



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 11, 2023

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

Re: 2024 Management and Performance Challenges (OIG-CA-24-002)

Dear Chairperson Regan:

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). As the Coronavirus Disease 2019 (COVID-19) pandemic came to its official end in May 2023, we anticipate the direct impact to the Council's operations will be reduced moving forward. That said, we will continue to communicate with Council officials regarding any impact from COVID-19. Another ongoing matter has been the Council's organization structure. Over the past few years, we have addressed the loss of key leadership positions. While senior leader vacancies were filled a few years ago, we continue to note organizational changes related to departures of retiring staff. Thus, going into Fiscal Year (FY) 2024, we present a new challenge and continue to report the following two challenges from the prior year:

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

Although challenges exist, we would like to acknowledge some noteworthy accomplishments since my last letter. This includes the successful outcome of the Council's sixth evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA).^{1, 2} Under the latest evaluation, we responded to the FY 2023 core and supplemental metrics from the Office of Management and Budget's (OMB) *FY 2023-2024 Inspector General (IG) FISMA*

¹ Public Law 113-283 (December 18, 2014).

² OIG, *The Gulf Cost Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2023*, (OIG-CA-23-036; July 27, 2023).

Reporting Metrics, Version 1.1, dated February 10, 2023.³ For FY 2023, 20 supplemental metrics were evaluated in addition to the 20 core metrics that were evaluated in FY 2022. These metrics aligned with the five function areas in the National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity: identify, protect, detect, respond, and recover. The Council's information systems security program and practices were assessed as effective for the period April 1, 2022 through March 31, 2023. Additionally, for the ninth year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.⁴

We also commend the Council for its efforts to improve and maintain the overall functionality in the multi-system solution that replaced the Council's original grant management system, the Restoration Assistance and Award Management System (RAAMS). Recently, the Council invested in the development of a custom business intelligence (BI) dashboard through GrantSolutions, a grant and program management Federal shared service provider under the U.S. Department of Health and Human Services (HHS), to aid in reporting and tracking. In addition, the Council has successfully completed the data migration from RAAMS to GrantSolutions, the Program Information Platform for Ecosystem Restoration (PIPER), and the Council's internal network.

However, despite the successful management of operations, we believe evolving technology and the mature organizational structure pose risks to the Council's ongoing achievements. Specifically, we report the following challenges.

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

After we issued last year's letter, we learned that two of the four Directors, the Director of Grants/Interagency Agreements (IAA) and Compliance and the Director of Restoration Programs, retired. As a result, the Council restructured the organization, by changing both former director positions to supervisors, instead of replacing the vacant positions. The downgrade in position level from directors to supervisors included moving the policy decisions for the Grants/IAs and Compliance and the Programs teams to the Executive Director and Deputy Executive Director. The change in positions also resulted in the removal of the Grants/IAs and Compliance team leader position, which previously reported to the Director. However, prior to the Grants/IAs and Compliance Director's retirement, the Council hired an additional Grants Specialist to maintain the staffing level of the team during the Team Leader's transition into the supervisor position.

The Council's organization now includes two director-level positions: the Chief Financial Officer and the Director of Administration; two supervisor-level positions: the Program Supervisor and the Grants/IAs and Compliance Supervisor; and one Science and Data Management Advisor. Both the Program Supervisor and the Science and Data Management Advisor were hired from Council Member Agencies,⁵ and the Council's internal Grants/IAs and Compliance Team Leader was promoted to the supervisor

³ OMB, 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.

⁴ OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2022 and 2021*, (OIG-23-008; November 15, 2022).

⁵ Council Member Agencies include the U.S. Environmental Protection Agency, the U.S. Department of Agriculture, the U.S. Department of the Army, the U.S. Department of Commerce, the U.S. Department of Homeland Security, and the U.S. Department of the Interior.

position. All five staff-level leaders report directly to the Deputy Executive Director. With these organizational changes, it is imperative that leadership communicates and works together to achieve the Council's mission.

Even though the Council opted to hire/promote staff members with Council operations experience, there is still operational risk from loss of institutional knowledge due to impending retirements. Since the Council is a small agency that needs to maintain a highly skilled workforce, any turnover significantly impacts staff workload and institutional knowledge. Because the Council anticipates more turnover of retirement-eligible employees, the loss of institutional knowledge will continue to be a challenge. Therefore, as individuals move into new roles, 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 leadership and responsibilities may impact the Council's longstanding challenges related to Federal statutory and regulatory compliance (Challenge 2) and grant and IAA compliance monitoring (Challenge 3) that will need the oversight of experienced individuals. While the new supervisors have direct experience or familiarity with the Council's processes and responsibilities, we believe the Council should continue training and developing staff with continuity of operations in mind.

In response to my 2021 letter, the Council created a succession plan to ensure leadership continuity by building a leadership pipeline and talent pool. In August 2023, the Council updated their succession plan to reflect the recent reorganization. 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. With the Council's restructuring and other staff turnover looming, we believe that keeping an updated succession plan in place will aid the Council in administering its programs effectively.

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 level, and 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. As a small organization, the Council faces ongoing challenges posed by GrantSolutions, such as limitations with timeliness of the integration of GrantSolutions and the Bureau of the Fiscal Service (BFS) Administrative Resource Center's (ARC) financial accounting system, and costliness in operating GrantSolutions. Specifically, the cost of GrantSolutions is increasing by almost 25 percent between FYs 2023 and 2024. Additionally, as reported in prior years, GrantSolutions has functionality limitations that prevent the system from being customized to fit all of the Council's needs. The Council also continues to experience challenges trying to integrate GrantSolutions with the BFS ARC financial accounting system, which processes and reports the Council's financial data.

Due to the previously aforementioned challenges, the Council determined that

GrantSolutions would not be fully customized. As a result, the Council continues to track certain information, and perform its review and reconciliation process, manually on electronic spreadsheets. Even with the data migration from RAAMS completed, the multisystem solution continues to impact the workload of staff who balance post-deployment duties. Given these constraints, the risk of errors as well as incomplete and inaccurate information may increase using multiple mechanisms to track and report as the number of grant awards increase.

In the meantime, the Council continues to implement some features in GrantSolutions and PIPER incrementally to help meet reporting and tracking needs, such as the BI dashboard noted above. However, further functionality of GrantSolutions and PIPER is critical to the Council's continued compliance with FISMA, the *Digital Accountability and Transparency Act of 2014* (DATA Act),⁶ and future improper payment reporting required by the *Payment Integrity Information Act of 2019* (PIIA).⁷ Looking ahead, agencies that administer grants and IAAs 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).⁸ As noted below, this will increase the responsibilities and workloads of the Council staff.

DATA Act

One of the purposes of the DATA Act was to increase accountability and transparency of federal spending. Agencies must report spending data for publication on USAspending.gov on a recurring schedule. In our third and final mandated DATA Act audit, we found that, while the Council's data for the fourth quarter of FY 2020 was of excellent quality overall, there were errors in certain data elements.⁹ We made four recommendations, which Council management agreed to correct in its written response to our audit report. Council had previously corrected three of the recommendations, and, since the issuance of our last challenges letter, officials provided updated documentation for the remaining item.

While we consider all four recommendations closed, it is critical that the Council continue to implement and maintain functionality of GrantSolutions and PIPER to comply with the DATA Act's goal of reporting quality data.

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 No. 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 is to transform the payment integrity compliance framework and

⁶ Public Law 113-101 (May 9, 2014).

⁷ Public Law 116-117, (March 2, 2020).

⁸ Public Law 116-103; (December 30, 2019).

⁹ OIG, *DATA Act: Council Met DATA Act Reporting Requirements but Improvements Are Needed*, (OIG-22-007; November 3, 2021).

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 improper payments. OMB Circular A-136, *Financial Reporting Requirements* (May 19, 2023), includes 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.

My office conducted an audit of the Council's compliance with payment integrity reporting requirements for FY 2022 and found that the Council published its payment integrity information with its annual financial statement on the agency's website.¹⁰ 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.¹¹

However, we found that the Council's risk assessment information reported on PaymentAccuracy.gov was inconsistent with the supporting documentation provided. The Council's risk assessment information on PaymentAccuracy.gov noted that the Council did not have any programs with outlays greater than \$10 million, meaning the Council personnel were not required to conduct risk assessments. However, the Council actually has two programs with outlays greater than \$10 million and performed risk assessments for them in FY 2022. OMB did not have record of the program level surveys being completed for the Council's respective programs greater than \$10 million, as required by the FY 2022 Payment Integrity Annual Data Call Instructions. We made two recommendations, which Council management agreed to correct in its written response to our audit report. Regarding the first recommendation, the Council informed us that they have already begun reviewing the FY 2023 Payment Integrity Annual Data Call Instructions to determine their submission requirements. Additionally, OMB added a requirement to the FY 2023 Annual Data Call that all agencies' submissions have to be reviewed and approved by the Chief Financial Officer prior to submission, which directly aligns with our second recommendation.

GREAT Act

Under the GREAT Act, Federal agency administrators have been preparing their agencies for consolidated Federal data collection and shared reporting to reduce the burden and cost to grant recipients. The Council will need to implement any remaining requirements to update documents and processes to announce, award, and oversee Federal grants and IAAs for compliance with OMB data standards starting October 1, 2023.¹² The Council informed us that they were committed to working with

¹⁰ OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Compliance with PIIA of 2019 for Fiscal Year 2022*, (OIG-23-025; May 18, 2023).

¹¹ Per OMB M-21-19, the statutory threshold is the total amount of improper payment and unknown payment estimate that is 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 improper payment and unknown payment amount represents. 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.

¹² 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.

GrantSolutions, which was updating the grant system to accommodate these changes, to ensure all necessary processes are compliant by the deadline.

While the Council generally met its Federal statutory and regulatory compliance requirements overall in FY 2023, as well as completing the data migration from RAAMS to GrantSolutions, PIPER, and the Council's network drive, there is still an inherent risk to data integrity, especially as it pertains to manual transfers. Therefore, the Council must continue to scrutinize the migrated 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 with the growing demand for Federal agencies and entities to make their data as accurate and transparent as possible.

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

The Council will also need to continue to ensure that data in GrantSolutions, PIPER, 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 desk reviews; and conducting on-site visits. In FY 2023, Council staff completed four financial desk reviews and four on-site/virtual site visits related to programmatic reviews. Six additional financial desk reviews and five programmatic reviews were planned for FY 2023 and were postponed due to a lack of activity on the awards. Overall, the Council reviewed four of seven awards made to State recipients and two of six awards made to Federal agencies.

Since last year, awards have increased from 151 to 166 grants. As of July 24, 2023, grants and IAAs are valued at approximately \$880 million under the Council-Selected Restoration Component (\$278 million) and the Spill Impact Component (\$602 million) combined. Furthermore, approved State Expenditure Plans under the Spill Impact Component include projects exceeding \$1.17 billion. As the number of awards and their complexity increases moving forward, additional monitoring will be required, further adding to the Council's workload. As the program matures, post-award monitoring will require a significant commitment of time and attention due to the increasing amount of outstanding funds, payment requests, and progress of projects.

In response to our previous letters, Council officials acknowledged that adequate oversight of grants has been a challenge, and will be challenging 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 noted above, the Council reorganized to replace the Director of Grants/IAAs and Compliance position with a lower-graded supervisory position. This change allowed the Grants/IAAs and Compliance Supervisor to focus on grant oversight and monitoring rather than policy. The organizational transitions at the Council discussed above (Challenge 1) ultimately led to the postponement of multiple site visits, resulting in staff completing fewer financial desk reviews and programmatic reviews in FY 2023 than in FY 2022. However, the Council recently approved the addition of two new grant specialist positions and began the recruiting process. The additional staff will help with oversight and monitoring of the increasing volume of grant recipients and IAAs.

Grant and IAA monitoring and oversight continues to be an area of inherent risk. In its efforts to improve compliance monitoring with a limited number of employees, the Council has implemented an ongoing improvement process to focus on better efficiencies and effectiveness in their processes. More specifically, Council staff developed and implemented the Grants Monitoring Risk Analysis and Screening Tool to evaluate the potential need for additional oversight for each Council award. This tool articulates risk factors that could affect the Council's awards and provides an overall weighted risk score for each award that facilitates targeted selection of awards for advanced monitoring.

Although the challenges highlighted in this letter are the most significant from my office's perspective, we continue to communicate with the Council's 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. Federal statutory and regulatory compliance and monitoring of grants and IAAs will be a central focus of future work.

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: Mary Walker, Executive Director