



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 16, 2017

Ben Scaggs, Acting Executive Director for the
Chairperson, Gulf Coast Ecosystem Restoration Council

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

Dear Acting Executive Director Scaggs:

As required by the Reports Consolidation Act of 2000, I am providing you as representative for the Chairperson for the Gulf Coast Ecosystem Restoration Council (Council), an annual perspective of the most serious management and performance challenges facing the Council. In assessing the most serious challenges, we are mindful that the Council is a relatively small Federal entity with many responsibilities under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). This year, we continue to report on two of the three challenges noted from the prior year and present one new challenge:

- Implementing an Infrastructure to Administer Gulf Coast Restoration Activities
- Federal Statutory and Regulatory Compliance
- Grant and Interagency Agreement Compliance Monitoring (New Challenge)

We removed the prior year challenge, “Stakeholder Coordination and Outreach,” because we believe the Council has sufficiently addressed it through improved coordinated efforts with its Federal and State partners, along with communication with other interested parties (i.e. other Gulf Coast Restoration groups, not-for-profit organizations, Indian tribal governments, and the public at large).

While challenges exist, I want to acknowledge some of the Council’s more notable accomplishments over the past year. In July 2017, the Council made its “Draft 2017 Funded Priorities List: Comprehensive Commitment and Planning Support,” a supplement to the Initial Funded Priorities List (2015), available to the public. In this document, the Council pledged commitment to efficient use of restoration funds in support of carrying out the “Comprehensive Plan— Restoring the Gulf Coast’s Ecosystem and Economy” (Comprehensive Plan), which was updated in December 2016. The Council also successfully met its first reporting requirement under the Digital Accountability and Transparency Act of

2014 (DATA Act) by reporting available and expended funds on USAspending.gov¹ by the May 9, 2017 deadline. Furthermore, the Council underwent its third financial statement audit covering fiscal years 2016 and 2015. Working under the oversight of my office, a certified independent public accounting (IPA) firm issued unmodified opinions (also referred to as “clean opinions”) on the Council’s financial statements. For the first time, no material weaknesses or significant deficiencies were reported.²

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

While Council made progress in filling critical administrative and programmatic positions and solidified many policies and procedures supporting internal control, problems still exist in filling key positions necessary to complete an organizational infrastructure. Most notable, the Executive Director departed on January 26, 2017, leaving this position vacant over the past eight months. Furthermore, the Acting Executive Director dedicates about 50 percent of his time to the Council and must rely heavily on the senior executive staff. The search for a permanent Executive Director has been delayed since the priority has been to appoint new members to the Council. As such, recruitment efforts have only recently started.

Key positions remain vacant in other operational areas. The Chief Information Officer position was initially filled in January 2017, but became vacant again in July 2017. Only until quite recently has a person been identified and selected for the position. However, inconsistent staffing has impeded the Council’s ability to address Information Technology (IT) related challenges and risks as identified in our recent audit that assessed whether the Council is positioned to oversee the environmental and economic recovery of the Gulf Coast³. This matter was also identified by the IPA in its Management Letter to the financial statement audit for fiscal years 2016 and 2015.⁴ Specifically, the IPA noted, among other things, there were incomplete implementation of safeguards and countermeasures in the areas of management, operational, and technical security resulting from a *Federal Information Security Modernization Act of 2014* review. This included the Council’s challenges in recruiting IT personnel. I would add that recruiting and retaining skilled cyber and IT personnel is a systemic problem government-wide as these are highly competitive and hard to fill positions.

Infrastructure challenges should also be considered in context with the Office of Management and Budget’s update to Circular No. A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*. Effective fiscal year 2017, agencies had to implement an Enterprise Risk Management (ERM) capability to integrate strategic planning and review processes established by the Performance and Results Modernization Act of 2010, and internal control processes required by the Federal Managers’ Financial

¹ In May 2017, Treasury launched a new version of USAspending.gov, currently referred to as Beta.USAspending.gov, which is being run parallel to USAspending.gov to minimize disruptions to users’ access and add system enhancements. Treasury intends to retire the legacy USAspending.gov in fall 2017.

² OIG, *Audit of the Gulf Coast Ecosystem Restoration Council’s Financial Statements for Fiscal Years 2016 and 2015* (OIG-17-015; issued November 15, 2016).

³ OIG, *Council Faces Challenges in Establishing Its Organizational Infrastructure* (OIG-17-011; issued November 16, 2016).

⁴ OIG, *Management Letter for the Audit of the Gulf Coast Ecosystem Restoration Council’s Financial Statements for Fiscal Year 2016* (OIG-17-028; issued December 16, 2016).

Integrity Act and the Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book). The Council completed its initial risk management profile in May 2016. One of the key recommendations was to create an Enterprise Risk Management staff function. Accordingly, the Council determined that a dedicated Enterprise Risk Management Specialist position will be created to manage and implement ERM. To date, the Council has not filled this critical position.

In consideration of other challenges cited in this letter, the absence of key decision makers may impact the Council's ability to address the more significant matters at hand.

Challenge 2: Federal Statutory and Regulatory Compliance

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. That said, the Council must also ensure its own compliance with applicable laws and regulations as a Federal entity. In addition to OMB's ERM requirements noted above, the following compliance requirements will continue in fiscal year 2018.

DATA Act

The DATA Act requirements for Federal agencies and entities receiving Federal funds are to report spending data in accordance with the data standards established by the Department of the Treasury (Treasury) and OMB. Following its comprehensive DATA Act implementation plan, the Council successfully met its first mandate to report funds made available or expended on USAspending.gov by the May 9, 2017 deadline. However, there are challenges to sustaining DATA Act compliance.⁵

It should be noted that, even with the automated interfaces between the Council's Restoration Assistance and Award Management System (RAAMS), the Bureau of the Fiscal Service Administrative Resource Center's financial systems, and the DATA Act Broker, the Council still relies on a manual review and reconciliation process with limited staff to comply with all DATA Act requirements. Complicating this situation is the recent decision of the RAAMs' contractor to no longer support the RAAMs application. Although the contractor has a different cloud-based product for research grants, this does not meet the Council's needs. The contractor has allowed for a reasonable transition period for the Council to migrate to a new grants management system, however, the timeline remains uncertain. As such, the Council will need to acquire and migrate its financial assistance award and interagency agreement data to a new system and ensure all Federal information system and security requirements are met. As the Council continues to grow and anticipates the volume of reportable data to significantly increase, a more automated process will be necessary to ensure complete and accurate data is reported on USAspending.gov.

Improper Payments Elimination and Recovery Act of 2010 (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 2016, it was

⁵ OIG, *DATA Act Readiness: Council is Making Progress in Meeting DATA Act Reporting Requirements Despite Challenges* (OIG-17-045; issued June 2, 2017).

determined that the Council did not have programs and activities susceptible to significant improper payments. We expect that in the upcoming years as grant activity increases that the Council will be above the threshold and reporting requirements. Additionally, the Council faces expanded risk in screening for improper payments as RAAMS is still a newly operational grants system and detecting improper payments will become more difficult in the future as funds awarded increase.

Challenge 3: Grant and Interagency Agreement Compliance Monitoring

Now that the Council has established the Initial Comprehensive Plan (2013) and the Initial Funded Priorities List (2015), staff are transitioning into the tasks of awarding funds. As such, the Council must now begin to conduct the necessary monitoring of projects and award recipients' progress, reporting, and compliance with their award agreements. As of this writing, the Council has awarded over 20 grants and interagency agreements valued at approximately \$70 million under the Council Selected Restoration Component (\$64 million) and the Spill Impact Component (\$6 million). During fiscal year 2017, awarded amounts totaling approximately \$53 million more than tripled the \$17 million awarded in fiscal year 2016. Current staffing levels may be sufficient to ensure the proper oversight of grants for this volume of awards. However, a significant increase in grant activity could potentially overwhelm a new and developing grants management staff.

Additionally, compliance monitoring of grants, contracts, and interagency agreements should be considered in the context of the ERM requirements and the related staffing challenges noted in Challenge 1. Specifically, of the seven top risks identified resulting from the Council's initial ERM risk management profile, five of them relate to the oversight and monitoring of grants. The continued vacancy of the Enterprise Risk Management Specialist, identified as a key position, jeopardizes the implementation of policies, procedures, and processes for ensuring the Council is performing adequate oversight in accordance with Federal statutory and regulatory requirements.

A matter of note is the Council's future migration from RAAMs to a new grants management system as noted in Challenge 2. While there is a low volume of grants and interagency agreements in place at this time, RAAMs will need to be replaced with a fully functioning grants management system as the volume grows and compliance monitoring increases.

Although the challenges highlighted in this letter are the most serious from my office's perspective, we communicate regularly with the Council's leadership on existing and emerging issues. In addition, we remain actively engaged with affected Federal, State, and local government entities to ensure effective oversight of programs established by the RESTORE Act. Now that grants are being awarded, the disbursements and use of funds will be the central focus of our work going forward.

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

Sincerely,

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

cc: Dan Jiron, Acting Chairperson Designee