



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 12, 2022

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

Re: 2023 Management and Performance Challenges (OIG-CA-23-001)

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). Since my prior year letter, organizations continue to accomplish their missions working remotely as a result of the Coronavirus 2019 Disease (COVID-19) pandemic. While the Council's operating environment may not have been adversely affected by the COVID-19 pandemic, the pandemic remains a significant consideration given its impacts on the numerous organizations with which the Council interacts to accomplish its work.

We removed the prior year challenge, "Loss of Key Leadership over Administration of Gulf Coast Restoration Activities," as the Council made notable achievements over the past two years to address the challenge. Specifically, the Council ensured a seamless transition by successfully deploying its succession plan. Subsequent to the retirement of two senior officials, Council filled the two vacant key leadership positions with the Executive Director in January 2021 and the Chief Financial Officer in February 2021. Council selected individuals with relevant experience to help with the transition and to minimize the impact to its operations and the Gulf Coast restoration activities. Accordingly, Council is fully staffed and there are no vacancies to fill as of this writing, so we are no longer reporting this as an ongoing challenge.

Going into fiscal year 2023, we continue to report the following two challenges from the prior year:

- 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 fifth evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA).^{1, 2} The Council's information systems security program and practices were assessed as effective for the period July 1, 2021 through March 31, 2022. Also, for the eighth year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.³

We also commend the Council for its continued efforts to improve 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). In April 2020, the Council transitioned award data to GrantSolutions, a grant and program management Federal shared service provider under the U.S. Department of Health and Human Services (HHS). In March 2020, scientific programmatic data was migrated to the Program Information Platform for Ecosystem Restoration (PIPER) developed through a Memorandum of Understanding with the U.S. Geological Survey. Depending upon the type of data, it was migrated into GrantSolutions, PIPER, or saved to the Council's Google drive according to the Council's records management system.

As reported last year, we find that changing technology poses risks to the Council's ongoing achievements 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 2023.

Challenge 1: 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, as experienced by many other small customer agencies, such as limitations with customization, timeliness, and costliness. As reported in prior years, GrantSolutions has some functionality limitations as the system is less customizable to fit the Council's needs. Certain key tracking processes continue to be done manually on spreadsheets because automating the processes in GrantSolutions is either not feasible or not cost effective. Although the Council hopes to automate some processes in GrantSolutions, the Council acknowledged this will take years to complete and a significant financial investment. That said, the Council will sunset at some point once the funds from the Gulf Coast Restoration Trust Fund are fully expended,⁴ so the timeliness of implementing full functionality of the

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

² OIG, *The Gulf Coast Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2022*, (OIG-CA-22-018; August 15, 2022).

³ OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2021 and 2020*, (OIG-22-011; November 15, 2021).

⁴ A \$20.8 billion civil settlement between the Department of Justice and BP Exploration & Production Inc. was approved

system during the life of the program is very important to the Council. In the meantime, the Council continues to incrementally implement some features in GrantSolutions and PIPER to help meet reporting and tracking needs. 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. Even with the data migration completed, the multisystem solution continues to impact the workload of staff who balance post-deployment duties.

As reported in prior years, the Council continues to experience 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. As noted above, it was determined that GrantSolutions would not be fully-customized due to cost considerations. As such, 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.

Full 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)⁵ and future improper payment reporting required by the *Payment Integrity Information Act of 2019* (PIIA).⁶ 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).⁷ As discussed below, this will increase the responsibilities and workloads of the Council staff.

DATA Act

One of the purposes of the DATA Act is to increase accountability and transparency of federal spending. To this end, agencies must report spending data for publication on [USAspending.gov](https://www.usaspending.gov) on a recurring schedule. In our third and final mandated DATA Act audit, we found while the Council's fiscal year 2020 fourth quarter data was of excellent quality overall, there were errors in certain data elements.⁸ Specifically, we found one error in the Council's File C⁹ where a grant that was awarded in fiscal year 2020 third quarter was incorrectly reported in fiscal year 2020 fourth quarter File C. This resulted from ARC personnel not entering a grant award timely into the Oracle Federal Financials (Oracle) accounting system in fiscal year 2020 third quarter. In addition, we found errors in certain procurement data elements made by ARC. We made a total of four recommendations, which Council management agreed to correct in its written response to our audit report.

on April 4, 2016. Of this amount, \$4.4 billion will be deposited into the Trust Fund over 15 years. As of April 15, 2022, \$2.69 billion has been deposited into the Trust Fund. It is estimated that the final payment will be deposited into the Trust Fund in 2031.

⁵ Public Law 113-101 (May 9, 2014).

⁶ Public Law 116-117, (March 2, 2020).

⁷ Public Law 116-103; (December 30, 2019).

⁸ OIG, *DATA Act: Council Met DATA Act Reporting Requirements but Improvements Are Needed*, (OIG-22-007; November 3, 2021)

⁹ File C includes obligations at the award (procurement and financial assistance) and object class level.

Now that we have completed our third and last series of mandated reviews required by the DATA Act, it will be even more critical for the Council to implement the full functionality of GrantSolutions and PIPER in order to achieve 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, 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 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* (August 10, 2021) includes the financial reporting requirements that agencies must follow in reporting its PIIA information in the agency's annual financial statement. Among the requirements are the collection of payment integrity information by OMB through the 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 fiscal year 2021 and found that the Council did not comply with two of the ten PIIA requirements for fiscal year 2021.¹⁰ Specifically, the Council did not publish its payment integrity information with the annual financial statement in accordance with OMB Circular A-136 and did not adequately conclude whether its programs are likely to make improper payments and unknown payments above or below the statutory threshold. The Council did not comply with these two requirements because the Council did not review OMB M-21-19, which identified the new requirements. As a result, the Council did not provide the public with comprehensive improper payment data and information on PaymentAccuracy.gov and did not sufficiently address the Improper Payment (IP) Risk Assessment requirements.¹¹

GREAT Act

Initial work under the GREAT Act requires OMB and HHS to establish new Federal data standards, guidance on the use of such standards, and the architecture for a new Federal grants platform for the collection, public display, and maintenance of Federal award

¹⁰ OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Compliance with PIIA for Fiscal Year 2021*, (OIG-22-034; June 7, 2022).

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.

information as a Government-wide data set on a single public portal. Federal agency administrators must prepare 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 necessary changes to documents and processes to announce, award, and oversee Federal grants and IAAs for compliance with new GREAT Act data standards starting in December 2023. Accurate and GREAT Act-compliant records will be contingent upon the full functionality of GrantSolutions and PIPER where such data resides.

While the Council generally met its Federal statutory and regulatory compliance requirements overall in fiscal year 2022, there is inherent risk of incomplete and inaccurate grant records transitioned to GrantSolutions and PIPER. 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. As a small agency, it may be difficult for the Council to meet the growing list of data management requirements.

Challenge 2: Grant and Interagency Agreement Compliance Monitoring (Repeat)

Now that GrantSolutions and PIPER have been in place for over two years and award data and supporting information has been migrated from RAAMS, the Council will need to continue to ensure that the data is complete and accurate as part of its Council's 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 fiscal year 2022, Council staff planned and completed 5 financial desk and payment transaction reviews, 1 financial on-site visit, and 8 Enterprise Risk Management/Grants on-site/virtual site visits related to programmatic/performance reviews. Four (4) additional financial desk reviews were started in fiscal year 2022 and will be completed in fiscal year 2023. Overall, the reviews included awards made to 6 of 7 State recipients and 2 of 6 Federal agencies. Since the prior year's letter, awards have increased from 127 to 151 grants. As of July 31, 2022, grants and IAAs are valued at approximately \$628 million under the Council-Selected Restoration Component (\$243 million) and the Spill Impact Component (\$385 million) combined. Furthermore, approved State Expenditure Plans under the Spill Impact Component include projects exceeding \$1.25 billion. As the number of awards and their complexity increases moving forward, additional monitoring will be required which will further add to the Council's workload with the same number of staff. 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. In fact, as part of its Enterprise Risk Management profile, the Council continues to identify oversight and monitoring of grant recipients among its top critical risks. While the Council has hired additional staff over the years to help with oversight and monitoring of the increasing volume of grant recipients and IAAs, the Council continues to face challenges as the number

of employees is limited due to budgetary constraints. In its efforts to improve compliance monitoring with 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 in fiscal year 2020 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. Grant and IAA monitoring and oversight continues to be an area of inherent risk.

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 grants and IAAs will be a central focus of future work. Since the transition to the new grants and programmatic systems is central to meeting these challenges, we plan to audit the Council's implementation activities as part of our audit of the Council's administration of the post-award phase for the Council-Selected Restoration Component awards as listed in our Annual Plan for Fiscal Year 2023.

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