



Audit Report



OIG-18-050

RESTORE ACT

Santa Rosa County's Internal Control over Federal Awards

August 7, 2018

Office of
Inspector General

Department of the Treasury

This Page Intentionally Left Blank

Contents

Audit Report

Results in Brief.....	1
Background.....	3
RESTORE Act.....	3
Santa Rosa County	4
Audit Results	5
Documented Policies and Procedures	6
Risk Assessment	8
Conclusion	9

Appendices

Appendix 1: Objective, Scope, and Methodology	10
Appendix 2: Santa Rosa County Management Response	14
Appendix 3: Treasury Management Response	15
Appendix 4: Background on the Gulf Coast Restoration Trust Fund.....	16
Appendix 5: Major Contributors to This Report.....	19
Appendix 6: Report Distribution.....	20

Abbreviations

BOCC	Board of County Commissioners
Clean Water Act	<i>Federal Water Pollution Control Act</i>
GAO	Government Accountability Office
grants manual	<i>Santa Rosa County Florida Grants Manual</i>
IT	Information Technology
IT manual	<i>Santa Rosa County Clerk of the Court IT Administrative Policy and Procedures Manual</i>
MYIP	Multiyear Implementation Plan
OMB	Office of Management and Budget

RESTORE Act	<i>Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012</i>
Santa Rosa County	Santa Rosa County, Florida
Treasury	Department of the Treasury
Trust Fund	Gulf Coast Restoration Trust Fund
Uniform Guidance	<i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i>

*The Department of the Treasury
Office of Inspector General*

August 7, 2018

David A. Lebryk
Fiscal Assistant Secretary

This report presents the results of our audit of Santa Rosa County, Florida's (Santa Rosa County) internal control to administer grants under the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act).¹ We performed this audit as part of our ongoing oversight of programs and activities funded under the RESTORE Act. Our audit objective was to assess Santa Rosa County's internal control over the administration of Federal awards in accordance with Federal laws, regulations, and the Department of the Treasury's (Treasury) grant application requirements. The scope of our audit comprised Santa Rosa County's internal control in place from September 2014 through December 2017 as it related to the administration of Federal awards. Appendix 1 provides more detail of our audit objective, scope, and methodology.

Results in Brief

In brief, we concluded that Santa Rosa County had designed and implemented a system of internal control² to administer Federal awards as required by the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and*

¹ Pub. L. 112-141, 126 Stat. 588-607 (July 6, 2012)

² Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* states "Internal control(s) means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) Effectiveness and efficiency of operations; (b) Reliability of reporting for internal and external use; and (c) Compliance with applicable laws and regulations." (2 CFR Part 200.61, *Internal controls*)

Audit Requirements for Federal Awards (Uniform Guidance),³ Treasury's RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions, and Treasury's RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance. While we reached this conclusion at the completion of our audit, not all control activities were in place at the start of our audit in July 2015. That is, controls to administer grants in the areas of budgeting, cash management, disbursements, financial reporting, inventory management, procurement, program management, and performance monitoring were in place and operating as evidenced in our process walkthroughs. However, certain control activities in these operational areas were not completed. Specifically, policies and procedures were not fully documented, and an entity-wide risk assessment had not been conducted.

Prior to the completion of our audit in December 2017, Santa Rosa County completed documentation of policies and procedures in its *Santa Rosa County Florida Grants Manual* (grants manual) and *Santa Rosa County Clerk of the Court IT Administrative Policy and Procedures Manual* (IT manual), which we found to sufficiently document controls over Federal awards and the supporting IT systems and applications to process them. Furthermore, a comprehensive entity-wide risk assessment was completed in April 2017 that identified relevant risks consistent with our earlier conclusions. As such, we make no recommendation in this report.

As part of our reporting process, we provided Santa Rosa County an opportunity to comment on a draft of this report. In a written response, Santa Rosa County management agreed with the report's results and its accuracy, completeness, balance, and tone. Santa Rosa County management's response is provided in its entirety in appendix 2 of this report.

In a written response, Treasury management concurred with the report's conclusions. Treasury management's response, in its entirety, is included as appendix 3 of this report.

³ OMB's Uniform Guidance became effective December 26, 2014.

Background

RESTORE Act

The RESTORE Act established the Gulf Coast Restoration Trust Fund (Trust Fund) within Treasury to provide funds for environmental and economic restoration of the Gulf Coast region that was damaged by the 2010 Deepwater Horizon oil spill. Deposits into the Trust Fund will be comprised of 80 percent of all civil and administrative penalties paid after July 6, 2012, under the *Federal Water Pollution Control Act* (the Clean Water Act).⁴

Treasury is responsible for administering the Direct Component of the Trust Fund which is comprised of 35 percent of deposits from settlements plus interest. Direct Component funds are available to the Gulf Coast States in equal shares in the form of grants for the purpose of economic and ecological restoration. For the State of Florida, the funds will go directly to the impacted Florida counties, with 75 percent of funding going directly to the eight disproportionately affected counties⁵ impacted by the Deepwater Horizon oil spill and 25 percent going directly to the 15 non-disproportionately impacted counties.⁶ Under the Direct Component, each eligible applicant must prepare a Multiyear Implementation Plan (MYIP) before submitting an application for funding, unless it is applying for planning assistance funds to develop its plan. Direct Component funds can be spent on: (a) restoration and protection of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast Region; (b) mitigation of damage to fish, wildlife, and natural resources; (c) implementation of a Federally approved marine, coastal, or comprehensive conservation management plan, including fisheries monitoring; (d) workforce development and job creation; (e) improvements to or on state parks located in coastal areas affected by the Deepwater Horizon oil spill; (f) infrastructure projects benefitting the economy or

⁴ 33 U.S.C. § 1251 *et seq.*

⁵ Disproportionately affected counties means the counties of Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Wakulla, and Walton in the State of Florida.

⁶ Nondisproportionately impacted counties means the counties of Charlotte, Citrus, Collier, Dixie, Hernando, Hillsborough, Jefferson, Lee, Levy, Manatee, Monroe, Pasco, Pinellas, Sarasota, and Taylor in the State of Florida.

ecological resources, including port infrastructure; (g) coastal flood protection and related infrastructure; (h) promotion of tourism in the Gulf Coast Region, including promotion of recreational fishing; (i) promotion of the consumption of seafood harvested from the Gulf Coast Region; (j) planning assistance; and (k) administrative costs. Details of the Trust Fund are provided in appendix 4.

Santa Rosa County

Santa Rosa County is located in northwestern Florida with coastlines along the Gulf of Mexico. Due to its location and coastline, Santa Rosa County is one of Florida's disproportionately affected counties and will receive a greater percentage of Florida's allocation of the Direct Component funds. Santa Rosa County is estimated to receive \$29.3 million based on the Federal Government's settlement with Transocean,⁷ Anadarko Petroleum Corporation, and BP Exploration & Production Inc. defendants. Of that amount, approximately \$7.6 million has been made available⁸ to Santa Rosa County under the Direct Component as of April 9, 2018.⁹

Santa Rosa County's organizational structure is comprised of elected officers to include the Sheriff, the Supervisor of Elections, the Property Appraiser, the Tax Collector, the Board of County Commissioners (BOCC),¹⁰ and the Clerk of the Circuit Court.¹¹ The BOCC, which houses the Santa Rosa County's Grants and Special Projects Department, and the Clerk of the Circuit Court, are directly involved in the oversight and administration of Santa Rosa County's RESTORE Act grants.

⁷ Transocean defendants include Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH.

⁸ The "amount made available" represents Santa Rosa County's portion of the Trust Fund deposits from all penalty payments plus interest available for award, and not necessarily the amount awarded to date.

⁹ Current Trust Fund allocations, including funds available and funds obligated or transferred by RESTORE Act component are publicly available on the U.S. Treasury Restore Act homepage: <https://www.treasury.gov/services/restore-act/Pages/home.aspx>

¹⁰ The Board of County Commissioners consists of five elected commissioners who serve as the legislative and policy setting body of Santa Rosa County.

¹¹ The Clerk of the Circuit Court oversees an organization that performs a wide range of record keeping, information management and financial management in the judicial system and Santa Rosa County Government including the Procurement, Legal, and Finance departments.

On September 13, 2012, the BOCC passed and adopted "Resolution No. 2012-32," which established the Santa Rosa County's RESTORE Council. The council is comprised of 11 members of which 5 are appointed by the BOCC based on an expertise in a pertinent area such as the environment, economic development, or tourism. The council is tasked with reviewing proposed projects to determine eligibility and then making project recommendations to the BOCC. Council meetings are the first venue for the public to participate in the selection process for RESTORE Act projects.

On June 24, 2013, Santa Rosa County Grants and Special Programs Department contracted with a professional services firm to augment the county's staff and to help the county maximize funds flowing from various sources to address the Deepwater Horizon oil spill. The contractor's services included planning and development of Santa Rosa County's MYIP. On September 24, 2015, the BOCC approved the draft MYIP for public review and comment, which closed on November 16, 2015.

On November 23, 2016, Treasury awarded \$108,000 of planning assistance to Santa Rosa County to develop a MYIP and authorized pre-award costs for services provided by the contractor. On May 16, 2017, Treasury accepted Santa Rosa County's MYIP, which included 14 projects totaling \$3,712,355. Of that amount, Treasury awarded \$272,950 for the "Gulf Coast Discovery Center, Phase I" project on November 16, 2017.¹²

Audit Results

As a Federal grant recipient, Santa Rosa County was required by the Uniform Guidance to "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." The Uniform Guidance further required that "these internal controls should be in compliance with the Government Accountability Office's (GAO) *Standards for*

¹²The MYIP and the "Gulf Coast Discovery Center, Phase I" project grants were not within the scope of this audit given the timing of these awards.

Internal Control in the Federal Government."¹³ Treasury reaffirmed the Uniform Guidance requirements in its *RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions* and Treasury's *RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance*.

We concluded that Santa Rosa County had designed and implemented a system of internal control to administer Federal awards in accordance with applicable requirements. While we reached this conclusion, not all control activities were completed at the start of our audit in July 2015. That is, controls to administer grants in the areas of budgeting, cash management, disbursements, financial reporting, inventory management, procurement, program management, and performance monitoring were in place and operating as evidenced in our process walkthroughs. However, certain control activities within these operational areas were not completed. Specifically, policies and procedures were not fully documented, and an entity-wide risk assessment had not been conducted.

It should be noted that at the start of our audit, no RESTORE Act grants had been awarded to Santa Rosa County. Furthermore, the Uniform Guidance became applicable for non-Federal entities in December 2014, and therefore, was being newly implemented. Nonetheless, we confirmed that Santa Rosa County completed the following control activities prior to the completion of our audit.

Documented Policies and Procedures

GAO's *Standards for Internal Control in the Federal Government* defines control activities as "policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks." The standard also advises that documentation is a necessary part of an effective internal control system and provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to

¹³ GAO's *Standards for Internal Control in the Federal Government* (GAO-14-704G; September 2014) provides the overall framework for establishing and maintaining effective internal control.

communicate that knowledge as needed to external parties, such as external auditors.

At the start of our audit in July 2015, Santa Rosa County had not documented policies and procedures governing Federal grants in the operational areas of cash management, financial reporting, program management, and performance monitoring. Policies and procedures needed to include grant reimbursements, cash advances and/or drawdowns for Federal grants; indirect cost recovery; grant monitoring; subrecipient monitoring to include a subrecipient risk assessment process; and information technology (IT) systems management. Santa Rosa County officials informed us that the county had not documented these policies and procedures because it lacked personnel to prepare the required standard operating procedures and related policy documents, and had not experienced personnel turnover or other issues in these areas, which would increase the urgency for such written guidance. In addition, a Santa Rosa County official informed us that policies and procedures for the subrecipient monitoring were not documented because the county had not had subrecipients for several years.

The Grants and Special Projects Department developed the grants manual in March 2016. The grants manual addressed BOCC's procurement policy, Federal and State laws and regulations, and other relevant information pertaining to grants administration in Santa Rosa County. The grants manual also documented policies and procedures for the operational areas of cash management, financial reporting, program management, and performance monitoring. We confirmed that the manual included procedures specific to grant reimbursements, cash advances and/or drawdowns for Federal grants, indirect cost recovery;¹⁴ grant monitoring; and subrecipient monitoring. Furthermore, a formalized risk assessment for evaluating subrecipient eligibility and

¹⁴ In July 2016, Santa Rosa County management notified Treasury's Office of Gulf Coast Restoration of its election to use the 10 percent de minimis indirect cost rate as allowed by the Uniform Guidance (2 CFR Part 200.414, *Indirect (F&A) Costs*, section (f)).

monitoring performance was under development as noted in the June 2017 Operational Self-Assessment.¹⁵

Policies and procedures governing IT management are separate from the grants manual and are the responsibility of the Clerk of the Circuit Court's IT Department. The Finance Department, within the Clerk of the Circuit Court, processes grant invoices in the financial applications on the Clerk of the Circuit Court's servers. In December 2017, the IT Department documented the IT manual, which addressed access control, identification and authentication, physical security, and data security.

Risk Assessment

GAO's *Standards for Internal Control in the Federal Government* states that "the risk assessment component of internal control is assessing the risks facing an entity as it seeks to achieve its objectives. The assessment provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources."

At the start of our audit in July 2015, Santa Rosa County management had not performed an entity-wide risk assessment. According to management, it was unclear what the expectations were for risk assessments and management was not familiar with the requirements set forth in GAO's *Standards for Internal Control in the Federal Government*.

In August 2016, Santa Rosa County contracted a professional services firm to perform an enterprise-wide risk assessment, which was completed in April 2017. We found the assessment to be comprehensive and it included matters consistent with those identified in our audit, such as the lack of an enterprise-wide risk assessment and lack of formal IT related policies and procedures at that time.

¹⁵ Prior to receiving funding, Treasury requires applicants to complete an Operational Self-Assessment, which focuses on operational internal control areas and will be used, in part, to assist Treasury in determining an appropriate compliance monitoring protocol.

Conclusion

Prior to the completion of our audit, we confirmed that Santa Rosa County's grants manual and IT manual sufficiently documented controls over Federal awards and the supporting IT systems and applications to process them. Furthermore, the entity-wide risk assessment identified relevant risks consistent with our earlier conclusions. As such, we make no recommendation in this report.

* * * * *

We would like to extend our appreciation for the cooperation and courtesies extended to our staff during the audit. Major contributors to this report are listed in appendix 5. A distribution list for this report is provided as appendix 6. If you have any questions, please contact me at (202) 927-8782 or Eleanor Kang, Audit Manager, at (202) 927-8127.

/s/

Cecilia K. Howland
Director, Gulf Coast Restoration Audits

As part of our oversight of programs, projects, and activities authorized by the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act), we initiated an audit of Santa Rosa County, Florida's (Santa Rosa County) internal control to administer RESTORE Act grants in June 2015. The objective of our audit was to assess Santa Rosa County's internal control over the administration of Federal awards in accordance with Federal laws, regulations, and the Department of the Treasury's (Treasury) grant application requirements.

The scope of our audit comprised Santa Rosa County's internal control in place from September 2014 through December 2017 as it related to the administration of Federal awards. This included policies, procedures, and practices with respect to Santa Rosa County's key controls over budgeting, cash management, disbursements, financial reporting, inventory management, procurement, program management and performance monitoring. Awards of \$108,000 for planning assistance (November 23, 2016) and \$272,950 for the "Gulf Coast Discovery Center, Phase I" project (November 16, 2017) were not within the scope of this audit given the timing of these awards after the start of fieldwork. Testing of controls over Federal awards was based on non-RESTORE Act grants awarded to Santa Rosa County.

We contracted with Williams, Adley and Company-DC LLP, a certified independent public accounting firm, to assist us with the audit. However, this report and the conclusion therein are the responsibility of the Treasury Office of Inspector General. As such, we take responsibility for all work performed on our behalf.

To meet our audit objective, we performed the following procedures.

- We reviewed applicable Federal laws, regulations, and procedures including:
 - The RESTORE Act, Pub. L. 112-141, July 6, 2012;
 - Treasury, *Regulations for the Gulf Coast Restoration Trust Fund Interim Final Rule*, 31 CFR Part 34, October 14, 2014 and *Regulations for the Gulf Coast*

- Restoration Trust Fund Final Rule, 31 CFR Part 34, February 12, 2016;*
 - *Office of Management and Budget (OMB), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200, December 26, 2014;*
 - *Treasury, Final Rule adopting Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 81 Fed. Reg. 4573; (codified at 2 CFR Part 1000, January 27, 2016);*
 - *Treasury, RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions, January 2015;*
 - *Treasury, RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance, August 2014; and*
 - *Government Accountability Office, Standards for Internal Control in the Federal Government (GAO-14-704G; September 2014).*
- We reviewed relevant documents related to Santa Rosa County as follows:
 - Santa Rosa County Direct Component application package for Federal financial assistance;
 - “United States Department of the Treasury Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act (RESTORE Act) Operational Self-Assessment (OSA)” dated September 8, 2014, June 5, 2015, June 15, 2016, and June 6, 2017;
 - Single Audit Report for Santa Rosa County, Florida for fiscal years ending September 30, 2013 through September 30, 2016.
 - “Enterprise Wide Risk Assessment Results for Santa Rosa County Board of County Commissioners,” April 15, 2017;
 - Santa Rosa County’s election of the indirect cost rate memorandum, July 13, 2016; and
 - Treasury Office of Gulf Coast Restoration’s letter of acceptance of Santa Rosa County’s Multiyear Implementation Plan, May 16, 2017.

- We reviewed Santa Rosa County’s policies and procedures as follows:
 - Santa Rosa County, Florida Finance Department, *Accounting Policies and Procedures Manual*, updated June 16, 2015;
 - *Santa Rosa County Florida Grants Manual*, March 24, 2016;
 - “Santa Rosa County Board of County Commissioners Employee Handbook 4th Edition (2012)”;
 - “Fund Accounting SunGard K-12 Education *eFinancePLUS*”, Version 5.0 (2012);
 - Santa Rosa County’s Procurement Policy (Ordinance 85-29), October 10, 1985;
 - Santa Rosa County’s Procurement Policy (Ordinance 90-04), February 22, 1990;
 - Santa Rosa County’s Procurement Policy (Ordinance 2002-13), June 13, 2002; and
 - *Santa Rosa County Clerk of the Court IT Administrative Policy and Procedures Manual*.

- We performed walkthroughs of processes to identify controls over Federal awards for the purpose of assessing Santa Rosa County’s internal control. During the walkthroughs, we reviewed documentation to determine if processes and controls were designed and implemented in accordance with OMB’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. We performed walkthroughs in operational areas as follows:
 - budgeting;
 - cash management;
 - disbursements;
 - financial reporting;
 - inventory management
 - procurement;
 - program management; and
 - performance monitoring.

- We interviewed key Santa Rosa County officials and staff as follows:
 - Grants and Special Programs Director,

- Grants and Special Programs Manager,
- Finance Director,
- Financial Services Administrator,
- Budget Director;
- Human Resources Director,
- Information Technology Director for the Clerk of the Circuit Court,
- Information Technology staff for Board of County Commissioners,
- County Attorney,
- Internal Auditor,
- County Lead Engineer, and
- Director of Public Works.

We conducted our fieldwork between June 2015 and December 2017, at the Santa Rosa County office in Milton, Florida, and at the Treasury Office of Inspector General office in Washington, D.C.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



**SANTA ROSA COUNTY
BOARD OF COMMISSIONERS**

Administrative Offices | 6495 Caroline Street, Suite M | Milton, Florida 32570-4592

SAM PARKER, District 1
ROBERT A. "BOB" COLE, District 2
W. D. "DON" SALTER, District 3
ROB WILLIAMSON, District 4
R. LANE LYNCHARD, District 5

TONY GOMILLION, County Administrator
ROY V. ANDREWS, County Attorney
DAN SCHEBLER, Asst. Administrator

June 20, 2018

Cecilia K. Howland, CIA
Director, Gulf Coast Restoration Audits
U.S. Department of the Treasury
Office of Inspector General
875 15th Street, NW
Washington, DC 20005

RE: Draft Audit Report: Santa Rosa County's Internal Control over Federal Awards

Dear Ms. Howland,

Thank you for the opportunity to review the above-referenced draft Audit Report on Santa Rosa County's Internal Control over Federal Awards. Santa Rosa County management has reviewed the draft audit report performed as part of the Treasury's ongoing oversight of programs, projects, and activities authorized by the RESTORE Act. Management is in agreement with the report's finding that Santa Rosa County has designed and implemented a system of internal control to administer Federal awards as required by the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Treasury's *RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions*, and Treasury's *RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance*. Management also agrees with the report's accuracy, completeness, balance, and tone.

We look forward to continuing to work with the Department of the Treasury to ensure the implementation of the RESTORE Act direct component is successful and a benefit to the citizens of Santa Rosa County.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dan Schebler".

Dan Schebler
Interim County Administrator

cc: Sheila Fitzgerald, BOCC Grants Department
Michael Burton, Clerk of the Court

Appendix 3
Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

JUL 18 2018

Ms. Cecilia K. Howland
Director, Gulf Coast Restoration Audits
Office of Inspector General
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Ms. Howland,

Thank you for the opportunity to review and comment on the Office of the Inspector General's draft report (Report) relating to the audit of Santa Rosa County, Florida's Internal Control over Federal Awards.

The Report concluded that Santa Rosa County had designed and implemented a system of internal control to administer Federal Awards as required by the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200 (Uniform Guidance), Treasury's RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions, and Treasury's RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance. Treasury concurs with the Report's findings.

We appreciate your work on the Report and value your feedback as the program moves forward.

Sincerely,

David A. Lebryk
Fiscal Assistant Secretary

The *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act) established the Gulf Coast Restoration Trust Fund (Trust Fund) within the Department of the Treasury (Treasury) to provide funds for environmental and economic restoration of the Gulf Coast region that was damaged by the 2010 Deepwater Horizon oil spill. Deposits into the Trust Fund will comprise 80 percent of all civil and administrative penalties related to Deepwater Horizon paid under the *Federal Water Pollution Control Act* (Clean Water Act) after July 6, 2012.

Fund Sources

Approximately \$5.3 billion has been designated for the Trust Fund resulting from settlement agreements between the U.S. Department of Justice and the following parties:

- approximately \$4.4 billion plus interest from BP Exploration & Production Inc.¹⁶
- approximately \$800 million plus interest from the Transocean defendants¹⁷
- approximately \$127 million plus interest from Anadarko Petroleum Corporation¹⁸

RESTORE Act Components

The RESTORE Act allocates monies from the Trust Fund into the following five components.

¹⁶ A \$20.8 billion civil settlement between the Department of Justice and BP Exploration & Production Inc. was approved on April 4, 2016. Of this amount, \$4.4 billion will be deposited into the Trust Fund over 15 years. BP Exploration & Production Inc. made the first Clean Water Act penalty payment to the Department of Justice on April 3, 2017, and 80 percent of that payment, or approximately \$303 million, was deposited into the Trust Fund on April 10, 2017. A second payment of approximately \$152 million was deposited into the Trust Fund on April 9, 2018.

¹⁷ On February 19, 2013, the civil settlement between the Department of Justice and Transocean defendants (Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH) was approved. Among other things in the settlement, the Transocean defendants paid a \$1 billion civil penalty plus interest in three installments. Of this amount, \$800 million plus interest was transferred to the Trust Fund; the final amount was deposited in the Trust Fund in February 2015.

¹⁸ On December 16, 2015, the civil settlement between the Department of Justice and Anadarko Petroleum Corporation was approved. Anadarko agreed to civil penalties of \$159.5 million. Of this amount, approximately \$127 million was deposited in the Trust Fund in March 2016.

- Direct Component – Treasury Administered
 - 35 percent is to be equally divided among the five Gulf Coast States for ecosystem restoration, economic development, and tourism promotion accordingly:
 - Louisiana – 30 percent to the coastal parishes based on an allocation formula and 70 percent to the state;
 - Florida – 75 percent to the counties most affected by the oil spill and 25 percent to the other counties based on an allocation formula;
 - Mississippi – 100 percent to the Department of Environmental Equality;
 - Alabama – 100 percent to the Alabama Gulf Coast Recovery Council; and
 - Texas – 100 percent to the Texas Governor’s Office;

- Comprehensive Plan Component – Gulf Coast Ecosystem Restoration Council Administered
 - 30 percent plus 50 percent of interest earned from Trust Fund investments is to be used for restoration activities under the Comprehensive Plan;

- Spill Impact Component – Gulf Coast Ecosystem Restoration Council Administered
 - 30 percent is to be divided among the five Gulf Coast States according to a formula to implement State Expenditure Plans, which require approval by the Council;

- National Oceanic and Atmospheric Administration’s RESTORE Act Science Program – National Oceanic and Atmospheric Administration Administered
 - 2.5 percent plus 25 percent of interest earned from Trust Fund investments is to be used for a science, observation, monitoring, and technology program; and

- Centers of Excellence Research Grants Program – Treasury Administered
 - 2.5 percent plus 25 percent of interest earned from Trust Fund investments is to be used for research on the Gulf Coast Region.

Availability for Santa Rosa County

Santa Rosa County is estimated to receive \$29.3 million based on the Federal Government’s settlement with Transocean, Anadarko Petroleum Corporation, and BP Exploration & Production Inc. defendants. As of April 9, 2018, the Trust Fund had received approximately \$1.4 billion, including related interest. Of that amount, approximately \$7.6 million has been made available to Santa Rosa County under the Direct Component.¹⁹

¹⁹ Current Trust Fund allocations, including funds available and funds obligated or transferred by RESTORE Act component are publicly available on the U.S. Treasury Restore Act homepage: <https://www.treasury.gov/services/restore-act/Pages/home.aspx>

Appendix 5
Major Contributors to This Report

Eleanor P. Kang, Audit Manager
Lawrence Gonzalez, Auditor-in-Charge
Rolake N. Akinyeye, Auditor
Kevin A. Guishard, Referencer

Department of the Treasury

Counselor to the Secretary
Under Secretary for Domestic Finance
Fiscal Assistant Secretary
Deputy Assistant Secretary, Fiscal Operations and Policy
Director, Office of Grants and Asset Management
Director, Office of Gulf Coast Restoration
Office of the Deputy Chief Financial Officer, Risk and Control
Group
Director of Strategic Planning and Performance Improvement

Office of Management and Budget

OIG Budget Examiner

State of Florida

Chair of the Board of County Commissioners
Auditor General, State of Florida

This Page Intentionally Left Blank



Treasury OIG Website

Access Treasury OIG reports and other information online:

<http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx>

Report Waste, Fraud, and Abuse

OIG Hotline for Treasury Programs and Operations – Call toll free: 1-800-359-3898

Gulf Coast Restoration Hotline – Call toll free: 1-855-584.GULF (4853)

Email: Hotline@oig.treas.gov

Submit a complaint using our online form:

<https://www.treasury.gov/about/organizational-structure/ig/Pages/OigOnlineHotlineForm.aspx>