased by $172.77 million, or 25.80 percent, from $669.66 million as of September 30, 2025, to $496.89 million as of September 30, 2026. The decrease was primarily attributable to the Council's net cost of operations of $242.06 million exceeding financing sources recognized during the fiscal year, including $68.94 million in transfers without reimbursement. The reduction in net position reflects the continued recognition of costs associated with approved restoration projects and programs under the Comprehensive Plan and Spill Impact Components, as well as the timing of Trust Fund financing. These changes are consistent with the Council's ongoing implementation of its multi-year ecosystem restoration activities.

Table 2: Costs and Budgetary Resources, Period-over-Period (Dollars in Millions)

Description	FY 2026	FY 2025	Increase / (Decrease) $	%
Gross Program Costs	$242.06	$218.50	$23.56	10.78%
Net Cost of Operations	**$242.06**	**$218.46**	**$23.60**	**10.80%**
Unobligated Balance from Prior Year Budget Authority, Net	$231.79	$303.60	($71.81)	-23.65%
Spending Authority from Offsetting Collections	$68.99	$89.82	($20.83)	-23.19%

Description	FY 2026	FY 2025	Increase / (Decrease) $	%
Total Budgetary Resources	**$300.78**	**$393.42**	**($92.64)**	**-23.55%**
New Obligations and Upward Adjustments	$136.86	$196.95	($60.09)	-30.51%
Unobligated Balance, End of Period	$163.92	$196.47	($32.55)	-16.57%
Agency Outlays, Net	($46.03)	($0.11)	($45.92)	n/m

n/m = not meaningful. The FY 2025 base of $(0.11) million is near zero, so the percentage change is not meaningful.

Net Cost of Operations

Net cost of operations increased by $23.60 million, or 10.80 percent, from $218.46 million in FY 2025 to $242.06 million in FY 2026. The increase was primarily driven by Spill Impact Component grant costs, which rose from $119.45 million to $179.57 million as recipients incurred additional allowable expenditures under approved State Expenditure Plans (SEPs). This increase was partially offset by lower Comprehensive Plan grant costs, which declined from $90.60 million to $54.29 million.

Grant expenses are recognized as recipients incur allowable costs rather than when funding is obligated. Accordingly, the Council's net cost of operations reflects the timing and extent of recipient project implementation, which may differ significantly from new obligation activity during the fiscal year.

New Obligations and Upward Adjustments

Total new obligations and upward adjustments decreased by $60.09 million, or 30.51 percent, from $196.95 million in FY 2025 to $136.86 million in FY 2026. The decrease was primarily attributable to a $61.21 million reduction in obligations for grants, which declined from $188.43 million to $127.22 million. This reduction was partially offset by a $1.22 million increase in other contractual services and smaller changes in other object classes.

The decrease reflects lower new grant obligation activity during FY 2026, while the Council continued administering previously approved awards and supporting implementation of ongoing restoration projects and State Expenditure Plans. Because obligations are recorded when awards are established, the decrease in new obligations does not necessarily correspond to a decrease in program expenditures during the same fiscal year.

Table 3: Obligations by Object Class, Fiscal Years Ended September 30 (Dollars in Thousands)

Object Class	FY 2026	FY 2025	Increase / (Decrease)
Personnel Compensation	3,356.42	3,485.32	(128.90)
Personnel Benefits	1,224.12	1,280.15	(56.03)
Travel and Transportation of Persons	128.74	130.65	(1.91)
Transportation of Things	2.50	0.62	1.88
Rent, Communications, and Utilities	146.64	94.04	52.60
Printing and Reproduction	0.18	0.11	0.07

Object Class	FY 2026	FY 2025	Increase / (Decrease)
Other Contractual Services	4,706.96	3,487.46	1,219.50
Supplies and Materials	15.49	13.86	1.63
Equipment	57.64	37.83	19.81
Grants, Subsidies, and Contributions	127,217.35	188,426.08	(61,208.73)
Total New Obligations and Upward Adjustments	**136,856.04**	**196,956.12**	**(60,100.08)**

Note: Amounts are rounded to the nearest $10. A $10 rounding adjustment is included in FY 2026 Grants, Subsidies, and Contributions so displayed amounts sum to the reported totals.

The Council derives its budgetary resources from the Gulf Coast Restoration Trust Fund, established under the RESTORE Act. The Council administers two components: the Council-Selected Restoration Component, which funds ecosystem restoration projects and programs, and the Spill Impact Component, which supports projects and programs under Council-approved State Expenditure Plans. These resources remain available until expended and are not subject to annual appropriations.

Total budgetary resources decreased by $92.64 million, or 23.5 percent, from $393.42 million in FY 2025 to $300.78 million in FY 2026. The decrease reflects lower unobligated balances brought forward and reduced spending authority from offsetting collections. The Council continued to use available resources to support approved restoration activities and ongoing program administration.

Table 4: Status of 3 Percent Administrative Expense Funds (Dollars in Millions)

Description	FY 2026
Trust Fund, Comprehensive Plan (total deposits plus interest)	1,330.05
Less: FY 2026 sequestration	(5.19)
Total funds available	**1,324.86**
Administrative expense funds (3% of total available)	39.75
Less: administrative funds apportioned through FY 2026	18.05
Balance of administrative funds remaining in the trust fund	21.70

Financial Management Issues Arising During the Period

During FY 2026, the Council transitioned its procurement services from the Treasury Common Services Center (TCSC), formerly the Department of the Treasury's Administrative Resource Center (ARC), to the General Services Administration (GSA), while accounting services remained with TCSC. The transition was managed to maintain continuity of procurement operations and internal controls, including segregation of duties, contracting officer authority, funds certification, receipt and acceptance, and supervisory oversight. The Council reconciled open obligations and undelivered order balances to verify the completeness and accuracy of contract information transferred to GSA and its integration with the Council's financial system of record.

The Council continued to monitor compliance with the Prompt Payment Act and review interest penalties to identify payment processing delays. During FY 2026, the Council incurred an interest penalty of

$10.67, compared with $0 in FY 2025. The penalty resulted from an isolated processing delay associated with the January 2026 procurement transition. Following the discontinuation of PRISM and the Council's access to the Invoice Processing Platform (IPP), a vendor submitted an invoice through IPP after the transition cutoff. The Council was not notified of the invoice until after its payment due date, resulting in an interest penalty. The delay resulted from a transition-related notification gap rather than a recurring deficiency in payment processing controls.

Limitations of the Financial Statements

The financial statements are prepared to report the overall financial position and results of operations, consistent with the requirements of 31 U.S.C. 3515(b). The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. government.

III. ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Internal Control over Financial Reporting and Operations

The Council's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The Council assesses internal control under FMFIA Section 2, and financial management systems under FMFIA Section 4, in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, revised March 10, 2026, and the Government Accountability Office's Standards for Internal Control in the Federal Government.

FY 2026 Assessment of Internal Control

During FY 2026, the Council conducted a risk-based assessment of entity-level and transaction-level controls in accordance with FMFIA and OMB Circular A-123. Testing included management oversight, segregation of duties, financial reporting, reconciliations, payroll, grants, payments, and obligations. The assessment also considered the procurement services transition, including authorization, transaction processing, and obligation controls. Based on the results, management concluded that internal controls were effective as of September 30, 2026, with no material weaknesses identified. The Council identified no Antideficiency Act violations during FY 2026.

Financial Management Systems Improvement Strategy

The Council's financial management systems improvement strategy emphasizes federal shared services, effective oversight, and continuous process improvement. The Council uses TCSC and Oracle Federal Financials for accounting and reporting, while GrantSolutions and the Automated Standard Application for Payments (ASAP) support grants management and disbursements. Management maintains oversight through reconciliations, transaction reviews, and monitoring of shared service providers. For its FMFIA Section 4 assessment, management concluded that financial management systems substantially conform

with applicable federal financial management systems requirements. Separately, management assessed substantial compliance with the three requirements of Section 803(a) of the Federal Financial Management Improvement Act (FFMIA): federal financial management systems requirements, applicable federal accounting standards, and the United States Standard General Ledger at the transaction level. These conclusions are management assessments, not opinions on control effectiveness expressed by the independent auditor.

Federal Managers' Financial Integrity Act Assurance Statement

November 16, 2026

The Gulf Coast Ecosystem Restoration Council's management is responsible for managing risks and maintaining effective internal control to meet the objectives of Section 2 of the Federal Managers' Financial Integrity Act (FMFIA), and for assessing conformance of financial management systems under Section 4. The Council conducted its assessments in accordance with OMB Circular A-123. Based on its FY 2026 assessment, the Council can provide [an unmodified] statement of assurance that internal control over operations, reporting, and compliance was effective as of September 30, 2026, with no material weaknesses identified. Management also concluded that its financial management systems substantially conform with applicable requirements under FMFIA Section 4 and that its systems substantially comply with the three requirements of FFMIA Section 803(a). These management assurances are distinct from the independent auditor's opinion on the financial statements.

In addition, the Council assessed the effectiveness of internal control over financial reporting, including safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this assessment, the Council can provide an unmodified statement of assurance that its internal control over financial reporting was operating effectively as of September 30, 2026.

With respect to Section 803(a) of the Federal Financial Management Improvement Act, the Council's financial management systems substantially comply with federal financial management system requirements, applicable federal accounting standards, and the United States Standard General Ledger at the transaction level.

Federal Information Security Modernization Act Assurance Statement

The Federal Information Security Modernization Act of 2014 (FISMA) requires agency heads to provide information security protections commensurate with the risk and magnitude of harm resulting from unauthorized access, use, disclosure, disruption, modification, or destruction of agency information and information systems. FISMA also requires agencies to have an independent annual evaluation of their information security program and practices.

For fiscal year (FY) 2026, the Office of Inspector General (OIG) performed an independent evaluation of the Council's information security program in accordance with FISMA, applying the FY 2026 OMB

Inspector General FISMA Reporting Metrics, Version 20. The evaluation covered the period of April 1, 2025, through March 31, 2026.

The OIG issued its evaluation results in The Gulf Coast Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2026, Report No. OIG-CA-26-037, dated August 10, 2026. Based on the results of this evaluation, the OIG determined that the Council's information security program was appropriate and effective.

This evaluation identified no significant deficiencies or material weaknesses in the Council's information security program.

Management is committed to maintaining an effective information security program and will continue to monitor the Council's information security posture on an ongoing basis.

Mary S. Walker
Executive Director

SECTION II: FINANCIAL SECTION

I. MESSAGE FROM THE CHIEF FINANCIAL OFFICER

November 16, 2026

I am pleased to present the Gulf Coast Ecosystem Restoration Council's financial statements for fiscal year 2026. These statements reflect the Council's financial position and the results of its operations, supported by a sustained commitment to sound financial management, effective internal controls, and public accountability.

For fiscal year 2026, the Council received its twelfth consecutive unmodified opinion on its financial statements. This result reflects the discipline applied to financial reporting and the collective efforts of Council staff and our shared service partners. We recognize, however, that financial stewardship extends beyond the audit opinion. It requires continuous attention to the quality of financial information, the effectiveness of controls, and the responsible administration of funds entrusted to the Council.

Throughout FY 2026, the Office of the Chief Financial Officer maintained its focus on reliable reporting, payment integrity, and financial oversight while supporting changes in the Council's shared service arrangements. As these transitions continue, our priority remains the continuity of financial operations and the preservation of controls that safeguard public resources.

The financial information presented in this report provides a foundation for understanding how the Council manages the resources supporting Gulf Coast restoration. We remain committed to providing clear, reliable information that informs decisions and enables the public to assess our stewardship.

I appreciate the professionalism and dedication of the OCFO staff and the contributions of our Council colleagues, the Department of the Treasury Office of Inspector General, RMA Associates, and our shared service providers. Their work supports the financial accountability essential to advancing the Council's mission.

/Original signed/

Vanessa C. Taylor
Chief Financial Officer

II. INSPECTOR GENERAL'S TRANSMITTAL LETTER

OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

November 16, 2026

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

Dear Chairperson Fotouhi:

Under a contract monitored by our office, RMA Associates, LLC (RMA), a certified independent public accounting firm, audited the financial statements of the Gulf Coast Ecosystem Restoration Council (Council) as of September 30, 2026 and 2025, and for the years then ended. The contract required that the audit be performed in accordance with government auditing standards and Office of Management and Budget (OMB) Bulletin No. 24-02, *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 16, 2026, 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. 24-02.

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 or Pauletta Battle, Assistant Inspector General for Audit, at (202) 927-5400.

Sincerely,

/s/

Loren J. Sciurba
Deputy Inspector General, Department of the Treasury

Enclosure

cc: Mary Walker, Executive Director

RMA Associates
Auditors. Consultants. Advisors.

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Arlington, VA 22203
Phone: (571) 429-6600
www.rmafed.com

Independent Auditor's Report

Deputy Inspector General
Department of the Treasury

Deputy Administrator, U.S. Environmental Protection Agency and
Chairperson, Gulf Coast Ecosystem Restoration Council

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Gulf Coast Ecosystem Restoration Council (Council), which comprise the balance sheets as of September 30, 2026, and 2025, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of September 30, 2026, and 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards), and the Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for the Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audit of the basic financial statements.

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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

Management is responsible for the other information included in the Agency Financial Report. 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. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on 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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

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Report on 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, noncompliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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 compliance. This section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 16, 2026



GULF COAST ECOSYSTEM RESTORATION COUNCIL

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2026, and 2025

BALANCE SHEETS | As of September 30, 2026, and 2025 (In Dollars)

	2026	2025
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$443,228,035	$397,195,418
Accounts Receivable, Net (Note 3)	488,231,682	651,684,065
Advances and Prepayments	130,884	27,745
Total Intragovernmental Assets	**931,590,601**	**1,048,907,228**
Other than Intragovernmental:		
Property, Plant, and Equipment, Net (Note 4)	126,075	212,205
Total Other than Intragovernmental Assets	**126,075**	**212,205**
Total Assets	**$931,716,676**	**$1,049,119,433**
Liabilities		
Intragovernmental:		
Accounts Payable	430,092	435,637
Other Liabilities (Note 5)	17,980,388	16,747,660
Total Intragovernmental Liabilities	**18,410,480**	**17,183,297**
Other than Intragovernmental:		
Accounts Payable	8,414	201,282
Federal Employee Salary, Leave, and Benefits Payable	490,345	561,947
Other Liabilities (Note 5)	415,914,915	361,515,767
Total Other than Intragovernmental Liabilities	**416,413,674**	**362,278,996**
Total Liabilities	**$434,824,154**	**$379,462,293**
Net Position		
Unexpended Appropriations		
Cumulative Results of Operations		
Funds From Dedicated Collections	496,892,522	669,657,140
Total Cumulative Results of Operations (Consolidated)	**496,892,522**	**669,657,140**
Total Net Position	**496,892,522**	**$669,657,140**
Total Liabilities and Net Position	**931,716,676**	**$1,049,119,433**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF NET COST | For the Fiscal Years Ended September 30, 2026, and 2025 (In Dollars)

Program Costs	2026	2025
Comprehensive Plan, Administrative Expenses:		
Gross Costs	1,589,232	$1,520,389
Net Comprehensive Plan, Administrative Expenses	**1,589,232**	**$1,520,389**
Comprehensive Plan, Programmatic Expenses:		
Gross Costs	6,607,520	$6,920,621
Less: Earned Revenue	-	(44,125)
Total Comprehensive Plan, Programmatic Expenses	**6,607,520**	**$6,876,496**
Comprehensive Plan, Projects and Programs (Grants):		
Gross Costs	54,291,048	$90,604,853
Total Comprehensive Plan, Projects and Programs (Grants):	**54,291,048**	**90,604,853**
Net Comprehensive Plan-Programmatic Expense Costs	**60,898,568**	**97,481,349**
Spill Impact, State Expenditure Plan (Grants):		
Gross Costs	179,572,423	$119,457,611
Net Spill Impact Costs (Grants)	**179,572,423**	**$119,457,611**
Net Cost of Operations	**242,060,223**	**$218,459,349**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET POSITION | For the Fiscal Years Ended September 30, 2026, and 2025 (In Dollars)

	2026	2025
Unexpended Appropriations		
Beginning Balance	$-	$-
Beginning Balance, as Adjusted	$-	$-
Total Unexpended Appropriations	**$-**	**$-**
Cumulative Results of Operations		
Beginning Balance	$669,657,140	$797,891,057
Beginning Balance, as Adjusted	$669,657,140	$797,891,057
Transfers In/(Out) Without Reimbursement	68,936,617	89,787,096
Imputed Financing (Note 7)	358,988	438,336
Net Cost of Operations	**(242,060,223)**	**(218,459,349)**
Net Change in Cumulative Results of Operations	**(172,764,618)**	**(128,233,917)**
Total Cumulative Results of Operations	**$496,892,522**	**$669,657,140**
Net Position	**$496,892,522**	**$669,657,140**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF BUDGETARY RESOURCES | For the Fiscal Years Ended September 30, 2026, and 2025 (In Dollars)

	2026	2025
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net	231,791,524	$303,600,581
Spending Authority from Offsetting Collections	68,989,841	89,822,096
Total Budgetary Resources	**300,781,365**	**$393,422,677**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	136,856,037	$196,956,121
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	128,600,292	184,579,819
Unapportioned, Unexpired Accounts	35,325,036	11,886,737
Unexpired, Unobligated Balance, End of Year	163,925,328	196,466,556
Unobligated Balance, End of Year (Total)	163,925,328	196,466,556
Total Budgetary Resources	**300,781,365**	**$393,422,677**
Outlays, Net and Disbursements, Net Outlays, Net (Total)	(46,032,617)	(111,634)
Agency Outlays, Net	$(46,032,617)	$(111,634)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations 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's 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.

C. Basis of Accounting

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 the control and monitoring of federal funds as well as compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the Council's funds with Treasury in expenditure and receipt accounts. Appropriated 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. When the reporting entity seeks to use Fund Balance with Treasury or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed for the agency on demand.

E. Investment in U.S. Government Securities

The Council has the authority to invest in U.S. Government securities. The securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. It is expected that investments will be held until maturity; therefore, they are classified as investment securities held to maturity and are carried at historical cost, adjusted for amortization of premiums and discounts. The amortization of premiums and discounts are recognized as adjustments to interest income using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest on investments is accrued as it is earned.

F. Accounts Receivable

Accounts receivable consists of amounts owed to the Council by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

G. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

H. 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 Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another government agency. Liabilities other than intragovernmental represent 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.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave. Deferred rent is the difference at year-end between the sum of monthly cash disbursements paid to date for rent and the sum of the average monthly rent calculated based on the term of the lease.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

J. Retirement Plans

The Council's employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the Council's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the Council matches any employee contribution up to an additional four percent of pay. For FERS participants, the Council also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the Council remits the employer's share of the required contribution.

The Council recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits

expected to be paid in the future and communicate these factors to the Council for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The Council recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The Council does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

K. Other Post-Employment Benefits

The Council's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the Council with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The Council recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM and offset by the Council through the recognition of an imputed financing source.

L. 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.

M. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2026, and 2025, were as follows:

Description	2026	2025
Status of Fund Balance With Treasury	—	—
Unobligated Balance	163,925,328	196,466,556
Obligated Balance Not Yet Disbursed	279,302,707	200,728,862
Total Fund Balance With Treasury	**443,228,035**	**397,195,418**

Fund Balance with Treasury by program (in dollars):

Description	2026	2025
Fund Balances (General Fund):	—	—
Comprehensive Plan - Administrative Cost	949,972	597,227
Comprehensive Plan - Program Cost	—	—
Programmatic Expense	1,067,023	1,630,678
Projects and Programs (grants)	164,110,950	134,200,065
Spill Impact (grants)	277,100,090	260,767,448
Total	**443,228,035**	**397,195,418**

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

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.

The available unobligated fund balances represent the current period amount available for obligation or commitment.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2026, and 2025, were as follows:

Description	2026	2025
Intragovernmental	—	—
Accounts Receivable	488,231,682	651,684,065
Total Intragovernmental Accounts Receivable	**488,231,682**	**651,684,065**
Other than Intragovernmental	—	—
Accounts Receivable	—	—
Total Other than Intragovernmental Accounts Receivable	—	—
Total Accounts Receivable	**488,231,682**	**651,684,065**

The accounts receivable is primarily made up of amounts due from the Gulf Coast Restoration Trust Fund.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2026, and 2025.

NOTE 4. PROPERTY, PLANT, AND EQUIPMENT, NET

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. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The Council's capitalization threshold is $50,000 for individual purchases and $500,000 for bulk purchases. 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:

Asset Class	Useful Life
Equipment	5 years
Leasehold improvements	Lesser of remaining term or 7 years
Software	5 years

Schedule of General Property, Plant, and Equipment, Net as of September 30, 2026, and 2025:

Major Class	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2026	—	—	—
Major Class:	—	—	—
Buildings	—	—	—
Software	734,650	608,575	126,075
Total	**734,650**	**608,575**	**126,075**
2025	—	—	—
Major Class:	—	—	—
Buildings	—	—	—
Software	734,650	522,445	212,205
Total	**734,650**	**522,445**	**212,205**

NOTE 5. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2026, and 2025, were as follows:

2026 and 2025

Description	2026	2025
Intragovernmental Other Liabilities	—	—
Employer Contributions and Payroll Taxes Payable (without reciprocals)	6,353	6,403
Custodial Liability (to the general fund)	1	1
Employer Contributions and Payroll Taxes Payable	23,689	23,760
Other Liabilities With Related Budgetary Obligations	17,950,345	16,717,495
Total Intragovernmental Other Liabilities	**17,980,388**	**16,747,660**
Other than Intragovernmental Other Liabilities	—	—
Unfunded Accrued Interest Payable	—	—
Other Liabilities w/Related Budgetary Obligations	415,914,916	361,515,769
Custodial Liability	(1)	(1)
Total Other than Intragovernmental Other Liabilities	**415,914,915**	**361,515,768**
Total Other Liabilities	**433,895,303**	**378,263,428**

NOTE 6. LEASES

The Council occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on October 1, 2023, and expires on October 1, 2029. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expenses for fiscal years 2026, and 2025 were $45,448 and $45,448, respectively.

Future lease payments (in dollars):

Fiscal year	Office Space	Other	Total Federal
2027	26,565	18,883	45,448
2028	26,565	18,883	45,448
2029	19,174	14,162	33,336
Total	**72,304**	**51,928**	**124,232**

NOTE 7. INTER ENTITY COSTS

The Council recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. The Council recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees.

The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2026, and 2025, respectively, inter-entity costs were as follows:

Description	2026	2025
Office of Personnel Management	358,988	438,336
Total Inter-Entity Costs	**358,988**	**438,336**

NOTE 8. STATEMENT OF BUDGETARY RESOURCES

A. Reconciliation of Unobligated Balance Brought Forward

Description	2026
Unobligated Balance, End of FY 2025	196,466,556
Net Adjustments, Primarily Recoveries of Prior-Year Obligations	35,324,968
Unobligated Balance from Prior Year Budget Authority, Net	**231,791,524**

Net adjustments increased the balance by $35,324,968, or 17.98 percent, primarily as a result of recoveries of prior-year obligations. The recoveries released amounts previously obligated and increased budgetary resources available for new obligations, subject to applicable funding restrictions.

B. Undelivered Orders at the End of the Period

Budgetary resources obligated for undelivered orders as of September 30, 2026, and 2025 were as follows (in dollars):

Description	Intragovernmental	Other than Intragovernmental	Total
2026	—	—	—
Paid Undelivered Orders	22,920	107,964	130,884
Unpaid Undelivered Orders	24,310,201	343,236,523	367,546,724
Total Undelivered Orders	**24,333,121**	**343,344,487**	**367,677,608**
2025	—	—	—
Paid Undelivered Orders	27,745	—	27,745
Unpaid Undelivered Orders	28,949,946	455,853,949	484,803,895
Total Undelivered Orders	**28,977,691**	**455,853,949**	**484,831,640**

The council does not receive funding through the annual appropriations process. Its activities are financed through transfers from the Gulf Coast Restoration Trust Fund. Budgetary information for the Council is presented in the Appendix to the President's Budget under "Gulf Coast Ecosystem Restoration Council." Information for the Gulf Coast Restoration Trust Fund is presented separately under the Department of the Treasury. The Council's FY 2026 actual budgetary amounts will be presented in the FY 2028 President's Budget, when available, at https://www.whitehouse.gov/omb/

NOTE 9. RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation of Net Cost to Net Outlays as of September 30, 2026:

Description	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	9,755,410	232,304,813	242,060,223
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	—	(86,130)	(86,130)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	(163,452,383)	—	(163,452,383)
Advances and Prepayments	103,139	—	103,139
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	5,545	192,868	198,413
Federal Employee Salary, Leave, and Benefits Payable	—	71,602	71,602
Other Liabilities	(1,232,728)	(54,399,148)	(55,631,876)
Financing Sources:			
Imputed Cost	(358,988)	—	(358,988)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**(164,935,415)**	**(54,220,808)**	**(219,156,223)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Transfers Out (In) Without Reimbursements	(68,936,617)	—	(68,936,617)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**(68,936,617)**	**—**	**(68,936,617)**
Total Net Outlays (Calculated Total)	**(224,116,622)**	**178,084,005**	**(46,032,617)**
Budgetary Agency Outlays, Net (SBR 4210)	—	—	**(46,032,617)**

The reconciliation of Net Cost to Net Outlays as of September 30, 2025:

Description	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	18,164,764	200,294,585	218,459,349
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	—	(165,371)	(165,371)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	(94,313,904)	(370)	(94,314,274)
Advances and Prepayments	1,258	—	1,258
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	19,805	377,432	397,237
Federal Employee Salary, Leave, and Benefits Payable	—	(14,485)	(14,485)
Advances from Others and Deferred Revenue	9,125	—	9,125
Other Liabilities	(4,540,230)	(29,718,811)	(34,259,041)
Financing Sources:			
Imputed Cost	(438,336)	—	(438,336)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**(99,262,282)**	**(29,521,605)**	**(128,783,887)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Transfers Out (In) Without Reimbursements	(89,787,096)	—	(89,787,096)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**(89,787,096)**	—	**(89,787,096)**
Total Net Outlays (Calculated Total)	**(170,884,614)**	**170,772,980**	**(111,634)**
Budgetary Agency Outlays, Net	—	—	(111,634)

SECTION III: OTHER INFORMATION (UNAUDITED)

I. SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 5: Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	**-**	**-**	**-**	**N/A**	**-**

Table 6: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2; A-123 Appendix A)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	**-**	**-**	**-**	**N/A**	**N/A**	**-**
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Total Material Weaknesses	**-**	**-**	**-**	**N/A**	**N/A**	**-**
Conformance with Federal Financial Management Systems Requirements (FMFIA § 4)						
Statement of Assurance	Conform					
Total Non-Conformances	**0**	**0**	**N/A**	**N/A**	**N/A**	**0**

Table 7: Compliance with Section 803(a) of the Federal Financial Management Improvement Act

	Agency	Auditor
Federal Financial Management System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

II. MANAGEMENT AND PERFORMANCE CHALLENGES

The Department of the Treasury Office of Inspector General (OIG) has oversight responsibility for the Council. The OIG's annual statement of the management and performance challenges facing the Council is presented below, followed by the Council's response.

OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 1, 2026

The Honorable David Fotouhi
Deputy Administrator, Environmental Protection Agency
Chairperson, Gulf Coast Ecosystem Restoration Council
1200 Pennsylvania Ave, NW
Washington, D.C. 20004

Re: 2027 Management and Performance Challenges (OIG-CA-27-001)

Dear Chairperson Fotouhi:

As required by the Reports Consolidation Act of 2000,[1] 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).[2] Entering Fiscal Year (FY) 2027, we continue to report the following three challenges, incorporating updates as appropriate:

- Recruiting and Retaining a Highly Skilled Workforce (repeat challenge)
- Federal Statutory and Regulatory Compliance (repeat challenge)
- Grant and Interagency Agreement Compliance Monitoring (repeat challenge)

Despite existing challenges, we commend the Council for its efforts to recruit and retain a highly skilled workforce. During FY 2026, there were no leadership position vacancies,[3] and the Council was actively filling three staff position vacancies.

[1] P.L. 106-531, Reports Consolidation Act of 2000 (November 22, 2000)
[2] P.L. 112-141, Moving Ahead for Progress in the 21st Century Act (July 6, 2012). Subsection F in Title I of Division A in P.L. 112-141 is cited as the RESTORE Act.
[3] At the end of calendar year 2025, the Deputy Executive Director for the Council retired, and the Senior Executive Service position was eliminated as part of the Council's *Agency Reduction-in-Force and Reorganization Plan*.

Also, the Council received a positive independent evaluation[4] of its information security program and practices under the Federal Information Security Modernization Act of 2014 (FISMA);[5] however, our report noted a concern that oversight of the Council's information technology (IT) infrastructure resides solely with the Chief Information Officer. The Council expects notable changes to its IT operating environment, including potential adjustments in responsibilities currently managed by shared service providers. We also noted that the Council should consider evaluating whether the existing IT staffing model sufficiently supports effective oversight, continuity of operations, segregation of duties, and timely incident response.

For FY 2026, the Office of Management and Budget (OMB) identified for evaluation 20 core and 5 supplemental Inspector General (IG) FISMA Reporting Metrics, as outlined in the OMB's *FY 2025 Inspector General FISMA Reporting Metrics, Version 2.0*, dated April 3, 2025.[6] These reporting metrics align with the function areas in *The National Institute of Standards and Technology Cybersecurity Framework 2.0*:[7] govern, identify, protect, detect, respond, and recover. The Council's information security program and practices were assessed as effective for the period April 1, 2025, through March 31, 2026. Furthermore, for FY 2025, the Council received an unmodified opinion (also referred to as a "clean opinion") on its financial statements.[8]

We also commend the Council for its continued efforts to improve and maintain the overall functionality of its grants management processes through the use of GrantSolutions,[9] as well as improvements made to the Council's internal network. Additionally, during FY 2026, the Council transitioned away from certain shared service providers for some administrative support functions. Beginning in FY 2025, Treasury informed the Council that due to administrative changes and priorities, certain shared service provider support functions would cease and need to be transitioned to different federal shared service providers. The Council worked with multiple shared service providers to ensure that administrative requirements were met, and that Interagency Agreements (IAAs) were signed prior to Treasury's October 1, 2026, migration deadline.

Despite the successful management of operations, we believe ongoing personnel transitions and evolving technology continue to pose inherent risks to the Council's administration. Specifically, we report the following challenges.

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4 Department of the Treasury Office of Inspector General (Treasury OIG), *The Gulf Cost Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2026*, OIG-CA-26-037 (August 10, 2026)

5 P.L. 113-283, Federal Information Security Modernization Act of 2014 (December 18, 2014)

6 OMB, the Department of Homeland Security, and the Council of the Inspectors General on Integrity and Efficiency developed the IG FISMA Reporting Metrics in consultation with the Federal Chief Information Officers Council. Additionally, based on a joint message from OMB and CIGIE received on March 17, 2026, the FY 2026 IG FISMA Metrics and Implementation Guidance, IG's and independent external auditors, as appropriate, are directed to use the *FY 2025 IG FISMA Reporting Metrics.*

7 The *National Institute of Standards and Technology Cybersecurity Framework 2.0* provides guidance to industry, government agencies, and other organizations to manage cybersecurity risks.

8 Treasury OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Year 2025*, OIG-26-003 (December 18, 2025)

9 GrantSolutions is a grant and program management federal shared service provider under the Department of Health and Human Services.

Challenge 1: Recruiting and Retaining a Highly Skilled Workforce (Repeat)

During FY 2026, the Council had no unanticipated vacancies in leadership and was actively filling three staff vacancies; one Program Analyst position, one Financial Analyst position, and one Grants Specialist. The Council previously had two staff vacancies on the Program team;[10] however, one position was eliminated as part of the Council's Phase 1 *Agency Reduction-in-Force and Reorganization Plan*. Following the end of the government-wide hiring freeze,[11] and a review with the Strategic Hiring Committee, the Council received hiring authority to fill the remaining vacant Program Analyst position. With the retirement of a Financial Analyst and the departure of a Grants Specialist, the Council had three vacancies during FY 2026. Overall, the Council has 23 authorized positions; 3 are vacant, and 20 are currently occupied by full-time employees. Due to the Council's small size, turnover may significantly impact staff workload and overall institutional knowledge; therefore, it is critical for the Council to actively fill any remaining vacancies.

Furthermore, as part of our annual FISMA evaluation, we reported a concern that oversight of the Council's IT infrastructure resides solely with the Chief Information Officer. Given the information security and risk management factors, evolving operational demands, and increasing cybersecurity threats, our report noted that the Council should consider whether its current IT staffing model sufficiently supports effective oversight, continuity of operations, segregation of duties, and timely incident response. This includes potential opportunities to enhance support structures or to redistribute responsibilities in a manner that strengthens the Council's security posture, reduce single points of failure, and sustain effective governance of critical IT functions. Maintaining an appropriate balance between resources, responsibilities, and risk tolerance will help the Council better safeguard its systems and data, while supporting its mission in an efficient and resilient manner. As the Council manages the transition of shared service providers, the resulting strain on the IT infrastructure can challenge the organization's resources during a period of operational change. We believe that the Council should evaluate whether the existing IT staffing model sufficiently supports the transition of shared service providers.

A comprehensive and documented succession plan, as well as an appropriate distribution of duties and promotion of cross-functional training, is critical to the Council's continuity and productivity in both the near-term and the long-term. We believe that keeping an updated succession plan in place will aid the Council in administering its programs effectively. In response to a previous Management and Performance Challenges letter,[12] the Council created a succession plan to ensure leadership continuity by building a leadership pipeline and talent pool. On May 26, 2026, the Council published an update to its succession plan. As a result of the retirement of the Deputy Executive Director at the end of calendar year 2025, the Council eliminated the Senior Executive Service position and revised staffing assignments to prepare other leaders and staff to assume duties and responsibilities of

[10] Two teams are primarily responsible for overseeing the administration of grants - the Programs team and the Grants/IAAs and Compliance team.

[11] On October 15, 2025, the President signed Executive Order 14356, *Ensuring Continued Accountability in Federal Hiring,* which lifted the government-wide hiring freeze that began on January 20, 2025, and implemented new restrictions and changes to all civilian hiring across the federal government.

[12] Treasury OIG, *2021 Management and Performance Challenges*, OIG-CA-21-002 (October 7, 2020)

the role. Given the state and size of the organization, the Council created a new Chief of Operations position to inherit some of the Deputy Executive Director's duties and responsibilities. Given these changes, the Council implemented a new organizational structure during the second quarter of FY 2026.

As staffing changes inevitably continue, effective internal and external communications, as well as adequate continuity of operations planning, will be critical to the Council's success and productivity. Changes to staff workload and responsibilities may have an impact on the Council's longstanding challenges related to Federal Statutory and Regulatory Compliance (Challenge 2) and Grant and IAA Compliance Monitoring (Challenge 3). We believe the Council should continue training and developing staff with continuity of operations in mind.

Challenge 2: Federal Statutory and Regulatory Compliance (Repeat)

The Council must ensure that activities and projects funded by the RESTORE Act meet all environmental laws and regulations at the federal and state levels and ensure compliance with applicable laws and regulations as a federal entity. The Council implemented major technological changes to carry out its grant administration and monitoring activities using GrantSolutions. As a small organization, the Council faces ongoing challenges with cost fluctuations posed by GrantSolutions. Between FY 2024 and FY 2025, costs increased by almost 8.5 percent; however, between FY 2026 and FY 2027, GrantSolutions agreed to reduce the cost of services by over 26 percent. Additionally, as reported in prior years, GrantSolutions has functionality limitations that prevent the system from being customized to fit all the Council's needs.

Due to the previously aforementioned system customization limitations, the Council employs additional system tools to fill functional gaps, and to ensure it can effectively carry out its mission. For example, during FY 2026, the Council began utilizing semi-automated resource tools to track certain award information and to conduct reviews, thus reducing the risk of errors from manual data entry. The functionality of GrantSolutions is critical to the Council's continued compliance with FISMA, and future improper payment reporting required by the Payment Integrity Information Act of 2019 (PIIA).[13]

As of FY 2026, agencies that administer grants and IAAs have implemented 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).[14] Additionally, in response to OMB M-24-11, *Reducing Burden in the Administration of Federal Financial Assistance* (April 4, 2024), OMB made a major revision to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*[15] (Uniform Guidance) to aid federal agencies in administering and managing all federal awards issued on or after October 1, 2024. Furthermore, on May 29, 2026, OMB published a proposed rule in the Federal Register[16] that would substantially revise the Uniform Guidance and represent a significant overhaul

[13] P.L. 116-117, Payment Integrity Information Act of 2019 (March 2, 2020)
[14] P.L. 116-103, Grant Reporting Efficiency and Agreements Transparency Act of 2019 (December 30, 2019)
[15] 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Updated April 9, 2026)
[16] Federal Register, "Regulation for Federal Financial Assistance," https://www.federalregister.gov/documents/2026/05/29/2026-10817/regulation-for-federal-financial-assistance (accessed August 4, 2026)

of federal award management requirements. The proposed rule identified October 1, 2026, as its anticipated effective date. However, on September 2, 2026, the President signed the Continuing Appropriations and Extensions Act, 2027,[17] into law. The Act temporarily prohibits OMB from implementing the proposed rule, which would revise the Uniform Guidance. Council leadership is aware of the proposed changes and will determine any necessary revisions to award operations once the regulations are finalized.

As noted above, changes to these federal laws and regulations could significantly increase the Council's staff's workload and responsibilities.

PIIA

PIIA requires an agency to conduct program-specific risk assessments for each program or activity identified by the agency, provide the methodology for identifying and measuring improper payments (IP), and report on actions the agency plans to take to prevent future improper payments. As a result of PIIA, OMB updated OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, and issued revised guidance in M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* (March 5, 2021). The goal of OMB's revisions was to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future IPs.

On July 14, 2025, OMB published Circular A-136, *Financial Reporting Requirements*, which included the financial reporting requirements that agencies must follow in reporting their PIIA information in the agency's annual financial statement. Among the requirements are the collection of payment integrity information by OMB through an annual data call and actions taken by the agency to address recovery audit recommendations to prevent overpayments. Furthermore, on August 20, 2025, OMB released M-25-32, *Preventing Improper Payments and Protecting Privacy Through Do Not Pay*. This memorandum requires agencies to make their data available to Treasury's Do Not Pay Working System as well as utilize the tool for comprehensive screening for improper payments to protect against waste, fraud, and abuse as part of the pre-payment verification process. The Council informed us that it verified the system of records against M-25-32 criteria in coordination with its shared service provider, and no changes to the payment processing procedures were necessary. Lastly, as part of the payment certification process, the Council works with the Bureau of Fiscal Service to ensure that Do Not Pay pre-payment screenings are conducted, as required. The Council stated that minimal operational changes were necessary to comply with M-25-32.

[17] P.L. 119-103, Continuing Appropriations and Extensions Act, 2027 (September 2, 2026)

During FY 2025, my office conducted an audit of the Council's compliance with payment integrity reporting requirements, and found that the Council published payment integrity information within its annual financial statement on it's website.[18] We noted that the Council also conducted IP risk assessments for each program with outlays greater than $10 million, at least once in the last 3 years, and adequately concluded whether the program is likely to make IPs and unknown payments above or below the statutory threshold.[19]

During our FY 2025 audit, we determined that information the Council reported on PaymentAccuracy.gov was consistent with supporting documentation. Accordingly, we made no recommendations in our report.

GREAT Act

Under the GREAT Act, federal agency administrators have been consolidating federal data collection and shared reporting to reduce the burden and cost to grant recipients. Starting on October 1, 2023, the Council implemented the remaining requirements to update documents and processes to announce, award, and oversee federal grants and IAAs in compliance with OMB data standards.[20] On June 6, 2024, the Department of Health and Human Services (HHS) published the initial version of the Grants Data Standards, covering finalized grant standard data elements and the initial core data elements pursuant to the GREAT Act and as designated in OMB M-24-11. Furthermore, on July 14, 2025, HHS published a second version of the Grants Data Standards, including updated data standards covering data and domain values captured in the federal Assistance Listings.[21] These standards were developed by HHS as the GREAT Act standard-setting agency in collaboration with the Council on Federal Financial Assistance Interagency Data Standards Working Group. These finalized data standards incorporated substantial comments from grant-making agencies and were approved by OMB. On June 17, 2026, HHS and OMB released the third and latest version of the Grants Data Standards that added standardized data elements for the Notice of Funding Opportunity stage of the grant lifecycle. The Council informed us that it remains committed to working with GrantSolutions to ensure all necessary processes comply with the implementation guidance that has been issued and has remained up to date on the most recent assistance listing data standards.

While the Council met its federal statutory and regulatory compliance requirements in FY 2026, there is an inherent risk to data integrity, especially as it pertains to manually tracking data. Therefore, the Council must continue to scrutinize data and supporting information to ensure that the accuracy, completeness, and overall quality of award and scientific programmatic data have been maintained. This is critical given the demand for federal agencies and entities to make their data as accurate and transparent as

[18] Treasury OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Compliance with PIIA of 2019 for Fiscal Year 2025*, OIG-26-035 (July 24, 2026)

[19] Per OMB M-21-19, the statutory threshold is the total amount of IPs and unknown payment estimates that are either above $10,000,000 and 1.5 percent of the program's total outlays or above $100,000,000 regardless of the associated percentage of the program's total annual outlays that the estimated IP and unknown payment amounts represent. Each program with annual outlays over $10,000,000 must conduct an IP risk assessment at least once every three years to determine whether the program is likely to have IPs above the statutory threshold.

[20] Per OMB M-22-02, effective October 1, 2023, agencies must report the data element Funding Opportunity Number and Funding Opportunity Goals Text for competitive discretionary grants and cooperative agreements.

[21] Assistance Listings are detailed public descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards.

possible.

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

The Council will need to continue to ensure that data in GrantSolutions and the Council's network drive is complete and accurate as part of its ongoing grant and IAA monitoring and oversight. The Council's post-award monitoring of grants and IAAs includes reviewing recipients' performance and financial reports; conducting a risk assessment based on the recipients' organizational self-assessments; performing financial and programmatic desk reviews; and conducting on-site visits. As of July 27, 2026, Council staff completed 4 financial desk reviews, and 18 on-site/virtual visits related to programmatic reviews. Furthermore, 18 financial desk reviews and 5 programmatic reviews are identified for potential review by the Council; an additional 6 desk reviews and 2 programmatic reviews are postponed to FY 2027. Overall, the Council reviewed awards made to 3 of the 7 state recipients and none of the 4 federal agencies with active IAAs in FY 2026.

The Council has issued 206 grant awards: 144 are currently active and 62 are closed. As of July 27, 2026, grants and IAAs are valued at approximately $1.394 billion under the Council-Selected Restoration Component ($525 million) and the Spill Impact Component ($869 million) combined. Furthermore, approved State Expenditure Plans under the Spill Impact Component include projects exceeding $1.24 billion. As the number of awards and their complexity continues to increase, additional monitoring will be required, adding to the Council's workload. Post-award monitoring will require a significant commitment of time and attention due to the oversight of outstanding funds, payment requests, and progress of projects.

In response to our previous letters, Council officials acknowledged the importance of grant oversight and has made it an agency priority on an ongoing basis. As part of its Enterprise Risk Management profile, the Council continues to identify oversight and monitoring of grant recipients among its top critical risks. As with previous fiscal years, during FY 2026, the Council continued to conduct several financial and programmatic reviews. Overall, the Council must ensure that it is fully staffed to execute adequate oversight and monitoring in relation to the number of grant recipients and IAAs.

Although the challenges highlighted in this letter are the most significant from my office's perspective, we continue to communicate with Council officials 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.

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/

Loren J. Sciurba
Deputy Inspector General
Department of the Treasury

cc: Mary Walker, Executive Director

Gulf Coast Ecosystem Restoration Council

500 Poydras Street, Suite 1117
New Orleans, LA 70130

October 30, 2026

Loren J. Sciurba
Deputy Inspector General
Department of the Treasury
1500 Pennsylvania Avenue NW
Room 4436
Washington, DC 20220

Re: Response to 2027 Management and Performance Challenges (OIG-CA-27-001)

Thank you for the opportunity to review the Office of Inspector General's (OIG) 2026 Management and Performance Challenges (OIG-CA-27-001). As you have noted, the Gulf Coast Ecosystem Restoration Council (Council) is a small agency with many responsibilities under the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (33 U.S.C. 1321(t)) (RESTORE Act).

We appreciate your acknowledgement of the Council's accomplishments as we continue to strive to ensure an effective financial, IT and grants management infrastructure for our agency. This includes the successful outcome of the Council's 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 Fiscal Year 2026.

We agree with your assessment of challenges facing the Council in Fiscal Year 2027 and we provide the following comments with respect to our current status in addressing these challenges.

Challenge 1: Recruiting and Retaining a Highly Skilled Workforce (Repeat)

The Council continues to agree with your assessment that recruiting and retaining a highly skilled workforce is critical to its ability to accomplish its mission. We recognize the inherent staffing challenges associated with managing routine turnover in a small agency. As a result, ongoing staff development and succession planning will remain key elements of our agency's human capital management. We agree with your assessment that additional support is needed for the Council's information technology functions, and we will be working to address this in FY 2027.

Challenge 2: Federal Statutory and Regulatory Compliance (Repeat)

The Council continues to share your assessment that compliance with all applicable federal laws and regulations is a core responsibility and key priority. As you note in your letter, agencies that administer federal financial assistance must comply with numerous laws and regulations, including the adoption of standardized data structures under the *Grants Reporting Efficiency and Agreement Transparency Act of 2019* (GREAT Act) and *Payment Integrity Information Ac*t of 2019 (PIIA).

We appreciate your acknowledgement of the Council's continued efforts to improve the overall functionality and efficiency in our grants management systems. We recognize, as you have noted, that as a small organization, the Council faces ongoing challenges posed by GrantSolutions. The Council acknowledges that there are still some gaps in functionality, which we are addressing. We will remain attentive to the release of updates to the Uniform Grants Guidance and will implement the revised regulations when they become final. With respect to the GREAT Act, the Council agrees with your assessment that vigilance with respect to data and supporting information is essential for ensuring the integrity of award and scientific programmatic data, and we continue to actively monitor this data and information.

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

The Council agrees with your assessment that compliance monitoring is a critical function for our agency. Grant and interagency agreement compliance monitoring will remain an ongoing focus of Council staff. We continue to utilize the Grants monitoring Risk Analysis and Screening Tool to target oversight.

Again, thank you for providing us with the opportunity to review this report. In Fiscal Year 2027, the Council will use this evaluation to continue to improve its processes. We appreciate the ongoing cooperation and support that we receive from your staff, and we look forward to working with you in the year ahead.

Sincerely,

MARY WALKER

Digitally signed by MARY WALKER
Date: 2026.10.30 14:44:01 -05'00'

Mary S. Walker
Executive Director
Gulf Coast Ecosystem Restoration Council

III. PAYMENT INTEGRITY INFORMATION ACT REPORTING

Payment Integrity Executive Summary

During fiscal year 2026, the Council maintained payment integrity oversight through preventive controls, including Treasury's Do Not Pay process, ongoing payment monitoring, grant-management reviews, and a payment recovery audit. FY 2026 was an off-cycle year in the Council's three-year improper payment risk assessment cycle; the next comprehensive assessment is scheduled for FY 2028 unless significant changes warrant an earlier review. The FY 2026 payment recovery audit, conducted by the Treasury Common Services Center (TCSC), reviewed 677 payments totaling $4,808,495.88 and identified one payroll-related improper payment of $316.32, which the Council recovered in full. Separately, a grant-management review identified $33,153.86 in duplicate reimbursements under a Gulf Consortium project, which the Council fully recovered, and post-payment reviews identified $139.27 in travel debts that were waived because each debt was below the $25 collection threshold.

Improper Payment Risk Assessments

The Council operates a three-year improper payment risk assessment cycle covering all programs with annual outlays exceeding $10 million. The most recent comprehensive assessment was completed in fiscal year 2025 and covered the Council-Selected Restoration Component and the Spill Impact Component. The Council performed a qualitative risk assessment for each program, evaluating the eleven risk factors identified in OMB Circular A-123, Appendix C (M-21-19), across payment types including contract payments, grant invoices, purchase card, travel card, claims and vouchers, and employee payroll. The assessment resulted in a low-risk rating and concluded that neither program is likely to have improper payments and unknown payments above the statutory threshold. Accordingly, no Council program is required to develop an improper payment and unknown payment estimate.

Fiscal year 2026 is an off-cycle year in the established assessment cycle. No new comprehensive risk assessment was required or performed during this reporting period, no new programs required assessment, and no conditions arose that would indicate a change in the Council's risk profile or warrant an off-cycle reassessment. The next comprehensive risk assessment is scheduled for fiscal year 2028.

Ongoing Monitoring

In off-cycle years, the Council maintains continuous payment integrity oversight through monthly reconciliation and review of grant payments to confirm validity and accuracy, quarterly transaction reviews, semi-annual control effectiveness evaluations, and ongoing monitoring of payment processing activities. Disbursements remain subject to segregation of duties between approving and certifying officials, supervisory review prior to certification, and post-payment monitoring performed by the Office of the Chief Financial Officer.

Do Not Pay

Under a shared-service arrangement with the Bureau of the Fiscal Service (BFS), the Council uses Treasury’s Do Not Pay (DNP) process as a preventive internal control to screen payment eligibility before certification and support compliance with federal payment integrity requirements. TCSC conducts weekly DNP reviews of all

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V. GRANTS PROGRAMS

As of September 30, 2026, all grants and cooperative agreements with periods of performance ending on or before September 30, 2024, have been properly closed out in accordance with applicable federal regulations and Council policies.

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