



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 28, 2014

OFFICE OF
INSPECTOR GENERAL

The Honorable Penny Pritzker
Secretary, U.S. Department of Commerce
Chairperson, Gulf Coast Ecosystem Restoration Council
1401 Constitution Ave., NW
Washington, D.C. 20230

Re: 2014 Management and Performance Challenges (OIG-CA-15-003)

Dear Chairperson Pritzker:

The Reports Consolidation Act of 2000 requires that I provide you, as Chairperson for the Gulf Coast Ecosystem Restoration Council (Council), an annual perspective by my office of the most serious management and performance challenges facing the Council. This is my first writing under this requirement since the Council was created by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Recognizing that the Council is a very new Federal entity, we are reporting one challenge this year: Implementing an Infrastructure to Administer Gulf Coast Restoration Activities.

Challenge: Implementing an Infrastructure to Administer Gulf Coast Restoration Activities

One of the more formidable initial tasks of the RESTORE Act was to stand up the Council. In addition to being a new Federal entity, the Council is charged with administering two critical RESTORE Act components: the Comprehensive Plan Component and the Spill Impact Component. Together, these components will receive over half the monies deposited into the Gulf Coast Ecosystem Restoration Trust Fund (60 percent of all deposits plus 50 percent of total interest earned on the Trust Fund). That said, we commend the Council, in the absence of initial funding and with limited staff, for its proactive efforts to establish an operating framework very early.

In assessing this challenge, we are mindful of the breadth and depth of the Council's responsibilities under the RESTORE Act and all the many parties dependent on its success. We also recognize that the Department of the Treasury (Treasury) only recently announced its Interim Final Rule governing RESTORE Act funds, which became effective on October 14, 2014. In the meantime, the Council has been very resourceful in borrowing the necessary facilities and personnel from member-entities to keep costs down. Furthermore, we acknowledge that the amount of future funding remains unknown as litigation surrounding the *Deepwater Horizon* explosion and resulting oil spill is still pending.

The Council faces challenges on many levels as it must operate in an environment where its actions are subject to RESTORE Act mandates including high levels of scientific review, environmental regulatory oversight, and public transparency. Not only must the Council ensure it has the organizational infrastructure to complete its stand-up as a new Federal entity, but it must also be prepared to distribute funds and ensure they are used appropriately to support economic and environmental restoration efforts in the Gulf Coast.

With few permanent staff, the Council has made notable achievements over the past 2 years to include acquiring office space in New Orleans, Louisiana, and undergoing its first financial statement audit (covering fiscal years 2013 and 2014). Concurrent with its stand-up efforts, the Council released its Initial Comprehensive Plan in August 2013. As we reported in October 2013, the Initial Comprehensive Plan did not include all RESTORE Act requirements.¹ Also notable, for the Spill Impact Component, the Council published an Interim Final Rule in the Federal Register allowing Gulf Coast State Council members to apply for grants to fund planning activities including development of Gulf Coast state expenditure plans. Although the Council has taken these preliminary steps, it continues to face risks inherent in any new organization. That is, the Council still needs to develop its infrastructure to include permanent staffing, information technology, and sound internal control with the necessary policies and procedures in place to administer grants and interagency agreements under the Comprehensive Plan Component and the Spill Impact Component grants

With Treasury's Interim Final Rule now in effect, it is expected that funds will begin to flow to the Comprehensive Plan Component and Spill Impact Component in fiscal year 2015. Therefore, it is paramount that the Council transition to a more permanent infrastructure as continuity of staff and subject matter experts will be needed to adequately implement the Comprehensive Plan Component and Spill Impact Component, and ensure that funds spent for restoration efforts are effective but not overlapping.

So far, our audit work has focused on the Council's Initial Comprehensive Plan and the Council's Programmatic Environmental Assessment. As Restore Act funds begin to flow, we plan to focus on the Council's organizational stand-up as well as the use of funds to support restoration efforts in the Gulf Coast.

¹ Office of Inspector General, *Restore Act: Gulf Coast Ecosystem Restoration Council Faces Challenges in Completing Initial Comprehensive Plan* (OIG-14-003; issued Oct. 25, 2013)

Page 3

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

Sincerely,

A handwritten signature in black ink, appearing to read 'EMT', with a long horizontal flourish extending to the right.

Eric M. Thorson
Inspector General, Department of the Treasury

cc: Teresa Christopher, Chairperson Designee
Justin Ehrenwerth, Executive Director