



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 7, 2020

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

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

Dear Chairperson Wheeler:

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

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

Although challenges exist, I would like to acknowledge some noteworthy accomplishments since my last letter. This includes the successful outcome of the Council's third evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA).<sup>1, 2</sup> The Council's information systems security program and practices were assessed as effective for the period July 1, 2018 through June 30, 2019.

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

<sup>2</sup> OIG, *Information Technology: The Gulf Coast Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2019*, (OIG-CA-20-006; October 25, 2019).

Also, for the sixth year in a row, the Council received unmodified opinions (also referred to as “clean opinions”) on its financial statements.<sup>3</sup>

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

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

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

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

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<sup>3</sup> OIG, *Audit of the Gulf Coast Ecosystem Restoration Council’s Financial Statements for Fiscal Years 2019 and 2018*, (OIG-20-013; November 19, 2019).

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

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

A comprehensive and documented succession plan is critical to the Council's continuity and productivity, in both the near-term and the long-term, so that operations are minimally impacted. The uncertainties that the COVID-19 pandemic has created also brings to light the importance of planning for unexpected events.

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

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

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

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

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

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

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

### DATA Act

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

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<sup>5</sup> Public Law 111-204, (July 22, 2010).

<sup>6</sup> Public Law 116-103; (December 30, 2019).

<sup>7</sup> OIG, *DATA Act: Council Met Reporting Requirements Under the DATA Act Despite Challenges*, (OIG-18-008; November 2, 2017).

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

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

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

### IPERA

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

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

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

<sup>10</sup> Public Law 97-255 (September 8, 1982).

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

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

## GREAT Act

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

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

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

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

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

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

Although the challenges highlighted in this letter are the most significant from my office's perspective, we communicate with the Council's staff on existing and emerging issues. As needed, we also engage with affected Federal, State, and local government entities to ensure effective oversight of programs established by the RESTORE Act. Federal statutory and regulatory

compliance and monitoring of grant and IAAs will be a central focus of our work going forward. Since the transition to the new grants and programmatic systems is central to meeting these challenges, we plan to audit Council's implementation activities as part of our audit of the Council's administration of the post award phase for Council-Selected Restoration Component awards as listed in our Annual Plan for Fiscal Year 2021.

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

Sincerely,

/s/

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

cc: Ben Scaggs, Executive Director