



Performance and Accountability  
Report Fiscal Year 2015

**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**PERFORMANCE AND ACCOUNTABILITY REPORT**  
**Fiscal Year 2015**

*This Performance and Accountability Report for FISCAL YEAR 2015 provides the financial and performance information for the Gulf Coast Ecosystem Restoration Council (Council), enabling the President, Congress, and the American people to assess the Council's performance as provided by the requirements of the:*

- ◆ *Improper Payments Information Act (IPIA) of 2002 as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA);*
- ◆ *Accountability of Tax Dollars Act (ATDA) of 2002;*
- ◆ *Reports Consolidation Act of 2000;*
- ◆ *Government Management Reform Act of 1994;*
- ◆ *Government Performance and Results Act (GPRA) of 1993 as amended by the Government Performance and Results Act Modernization Act (GPRAMA) of 2010;*
- ◆ *Chief Financial Officers (CFO) Act of 1990; and*
- ◆ *Federal Managers' Financial Integrity Act (FMFIA) of 1982.*

*This report is available on the internet at <http://www.restorethegulf.gov>*

Cover photos courtesy of: National Oceanic and Atmospheric Administration

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**MESSAGE FROM THE EXECUTIVE DIRECTOR  
GULF COAST ECOSYSTEM RESTORATION COUNCIL  
NOVEMBER 16, 2015**

I am pleased to submit this Performance and Accountability Report (PAR) for the Gulf Coast Ecosystem Restoration Council (Council) for fiscal year 2015. The PAR provides an assessment of the Council's financial information and outlines the Council's accomplishments in implementing the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act) as well as our major goals and priorities for restoration of the ecosystem and economy of the Gulf Coast region.

The Gulf Coast region is vital to our Nation and our economy, providing abundant seafood, extraordinary beaches and recreational activities, a rich cultural heritage, and valuable energy resources. Over twenty-two million Americans live in Gulf coastal counties and parishes – working in crucial U.S. industries like commercial seafood, shipping, tourism, and oil and gas production. The region also boasts ten of America's fifteen largest ports accounting for nearly a trillion dollars in trade each year. Its waters and coasts are home to one of the most diverse environments in the world – including over 15,000 species of sea life. Over the past century, the Gulf Coast has experienced the loss of critical wetland habitats, erosion of barrier islands, imperiled fisheries, and water quality degradation. Amplifying these issues, the region has endured significant natural and man-made catastrophes in the last decade, including major hurricanes such as Katrina, Rita, Gustav and Ike, and the *Deepwater Horizon* oil spill.

The Council, comprised of the Governors of the five Gulf Coast States (Alabama, Florida, Louisiana, Mississippi and Texas) and Cabinet-level officials from six federal agencies (Departments of Agriculture, Commerce, Defense, Homeland Security and Interior, and the Environmental Protection Agency), was established by the RESTORE Act to respond to these challenges. The Council recognizes the unique and unprecedented opportunity we have to implement a restoration effort in a way that restores and protects the Gulf Coast environment, reinvigorates local economies and creates jobs in the region. We are committed to working with Gulf communities and partners to invest in actions, projects, and programs that will ensure the long-term environmental health and economic prosperity of the Gulf Coast region.

The RESTORE Act dedicates 80% of all Clean Water Act administrative and civil penalties arising from the *Deepwater Horizon* oil spill to the Gulf Coast Restoration Trust Fund (Trust Fund) and established the Council as a new independent entity within the Federal government.

Over the past three years, we stood up the Council, worked with tens of thousands of citizens to develop a regional restoration plan, and established the administrative and operational infrastructure to allow us to efficiently and effectively disburse funds available from the Trust Fund.

In accordance with guidance from Office of Management and Budget (OMB), I have determined, to the best of my knowledge and belief, that the performance and financial data included in this report are complete and reliable, and that the internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulations are operating effectively. In fiscal years 2013 and 2014, the Council was in start-up operations and had insufficient staff resources to be able to fully implement a sufficiently comprehensive internal control program to meet all of the objectives of FMFIA and OMB Circular A-123 *Management's Responsibility for Internal Control*, and accordingly, the audit for those fiscal years reported a material weakness due to a lack of sufficient implemented and documented internal control policies and procedures. In fiscal year 2015, the Council recruited and trained additional staff, and developed, documented and implemented internal control procedures. Additionally, the Council developed and implemented an Administrative Action Plan to contract for an organizational risk assessment in order to complete the Council's finance and administrative documentation requirements. Finally, the Council has contracted for an automated grants management system, and is developing comprehensive guidance for grant recipients and internal staff. As a result of these efforts, the fiscal year 2015 audit has downgraded the material weakness to a significant deficiency. The Council will continue to recruit talented professionals to assist with the execution of our critical restoration mission.

The Council looks forward to serving the people of the Gulf through its efforts to carry out comprehensive ecosystem restoration to preserve and enhance long-term environmental health and economic prosperity of the Gulf Coast region.



Justin R. Ehrenwerth

Executive Director

Gulf Coast Ecosystem Restoration Council

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### OVERVIEW

This Performance and Accountability Report (PAR) presents the Gulf Coast Ecosystem Restoration Council's program and financial management performance for fiscal year 2015.

Building on prior efforts to help ensure the long-term restoration and recovery of the Gulf Coast region, the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act) was passed by Congress on June 29, 2012 and signed into law by President Obama on July 6, 2012 (codified at 33 U.S.C § 1321(t)). The RESTORE Act provides for planning and resources for a regional approach to the long-term health of the valuable natural ecosystems and economy of the Gulf Coast region. The RESTORE Act dedicates 80% of all administrative and civil penalties paid under the Clean Water Act, after the date of enactment, by responsible parties in connection with the *Deepwater Horizon* oil spill to the Gulf Coast Restoration Trust Fund (Trust Fund) for ecosystem restoration, economic recovery, and tourism promotion in the Gulf Coast region. In addition to establishing the Trust Fund, the RESTORE Act established the Council to help restore the ecosystem and economy of the Gulf Coast region by developing and overseeing implementation of a Comprehensive Plan and carrying out other responsibilities.

The Council has oversight over the expenditure of 60% of the funds made available from the Trust Fund. Under the Council-Selected Restoration Component, 30% of available funding will be administered for Gulf-wide ecosystem restoration and protection according to a Comprehensive Plan developed by the Council. Another 30% will be allocated to the States, under the Spill Impact Component, according to a formula established by the Council, by regulation, and spent according to individual State Expenditure Plans (SEPs) to contribute to the overall economic and ecological recovery of the Gulf. The SEPs must adhere to four basic criteria and are subject to approval by the Council. By the end of fiscal year 2015, the Council published a draft Initial Funded Priorities List (FPL) of foundational projects and programs to be funded and prioritized by the Council, as well as the proposed regulation establishing the formula for allocation of Spill Impact Component funds under the RESTORE Act. The Council anticipates final approval of both documents during early fiscal year 2016, as well as initial implementation of FPL projects and SEPs.

In July 2015, BP announced that it reached Agreements in Principle (AIPs) with the United States and the Gulf States for settlement of civil claims arising from the *Deepwater Horizon* oil spill. According to the announcement the AIPs provide for a payment to the United States of a civil penalty of \$5.5 billion under the Clean Water Act, payable over 15 years, of

which 80% would be payable into the Trust Fund. There are, however, additional steps that must be completed before those funds become available. The terms of the proposed settlements will not become final until, among other things, a consent decree is negotiated, is made available for public review and comment, and is approved by the court.

In fiscal year 2013, the Council initiated a phased approach to standing up the administrative Council entity. In fiscal year 2014, the Council established basic administrative operations and processes, developed the process for evaluating and selecting projects under the Council-Selected Restoration Component, issued guidance for approving the Spill Impact State Expenditure Plans (SEPs) and issued an Interim Final Rule for the Spill Impact Component Planning Allocation.

In fiscal year 2015, the Council made great strides in establishing itself as a fully functioning Federal entity. A financial, internal control and administrative infrastructure was established to enable basic administrative and operational planning activities to be carried out. The Council continued to refine its internal governance structure through the development of Standard Operating Procedures and the finalization of a Federal Agency Memorandum of Understanding—an agreement documenting mutual expectations regarding participation by the Federal members of the Council and a process for consultation prior to voting. Office space for a small central headquarters is up and running in New Orleans, supported by a distributed organizational structure across the Gulf Coast States and Washington, DC. The Council filled key management positions, including the Deputy Executive Director, Senior Science Advisor, General Counsel and Director of Environmental Compliance. Critical staff positions such as the Senior Grants Officer and Financial Manager were also filled. The Council continued to demonstrate its interagency cooperation through the placement of detailees from the U.S. Department of Agriculture to fill the position of Director of Tribal Relations, from the State of Mississippi as the Director of Programs, and from the State of Florida as the Director of External Affairs.

Other activities included contracting for an off-the-shelf configurable automated grants management system, and developing policies and procedures for the Council grant program. The Council selected an off-the-shelf, web-based grants management system to use as the foundation for its automated grants management system, the Restoration Assistance and Awards Management System (RAAMS). The system has been configured to meet the specific requirements of the Act, and will provide a robust “cradle-to-grave” automated financial assistance (grants) and interagency agreements management system. Completion of the Accreditation and Authorization process is targeted for late November 2015, and go-live is planned for early December. In addition to robust post-award management features, this system will collect a broad array of metrics on a project by

project basis, thus enabling the Council to develop quantifiable outcomes for its efforts in Gulf-wide ecosystem restoration.

As staff joined the Council, administrative and financial internal controls, policies and procedures were developed, documented and implemented. Additionally, the Council contracted to have an organizational risk assessment performed to assess the adequacy of its entity level policies, procedures and internal controls. This contractor is also developing the remaining administrative and financial policies and procedures, and as part of the risk assessment will review the internal compliance program for the financial assistance program.

Through its own internal efforts to develop and document internal control policies, supplemented by the contractual efforts discussed above, the Council is addressing the material weakness identified in last year's audit and is well poised to begin grant operations upon approval of the draft FPL and the draft Spill Impact Component allocation rule. As a result of these efforts, the fiscal year 2015 audit has downgraded the fiscal year 2014 material weakness to a significant deficiency. In fiscal year 2016, the Council will complete its organizational risk assessment, and fully implement a robust suite of documented policies, procedures and internal controls for the entire year.

## **MISSION AND ORGANIZATION**

The Council is charged with helping to restore the ecosystem and economy of the Gulf Coast region by developing and overseeing implementation of the Comprehensive Plan, approving SEPs, and carrying out other responsibilities. The Council is currently chaired by the Secretary of Commerce and includes the Governors of the States of Alabama, Florida, Louisiana, Mississippi, and Texas, and the Secretaries of the U.S. Departments of Agriculture, Army, Homeland Security and the Interior, and the Administrator of the U.S. Environmental Protection Agency.

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**Chair**  
**Department of Commerce**  
Penny Pritzker  
Secretary

State of Alabama  
Robert Bentley  
Governor

Department of Agriculture  
Thomas Vilsack  
Secretary

State of Florida  
Rick Scott  
Governor

Department of the Army  
John McHugh  
Secretary

State of Louisiana  
Bobby Jindal  
Governor

Environmental Protection Agency  
Gina McCarthy  
Administrator

State of Mississippi  
Phil Bryant  
Governor

Department of Homeland Security  
Jeh Johnson  
Secretary

State of Texas  
Greg Abbott  
Governor

Department of the Interior  
Sally Jewell  
Secretary

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## **DISCUSSION OF PERFORMANCE**

The Initial Comprehensive Plan is the Council's Strategic Plan, and identified the goals and objectives of the Council. During fiscal year 2015, in response to the August 21, 2014 announcement of the Proposal Submission Window for the Council Selected Restoration Component, the Council received 50 proposals consisting of 380 distinct components. The Council performed a rigorous review, including reviews for eligibility, commitment to the Comprehensive Plan, environmental readiness, budget reasonableness, and a review by external scientists for best available science. After extensive analysis of alternative portfolios, the Council published the draft Initial FPL in the *Federal Register* for a 45 day public comment period. Concurrent with these efforts, the Council reached agreement on the formula for the Spill Impact Component and published the proposed Spill Impact Component rule for a 30 day public comment period.

The Council anticipates approval of both documents during early fiscal year 2016, at which time the Council members will be able to apply for grants and interagency agreements to fund each project on the FPL and submit their SEPs. After approval of an SEP, the state may then submit applications to fund each of the projects in the SEP. The Performance Section discusses the FPL in depth.

The Council also completed several key programmatic and administrative activities during fiscal year 2015. National Environmental Policy Act (NEPA) implementing procedures and Freedom of Information Act (FOIA) procedures were published in the *Federal Register* and the Council completed its Standard Operating Procedures (SOPs). A Summary Notice of the Application Process for Council-Selected Restoration Component Projects and Programs, and the RESTORE Council Financial Assistance Standard Terms and Conditions were published to provide grantees clarity with regards to their requirements and obligations under the grant process. The SOPs, Summary Notice and the Financial Assistance Standard Terms and Conditions are published on the RESTORE Council website at [www.restorethegulf.gov](http://www.restorethegulf.gov).

## **ANALYSIS OF THE FINANCIAL STATEMENTS**

To best serve the communities of the Gulf Coast region, the Council will carry out its activities to implement the Comprehensive Plan and accomplish the requirements of the RESTORE Act in an effective and efficient manner, at the minimum cost possible to maximize the dollars available for restoration projects and programs. The Council has managed its fiscal resources through a strategy of incremental growth to correspond to the development of its Council-Selected Restoration Component and the Spill Impact

Component programs. Mindful of the fact that the Council must oversee projects and programs during the post-completion operations and maintenance phase (which in some cases could take as long as twenty years), the Council has forecast its administrative and operational expenses through the projected closeout of all grants. Based on the proposed AIP payment schedule, Council operations have been projected through 2040 to ensure operational costs are fiscally prudent and well managed through the life of the program. The chart below shows the twenty-eight year budget from fiscal year 2013 through the projected end of the program in fiscal year 2040 (fiscal years 2021 through 2033 are not displayed). The projected total administrative expense of \$36.27 million is well under the \$47 million that would be available from the Transocean and AIP settlements.

Table 1 *in millions*

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY34	FY35	FY36	FY37	FY38	FY39	FY40	28 years
<b>FTE</b>	0	5.4	11.4	17.6	19	19	19	19	19	19	16	14	12	10	8	TOTAL
<b>ADMIN</b>	0.36	0.86	1.24	1.11	1.17	1.21	1.24	1.25	1.62	1.65	1.40	1.19	1.19	1.19	1.19	36.27
<b>PROG</b>	-	1.10	2.31	3.16	3.42	3.53	3.73	3.78	4.91	5.00	4.25	3.61	2.89	2.28	1.76	101.46
<b>TOTAL</b>	0.36	1.96	3.55	4.27	4.59	4.74	4.97	5.03	6.53	6.65	5.65	4.80	4.08	3.47	2.95	137.73

The Council has been in the process of standing up as a self-sustaining independent Federal entity, putting its administrative foundation in place, and is engaged in planning and developing its programs. Due to the significant support received from Council members, the expenses of the Council funded by the Trust Fund were minimal in fiscal year 2013. Services provided by Council members have diminished as the Council has put in place its own personnel and funded its own administrative, financial, and financial assistance services. Table 2 on the next page, presents the non-reimbursed services provided by other Federal agencies. These services include support of the development of the automated grants system RAAMS, support for the development of the FPL proposal review process, and services to support tribal engagement.

Table 2

COMPARISON OF NON-REIMBURSED SERVICES			
CATEGORY	FY 13	FY 14	FY 15
SALARIES/BENEFITS	\$ 771,032	\$ 609,892	\$ 208,124
SALARIES: GRANT SYSTEM			\$ 182,295
TRAVEL	\$ 73,715	\$ 70,623	
WEBSITE	\$ 218,596	\$ 218,596	
WEBSITE MIGRATION		\$ 167,896	
OFFICE SPACE/EQUIP	\$ 48,847	\$ 51,109	
PUBLIC MEETINGS	\$ 16,710		
GRANT SYSTEM			\$ 337,500
MISCELLANEOUS	\$ 13,748	\$ 2,211	
TOTAL	\$ 1,142,648	\$ 1,120,327	\$ 727,919

Government accounting captures financial activities in two ways – activity is recorded in a standard general ledger in the same way a proprietary (e.g., private) entity would do so, and additionally, government budgetary data is captured. Budgetary accounts record a cost transaction at the time an obligation of the government is incurred, whereas a private sector entity would not. For example, when a contract for goods or services is signed, an obligation is recorded but there is no corresponding entry in the proprietary accounts.<sup>1</sup> When the goods or services are received, a transaction occurs in both the proprietary and budgetary accounts (the obligation is liquidated and an expense is recorded). Therefore, certain government financial statements reflect the results of operations in the same way a private entity would do so (the Balance Sheet, Statement of Net Cost and Statement of Changes in Net Position), but the Statement of Budgetary Resources reflects the budgetary activity of the entity. The upcoming discussions of costs are based on the activity recorded in the budgetary accounts.

The following charts present the Council’s budgetary operating costs (obligations) for each fiscal year. Chart 1 illustrates the total cost to operate and how much was provided by Council members through non-reimbursable services. Chart 2 shows Trust-funded and non-reimbursable costs as a percent age of the total cost to operate and shows that services from other agencies originally made up 76% of the total costs to operate but has now declined to just 16%. As can be seen from the charts, the total cost to operate has increased from \$1.47 million to \$4.45 million as the Council has evolved from a two-person “start-up” to a fully operational entity. The increases reflect that the Council has developed its

<sup>1</sup> This should not be confused with accrual accounting. In accrual accounting, an expense is recorded when goods or services are received vs. cash accounting, which records an expense when the goods or services are paid for. The government uses accrual accounting to record its expenses on both the proprietary and budgetary accounts.

operational infrastructure by recruiting and employing all members of its management team, opening its headquarters office in New Orleans, developing and deploying its core administrative systems, and acquiring its automated grants management system. The charts also show that as the Council has become increasingly independent, non-reimbursable support provided by Council members is decreasing.

Chart 1

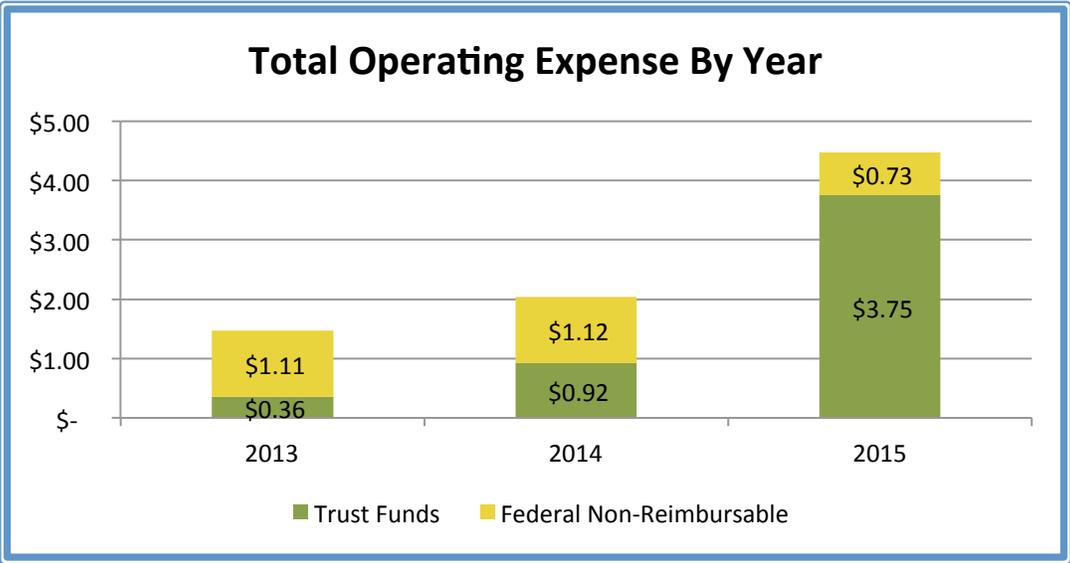


Chart 2

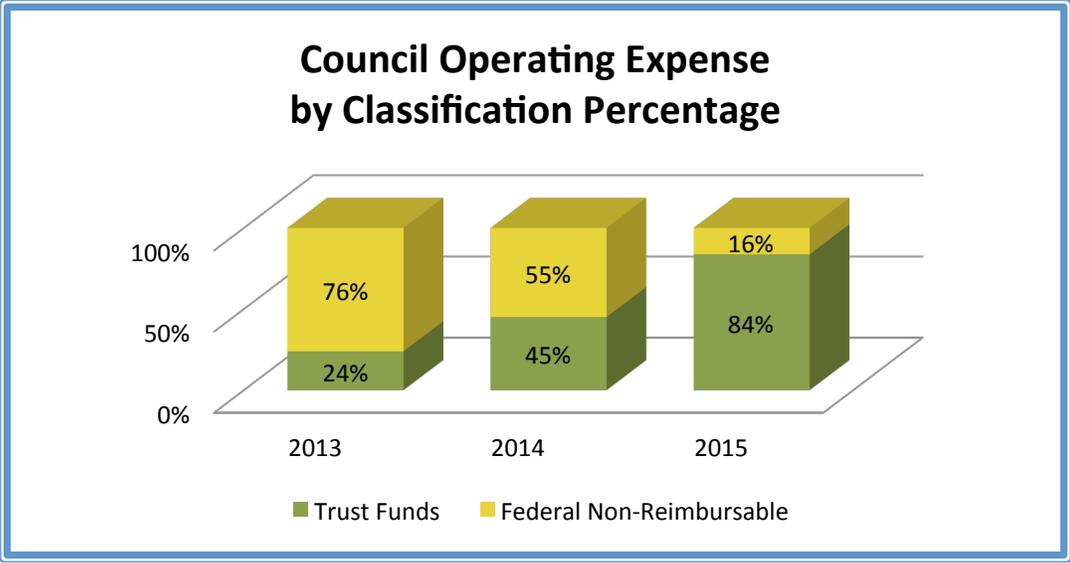


Chart 3 shows fiscal years 2013 through 2015 Trust-funded obligations by cost category and Chart 4 shows fiscal year 2013 through 2015 obligations plus non-reimbursed costs funded by other Federal agencies. The three cost drivers are personnel compensation and benefits costs, contracts and agreements for services, and the cost of the automated grant system. In fiscal year 2015, the Council entered into and fully funded a three year

agreement in the amount of \$565,211 for website hosting, support and security, plus geographic information system (GIS) and data mapping services, thus generating a one-time spike in this cost category.

Land and structures in fiscal year 2014 were the costs of modifying the office space to an open office design to allow improved space utilization. The equipment and grant system category includes the costs for Restoration assistance and award management system (RAAMS), both capitalized and non-capitalized, as well as the costs for systems furniture, computer equipment and cellular equipment. The Council fully funded its annual leave liability in fiscal year 2015, which affected the benefits cost category, and increased its staff from two full-time funded employees (FTE) to 6.3 funded FTE; at the end of the fiscal year, ten of fifteen approved permanent staff were on board.

Chart 3

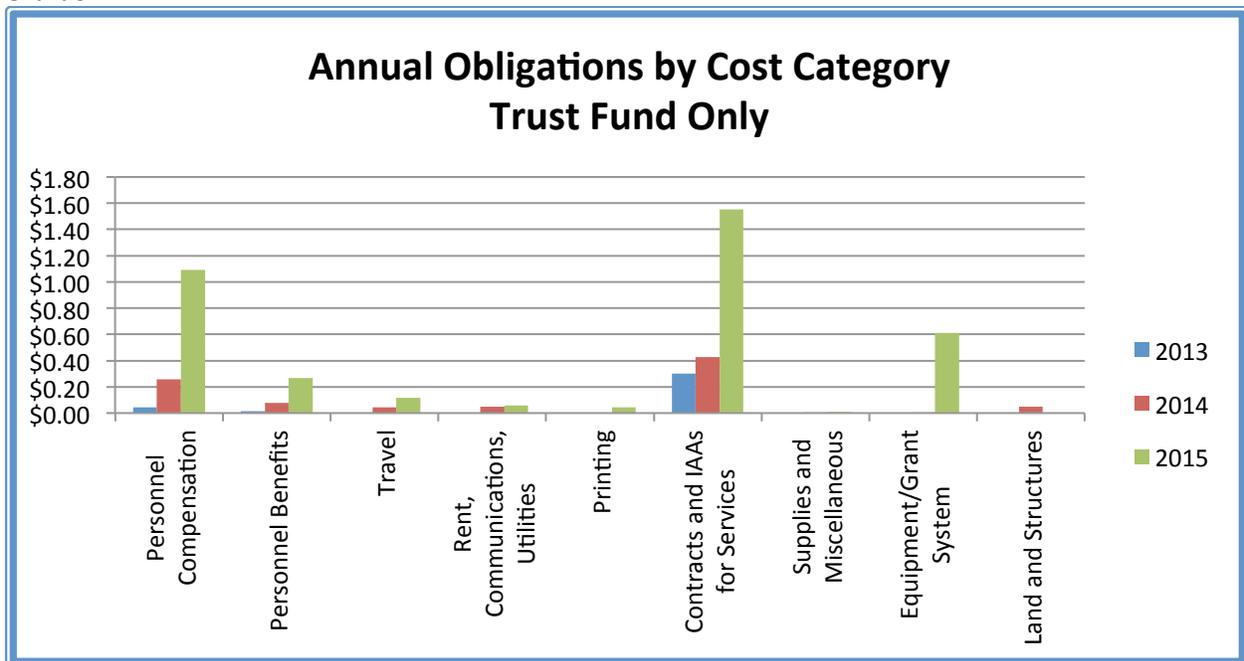
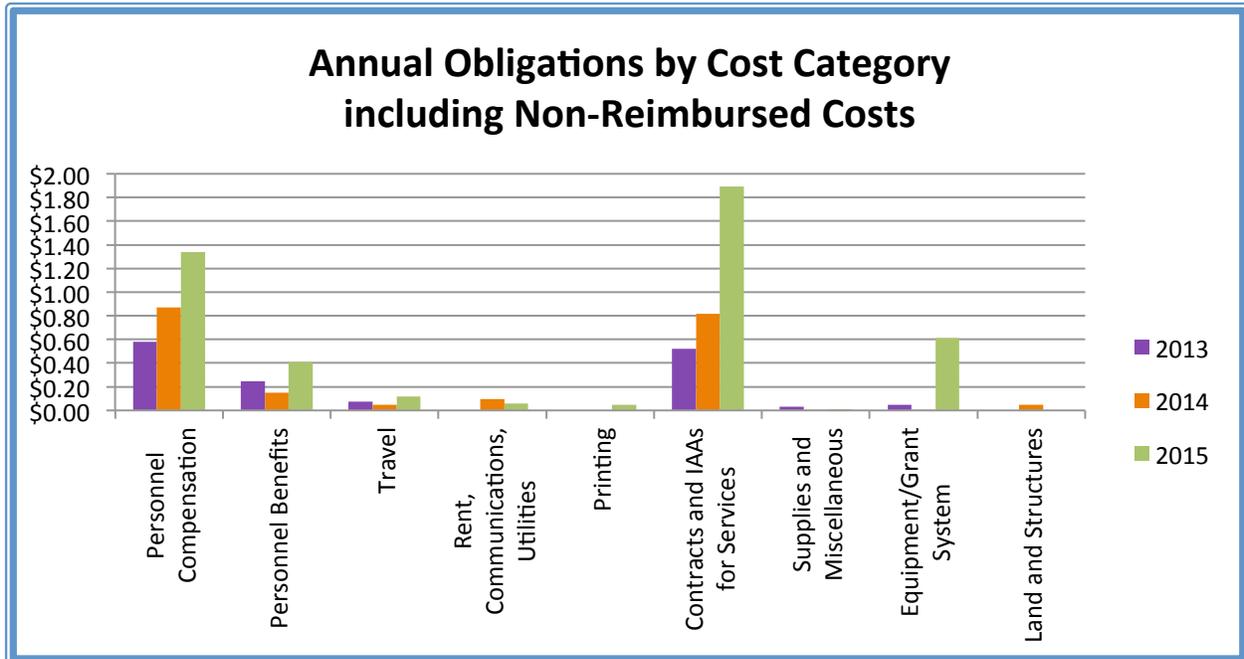


Chart 4



The Act specifies that of the amounts received by the Council, not more than 3% of the funds may be used for administrative expenses, including staff; and §34.204 of the Department of Treasury Interim Final Rule specifies that the 3% limit is applied to the total amount of funds received by the Council, beginning with the first fiscal year the Council receives funds through the end of the fourth, or most recent fiscal year, whichever is later. As the Council has received funds for just three years, the Rule does not yet apply. The Council also worked with OMB to segregate the funds when they are apportioned. A Treasury Interim Final Rule implementing the RESTORE Act provides a definition of administrative expenses that guides the Council in properly classifying expenses as administrative and the remaining categories of expenses as programmatic. The following charts present the Council’s cost data by administrative or programmatic cost classification. The proper classification of costs will allow the Council to properly manage its administrative costs and not exceed the administrative cost limitation set forth in the RESTORE Act. However, non-reimbursed costs from other federal agencies do not count against the 3% limitation.

Chart 5

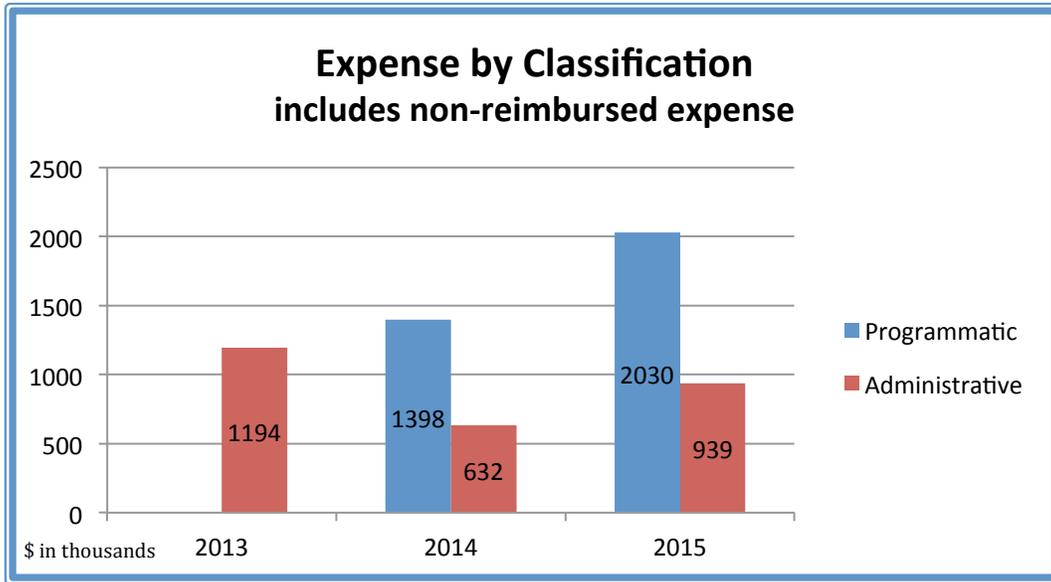
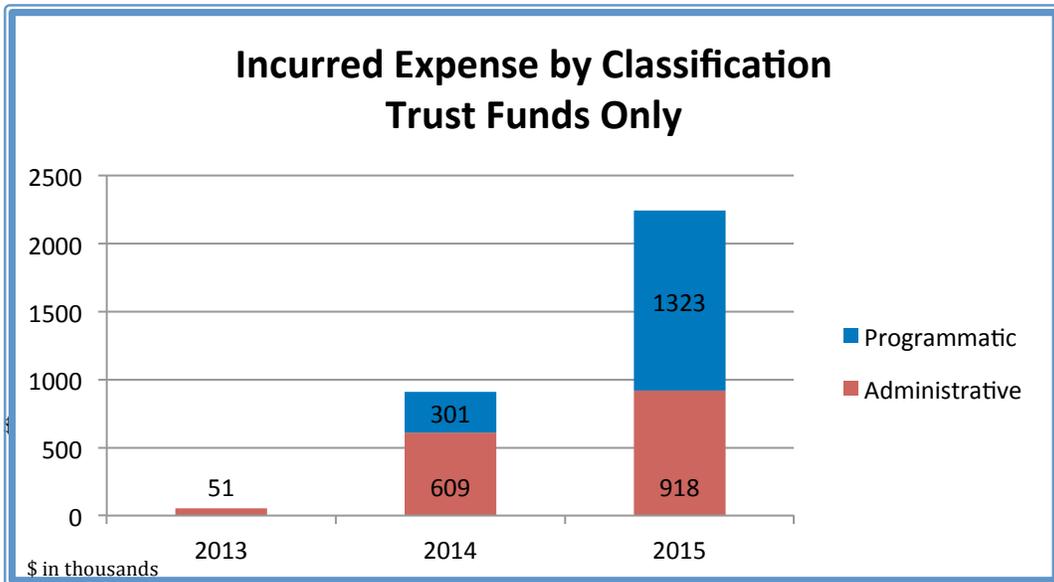


Chart 6



### Summary Financial Condition

The increases reflected in the financial statements are a reasonable and accurate reflection of the Council’s development of its programs and administrative infrastructure. The Council expects to deploy an automated grants system in early December, 2015 that will be integrated with the Council’s GIS and mapping systems and with its accounting systems. RAAMS has rigorous technical, best available science, financial, and compliance controls, and correlates financial data with functional milestones through the life of a project. The

system will collect robust financial and programmatic data for every project, including cash flow projections for better cash management by the Council. The Council anticipates reaching a steady state operational status in fiscal year 2016, although costs could incrementally increase as a function of the yet-to-be-determined complexity of future projects.

The Council's financial condition as of September 30, 2015 is sound, and the Council has sufficient processes in place to ensure its budget authority is not exceeded and that funds are utilized efficiently and effectively. The Council's accounting services provider, the U.S. Department of the Treasury Administrative Resource Center (ARC) in the Bureau of the Fiscal Service (Fiscal Service), prepared the Council's financial statements as required by the Accountability of Tax Dollars Act of 2002 and pursuant to the requirements of 31 U.S.C. § 3515(b). They have been prepared from, and are fully supported by, the books and records of the Council in accordance with Generally Accepted Accounting Principles (GAAP) recognized in the United States of America, the standards of the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements*.

### **Limitations of the Financial Statements**

The principal financial statements have been prepared to report the financial position and results of operations of the entity, changes in net position and budgetary resources of the Council, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements have been prepared from the books and records of the Council in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are, in addition to the financial reports, used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding that they are for an independent agency of the U.S. Government. The financial statements, footnotes, and the remainder of the required supplementary information appear in their entirety in the section "Financial Statements."

## **Financial Performance Measure Summary**

The Council does not have an in-house financial accounting system and does not receive a Performance Measure Summary from the Department of the Treasury. The Council acquires travel, procurement, accounting and financial services from the Treasury ARC. The Council verifies and reconciles all financial statements and reports prior to submission, and has remained in compliance with all reporting thresholds.

## **SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE**

This section provides information on the Council's adherence with the objectives of the Federal Managers' Financial Integrity Act (FMFIA). FMFIA requires that CFO Act agencies establish controls to provide reasonable assurance that obligations and costs comply with applicable law; assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. It requires the agency head to provide an assurance statement of the adequacy of management controls and conformance of financial systems with government standards.

The Council has provided its annual assurance statement, signed by the Executive Director, on the following page.

**COUNCIL'S FMFIA STATEMENT OF ASSURANCE**  
**November 16, 2015**

The Council is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA).

The Council utilizes the services of the Department of Treasury Fiscal Services financial management system, Oracle Federal Financials. Annual examinations of their system indicate that the system complies with federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level.

The Council established internal controls over its agreements, disbursements, and end-user controls, and relies on the controls over accounting, procurement and general computer operations that ARC has in place. The Council obtained the ARC 2015 Statement on Standards for Attestation Engagements (SSAE) Number 16, *Reporting on Controls at a Service Organization* report and reviewed it to assist in assessing the internal controls over the Council's financial reporting. After a thorough review of the results, the Council did not discover any significant issues or deviations in its financial reporting during fiscal year 2015.

The information presented on the Council's Statement of Budgetary Resources is reconcilable to the information submitted on the Council's year-end Report on Budget Execution and Budgetary Resources (SF 133). This information will be used as input for the fiscal 2015 actual column of the Program and Financing Schedules reported in the fiscal year 2017 Budget of the U. S. Government. Such information is supported by the related financial records and related data.

In fiscal year 2015, although the Council has implemented a sufficient and comprehensive internal control program to meet the objectives of FMFIA and OMB Circular A-123 *Management's Responsibility for Internal Control*, adequate entity and process level controls have only been in place since February 2015 resulting in a finding of a significant deficiency that the Council lacked fully documented entity and process level internal control policies and procedures for the entire year.

For fiscal year 2015, the Council provides assurance that the objectives of Section 2 of FMFIA have been achieved. The Council provides unqualified assurance that the objectives of Section 4 of FMFIA have been achieved. The Council is responsible for establishing and maintaining effective internal control over financial reporting and provides qualified

assurance that internal control over financial reporting as of June 30, 2015 was operating effectively in light of a significant deficiency related to a lack of sufficient implemented and documented internal control over financial reporting for the entire year.

The Council has implemented an aggressive plan to eliminate the significant deficiency. In February 2015, the Council's Standard Operating Procedures (entity controls) were approved and the Council established and documented additional internal controls, and implemented a process of continuous improvement of the controls and documentation. The Council has contracted for and commenced an organizational risk assessment, the preparation of additional documentation of the Council's internal controls and risk mitigation strategies, and finalization of comprehensive documented financial, administrative and financial assistance policies and procedures.

A handwritten signature in black ink, appearing to read "Justin R. Ehrenwerth", with a long horizontal line extending from the end of the signature.

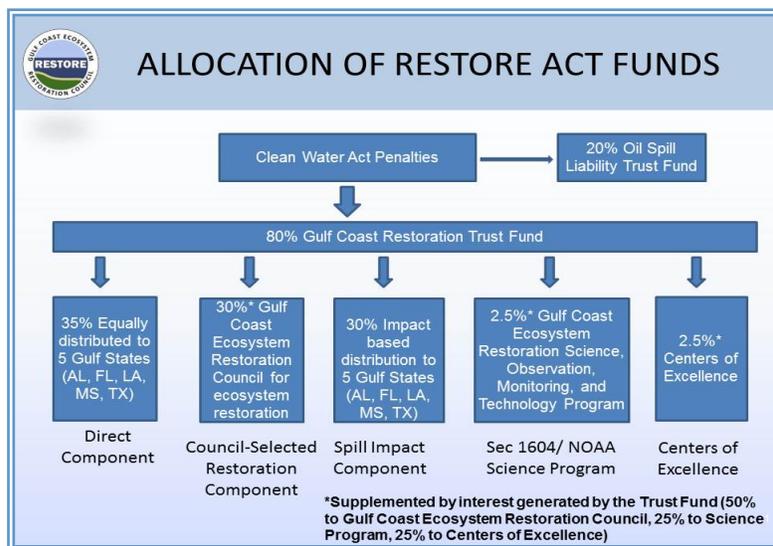
Justin R. Ehrenwerth  
Executive Director  
Gulf Coast Ecosystem Restoration Council

## PERFORMANCE SECTION

### GOALS AND OBJECTIVES

The Comprehensive Plan is the Council’s Strategic Plan, and addresses the goals and objectives of the Council to achieve comprehensive ecosystem restoration in the Gulf of Mexico (Gulf) Coast region. The Gulf region is vital to our nation and our economy, providing valuable energy resources, abundant seafood, extraordinary beaches and recreational activities, and a rich natural and cultural heritage. Its waters and coasts are home to one of the most diverse natural environments in the world – including over 15,000 species of sea life and millions of migratory birds. The Gulf has endured catastrophes, including major hurricanes such as Katrina, Rita, Gustav and Ike in the last decade alone. The region has also long experienced the loss of critical wetland habitats, erosion of barrier islands, imperiled fisheries, water quality degradation and significant coastal land loss. More recently, the health of the region’s ecosystem was significantly affected by the *Deepwater Horizon* oil spill. As a result of the oil spill, the Council has been given the great responsibility of helping to address ecosystem challenges across the Gulf.

The chart below illustrates the distribution of RESTORE Act funds.



Pursuant to the RESTORE Act, the Council approved the initial Comprehensive Plan in August 2013, which outlines an overarching framework for an integrated and coordinated approach for region-wide Gulf Coast restoration and includes the following five goals:

## Goals

1. ***Restore and Conserve Habitat*** – Restore and conserve the health, diversity, and resilience of key coastal, estuarine, and marine habitats.
2. ***Restore Water Quality*** – Restore and protect water quality of the Gulf Coast region’s fresh, estuarine, and marine waters.
3. ***Replenish and Protect Living Coastal and Marine Resources*** – Restore and protect healthy, diverse, and sustainable living coastal and marine resources.
4. ***Enhance Community Resilience*** – Build upon and sustain communities with capacity to adapt to short- and long-term changes.
5. ***Restore and Revitalize the Gulf Economy*** – Enhance the sustainability and resiliency of the Gulf economy.

The fifth goal focuses on reviving and supporting a sustainable Gulf economy to ensure that those expenditures by the Gulf Coast States authorized in the RESTORE Act under the Direct Component (administered by the Department of the Treasury) and the Spill Impact Component can be considered in the context of comprehensive restoration. To achieve all five goals, the Council will support ecosystem restoration that can enhance local communities by giving people desirable places to live, work, and play, while creating opportunities for new and existing businesses of all sizes, especially those dependent on natural resources. In addition, the Council will support ecosystem restoration that builds local workforce capacity.

The Council will work to coordinate restoration activities under the Council-Selected Restoration Component and the Spill Impact Component to further the goals. While the Council does not have direct involvement in the activities undertaken by the States or local governments through the Direct Component, the Council will strive, as appropriate, to coordinate its work with those activities. In addition, the Council will actively coordinate with the Gulf Coast Ecosystem Restoration Science Program (administered by NOAA) and the Centers of Excellence Research Grants Program (administered by Treasury).

## Objectives

The Council will select and fund projects and programs that restore and protect the natural resources, ecosystems, water quality, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region. Projects and programs not within the scope of the following Objectives for ecosystem restoration will not be funded under the Council-Selected Restoration Component.

1. **Restore, Enhance, and Protect Habitats** – Restore, enhance and protect the extent, functionality, resiliency, and sustainability of coastal, freshwater, estuarine, wildlife, and marine habitats.
2. **Restore, Improve, and Protect Water Resources** – Restore, improve, and protect the Gulf Coast region’s fresh, estuarine, and marine water resources by reducing or treating nutrient and pollutant loading; and improving the management of freshwater flows, discharges to and withdrawals from critical systems.
3. **Protect and Restore Living Coastal and Marine Resources** – Restore and protect healthy, diverse, and sustainable living coastal and marine resources including finfish, shellfish, birds, mammals, reptiles, coral, and deep benthic communities.
4. **Restore and Enhance Natural Processes and Shorelines** – Restore and enhance ecosystem resilience, sustainability, and natural defenses through the restoration of natural coastal, estuarine, and riverine processes, and/or the restoration of natural shorelines.
5. **Promote Community Resilience** – Build and sustain Gulf Coast communities’ capacity to adapt to short- and long-term natural and man-made hazards, particularly increased flood risks associated with sea-level rise and environmental stressors. Promote ecosystem restoration that enhances community resilience through the re-establishment of non-structural, natural buffers against storms and flooding.
6. **Promote Natural Resource Stewardship and Environmental Education** – Promote and enhance natural resource stewardship through environmental education efforts that include formal and informal educational opportunities, professional development and training, communication, and actions for all ages.
7. **Improve Science-Based Decision-Making Processes** – Improve science-based decision-making processes used by the Council.

## **RESTORE Act and Comprehensive Plan Priority Criteria**

The RESTORE Act directs the Council to use the best available science and give highest priority to ecosystem projects and programs that meet one or more of the following four Priority Criteria. The Council will use these criteria to evaluate proposals and select the best projects and programs to achieve comprehensive ecosystem restoration.

1. Projects that are projected to make the greatest contribution to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region, without regard to geographic location within the Gulf Coast region.
2. Large-scale projects and programs that are projected to substantially contribute to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast ecosystem.
3. Projects contained in existing Gulf Coast State comprehensive plans for the restoration and protection of natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region.
4. Projects that restore long-term resiliency of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands most impacted by the *Deepwater Horizon* oil spill.

### **Comprehensive Plan Commitments:**

All proposals must demonstrate how the proposal will achieve any or all of the commitments in the Comprehensive Plan. The commitments in the Comprehensive Plan are as follows:

1. Science-based Decision-Making
2. Regional Ecosystem-based Approach to Restoration
3. Engagement, Inclusion, and Transparency
4. Leveraging Resources and Partnerships
5. Delivering Results and Measuring Impacts

### **PERFORMANCE/ACTIVITIES**

In fiscal year 2015 the Council has been engaged in planning and developing the initial FPL and publishing a proposed rule for the Spill Impact Component to carry out the requirements of the RESTORE Act and achieve its goals and objectives. As required by the RESTORE Act, the Council continued to develop its processes for ensuring the incorporation of the best available science in selecting the projects and programs it expects to fund, and promoting efficient and effective environmental compliance. The Council

furthered its commitment to public engagement for the FPL by providing for a 45-day public review period, which included public meetings in all five Gulf States. A 30-day comment was provided for the proposed Spill Impact Component allocation rule. Where appropriate, the final FPL will address recommendations made by the public. In fiscal year 2015 the Council also worked to select and configure a Grants Management System that will allow for greater fiduciary control and oversight over initial funding priorities.

### **Initial Funded Priorities List**

As part of the initial Comprehensive Plan, the Council was required to publish for public and Tribal review and comment a draft Initial FPL that proposes the activities which the Council intends to prioritize for funding. This Initial FPL is designed to advance the goals and objectives set forth in the Act and the Initial Comprehensive Plan in a way that moves toward comprehensive Gulf restoration.

#### *Council Process for Developing the Initial FPL*

The initial FPL planning process formally began with an August 2014 Council request that its members submit proposals for potential funding, followed by a series of public engagement activities. For this initial FPL, the Council requested that proposals focus on habitat and water quality, and encouraged members to also emphasize activities that are foundational, sustainable, likely to succeed, and for the benefit of human communities.

Each Council member was invited to submit up to five proposals. In addition to their five proposals, Council members could also submit proposals on behalf of Federally-recognized Tribes. In total, the Council received 50 submissions (including five proposed on behalf of Federally-recognized Tribes). Within the 50 submissions, approximately 380 discrete components, referred to as “activities,” were proposed for potential funding and inclusion in the draft FPL. The submissions build upon experience from past ecosystem restoration plans and projects, and reflect public input provided to the Council during development of the Initial Comprehensive Plan and as part of this Initial FPL development process.

The Council independently evaluated each of the submissions with respect to eligibility, consistency with the Act and the Comprehensive Plan, best available science, environmental compliance and budget, producing seven “Context Reports” for each of the 50 submissions – 350 Context Reports in total. Independent scientists and other experts played a critical role in the review of the submissions. The Council used this and other information – including public input on the draft FPL – to help inform the selection of activities that meet the commitments set forth in both the Act and the Comprehensive Plan.

### *Initial FPL and Categories of Proposed Activities*

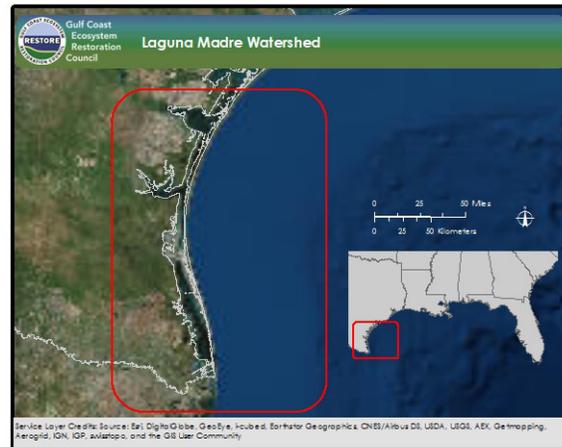
Given the size and breadth of the Gulf Coast, it would be impossible to address all the ecological needs with the funds the Council currently has available. However, it is possible to begin making substantial gains in important areas by focusing resources on watersheds and estuaries that have been identified as priorities by the public, Council members and independent scientists. To that end, the members of the Council collaborated to build an FPL that seeks to initiate a process which maximizes the health of the Gulf of Mexico ecosystem, without regard to geographic location, through selection of large-scale projects and programs founded on economic, ecological and social components that supports the long-term resilience of Gulf Coast ecosystems and communities, thereby increasing their ability to recover from natural and man-made disasters and thrive in the face of changing environmental conditions. With the initial FPL, the Council is seeking to provide near-term “on-the-ground” ecological results, while also building a planning and science foundation for future success. Following the Comprehensive Plan’s commitment to a regional ecosystem-based approach to restoration the Council is focusing on ten key watersheds across the Gulf in order to concentrate and leverage available funds to address critical ecological needs in high priority locations. This FPL focuses on goals 1 and 2, habitat and water quality, and includes restoration and conservation activities that can be implemented in the near term. By supporting project-specific planning efforts necessary to advance large-scale restoration, this FPL follows the RESTORE Act directive to support projects contained in existing Gulf Coast State comprehensive plans, and the Council’s commitment to science-based decision making and delivering results. The comprehensive planning and monitoring efforts proposed in this FPL will provide Gulf-wide benefits into the future.

### *Funded Priorities List*

In fiscal year 2015, Council members collaborated to develop a draft FPL using a process that emphasized public input, transparency, coordination with other restoration programs, and science. During that time, the Council also developed a process for Tribes to submit Tribal proposals in the draft FPL. The Council received five Tribal proposals, one of which was selected for the draft FPL.

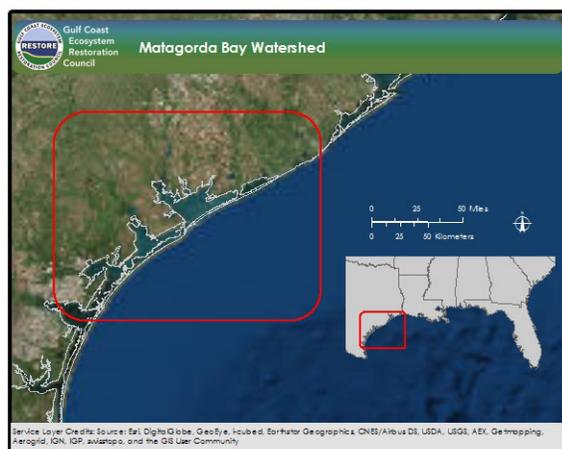
On Aug. 13, 2015, the Council published the draft FPL for public and Tribal review. In the draft FPL, the Council proposed to use currently available funds for planning and on-the-ground restoration activities in ten key watersheds across the Gulf:

**Laguna Madre:** Located in the lower coast of Texas, the Laguna Madre area is rich in biodiversity and is the only hyper-saline coastal lagoon in North America. Laguna Madre is home to blue crabs, oysters, pelicans, plovers, shrimp and the Kemp's Ridley sea turtle, which nests only on western Gulf beaches. However, the Laguna Madre area faces ecological challenges associated with invasive species, water quality, climate change and habitat fragmentation as the region continues to grow. To address some of the most urgent needs in this area, the Council is proposing to conserve valuable habitat and restore hydrology in the Bahia Grande coastal corridor. Specifically, approximately 1,400 acres of coastal habitat would be added to a 105,000-acre corridor of conservation lands. The Council proposes to protect this investment through the plugging of high-risk oil and gas wells. The Council also proposes to fund planning and design activities necessary for future wetland restoration in this watershed. Council investments in this area would be leveraged with co-funding from the National Fish and Wildlife Foundation (NFWF) and the Knobloch Foundation.

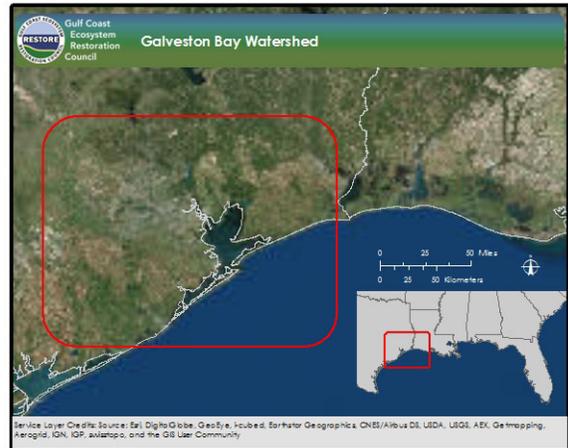


**Matagorda Bay:** On the central Texas Coast, the Matagorda Bay system covers 627 square miles of open water. The system is separated and protected from the open Gulf of Mexico by 83 miles of barrier peninsulas and islands. The system ranges from fresh to hyper-saline water and includes quiet coves and sloughs, emergent fringe marshes, maritime forests, and coastal habitats including beaches and dunes. This area is a biodiversity hotspot and supports endangered whooping cranes, piping plovers and sea turtles. There is a unique opportunity in this system to protect coastal habitats on a landscape scale because of its relative lack of habitat fragmentation and development. In 2014 the NFWF GEBF awarded \$34.5 million to support land conservation in this area. The Council proposes to build on this investment and to co-fund additional land acquisition in this area with the Knobloch Foundation. Specifically, the Council proposes to conserve approximately 6,500 acres of

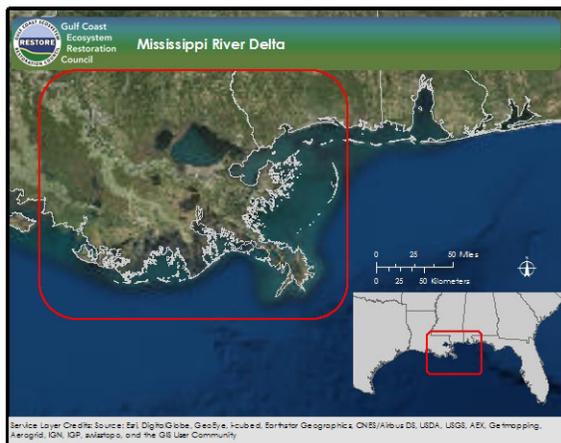
high-quality coastal habitats including emergent marshes, tidal flats, lagoons and coastal prairie with several miles of frontage on the Matagorda Bay system. These conservation activities would protect extensive adjacent seagrass and shellfish beds. They would also protect water quality by conserving local estuarine watersheds, filtering runoff and groundwater recharge and preserving local freshwater inflows.



**Galveston Bay:** Located in the upper coast of Texas, this area supports one of the largest metropolitan areas in the United States. Approximately one third of all commercial fishing in Texas originates from this system. The Galveston Bay system and surrounding land also supports habitat for colonial waterbirds and is a regionally significant reserve site and migratory stopover habitat for a number of state and Federal endangered species. Galveston Bay once had a thriving oyster industry and included areas of submerged aquatic vegetation. Unfortunately, this coastal system has been degraded due to the loss of freshwater inflow, water pollution, disease, predators, coastal development, erosion and invasive species. To aid in addressing some of the most pressing habitat and water quality issues in this area, the Council is proposing to invest in planning to support future marsh restoration through beneficial use of dredged materials, as well as protecting and restoring riparian corridors. Riparian corridors are critical for stream ecosystems and help improve water quality in downstream areas, in this case Galveston Bay. This investment would build on a larger initiative of approximately \$200 million in the Houston area that is helping to restore the ecosystem as well as providing numerous community benefits.



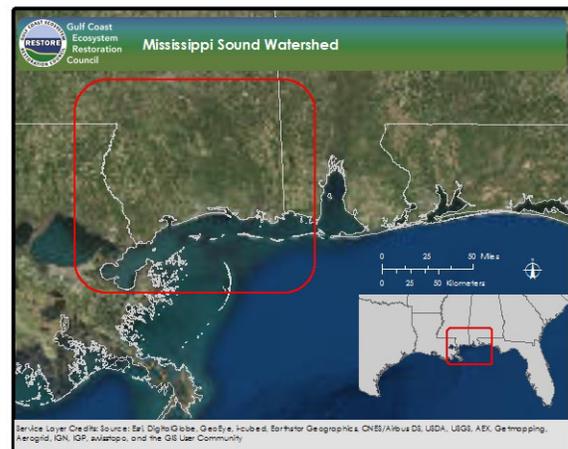
**Mississippi River Delta:** Louisiana's coastal wetlands are among the Nation's most important natural resources, providing vast ecological and economic benefits to the Gulf and beyond. Louisiana is second only to Alaska in seafood landings, and its coastal wetlands, ridges and barrier islands provide critical stopover habitat for millions of migratory birds. It is also a working coast, with navigation and energy assets of national and international importance. Yet this highly valuable coastal system is under severe stress. In the past 80 years, coastal Louisiana has lost a wetland area the size of Delaware.



Coastal Louisiana represents nearly 40% of the wetlands in the continental U.S., but also accounts for approximately 80% of the losses. This ongoing coastal land loss crisis results from alteration of the Mississippi River's deltaic processes, reduced sediment inputs, dredging of canals for energy and navigation, natural processes, invasive species, and other factors. Increased rates of relative sea-level rise threaten to worsen the situation. This ongoing

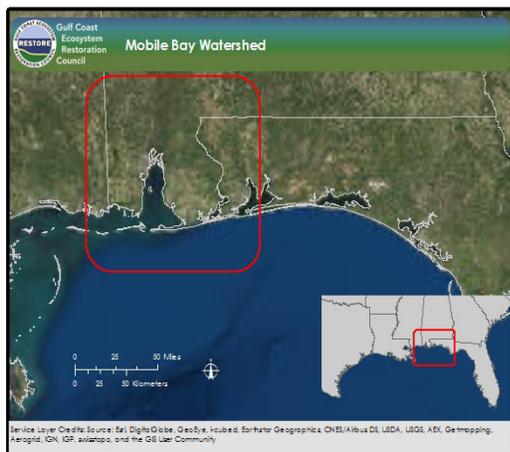
loss puts at risk the life and livelihood of communities across Louisiana, and could have serious ecological and economic implications for the Gulf and the Nation. To help address this problem, the Council is proposing to invest in wetland restoration by funding important large-scale restoration planning efforts that would help restore deltaic processes, increase sediment inputs and rebuild lost coastal habitat in key areas. Specifically, the Council proposes to fund planning and engineering to support re-introducing Mississippi River flows into the Maurepas Swamp, restoring the West Grand Terre Barrier Island and Golden Triangle marsh, and creation of living shoreline along the Biloxi Marsh. The Council also proposes a large-scale planning effort intended to help move the nation towards a more holistic management scheme for the Lower Mississippi River. Additionally, the Council proposes to fund backfilling 16.5 miles of oil and gas canals to recreate freshwater wetlands and restore hydrology in Jean Lafitte National Historical Park and Preserve. The Council's efforts would build upon investments made by the state in its Comprehensive Master Plan for a Sustainable Coast and other coastal restoration planning projects. The Council also proposes to fund a ridge, marsh, and hydrologic restoration planning effort involving the Chitimacha Tribe of Louisiana. By investing in such projects, the Council hopes to help address natural/cultural resource issues important to Tribal Nations across the Gulf.

**Mississippi Sound:** Mississippi's coastal waters include 758 square miles of estuaries, bays, bayous, tidal rivers and creeks, and other ecological assets that support commercial and recreational fishing and a nationally important oyster industry. The Mississippi coast is laced with scenic streams including the longest undammed river in the lower 48 states, the Pascagoula. Mississippi's coastal watersheds include barrier islands, marsh, maritime forest, pine savannahs, cypress swamp, oyster reefs, seagrass, salt flats and other resources. These important coastal areas are threatened by a variety of stressors, including pollution, coastal development, energy development, erosion, hydrological alteration, changes in freshwater inflow, structural marsh management and overfishing. The result has been a decline in the extent and health of critical habitats. To help address these challenges, the Council proposes to invest in landscape-scale planning and restoration based on beneficial use of dredged materials, hydrologic restoration, and land conservation and management. This proposed work includes implementation of the Deer Island beneficial use project; strategic land conservation planning, education, and outreach; as well as acquisition in the areas of the upper reaches of the Tuxachanie/Tchoutacabouffa rivers in De Soto National Forest, Gulf



Islands National Seashore, and Grand Bay. It would help restore and connect diverse habitats from east to west that are crucial for ecosystem and economic recovery in the northern Gulf coast. These investments would build on the recent funding from the NFWF GEBF for habitat restoration and planning, as well as research funding from the Gulf of Mexico Research Initiative (GoMRI).

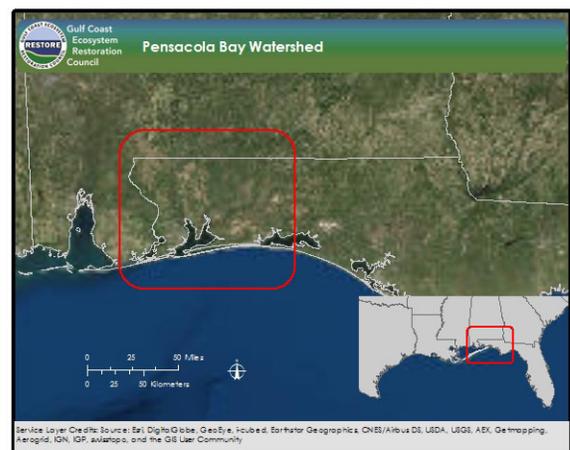
**Mobile Bay:** The Mobile River Basin drains two-thirds of the State of Alabama and portions of Mississippi, Tennessee, and Georgia before ultimately discharging to the Gulf of Mexico through a coastal area composed of terrestrial, freshwater, estuarine and marine



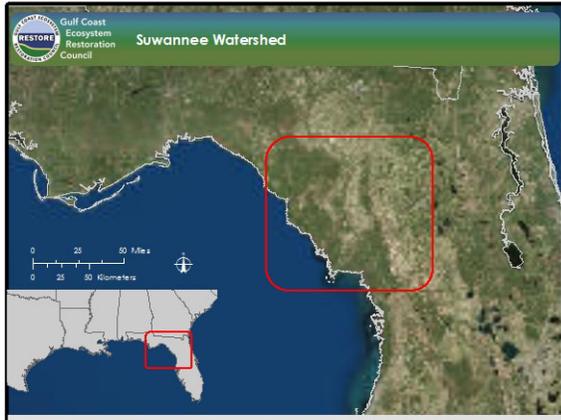
ecosystems that support a diverse and important assemblage of plants and animals. Alabama ranks fifth among U.S. states in biodiversity, and first among those east of the Mississippi River. Alabama's coastal resources support commercial and recreational activities including a deep-sea fishing industry, port and maritime industries, and tourism and recreation associated with both the Gulf-fronting sandy beaches and interior waterways such as the Mobile-Tensaw River Delta. The habitats around Mobile Bay are under stress due to factors such as land-use conversion,

shoreline hardening, sedimentation, invasive species and water quality degradation. To help restore these diverse coastal resources, the Council proposes to fund comprehensive planning by the Mobile Bay National Estuary Program; planning to advance specific living shoreline restoration and monitoring projects; oyster reef projects; and the final design and permitting of a 1,200 acre wetland creation site in the Upper Mobile Bay. In addition, investments would be made to implement submerged aquatic vegetation (SAV) restoration and monitoring projects.

**Pensacola Bay:** The Pensacola Bay estuary system covers 144 square miles and is comprised of several interconnected sounds or bays. The watershed's diverse habitats support more than 200 species of fish and shellfish, including rare, imperiled, or threatened plant and animal species. Pensacola Bay was once known for its thriving oyster industry; but because of the lack of suitable substrate and disease, the oysters declined and have been slow to recover. During the 1960s, approximately 9,500 acres of seagrass were



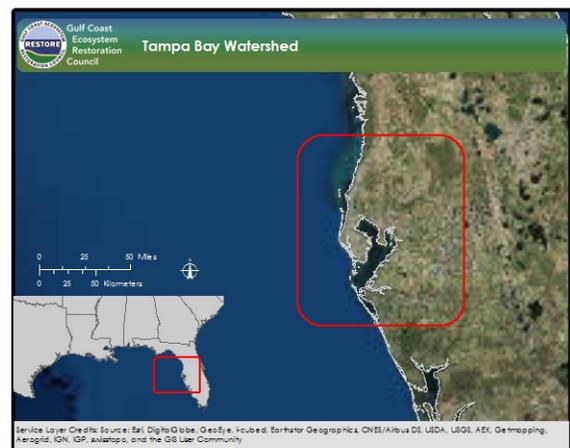




**Suwannee Watershed:** The Suwannee Watershed covers more than 7,700 square miles in one of Florida’s least populated areas. The Watershed encompasses a number of smaller river basins, including the Suwannee River, and drains into the *Big Bend Region*, which contains one of the two largest contiguous seagrass beds in the continental U.S. The Big Bend Region

supports a variety of bird species and other wildlife, and the seagrasses in this area sustain the premier Florida scallop population and recreational harvest, and provide important habitat for Federally listed species such as manatee, sturgeon, and sea turtles. The Suwannee River drains a large agricultural basin and the nutrient load from these agricultural activities is a considerable environmental stressor to the downstream habitat. The Council proposes to fund implementation of work with private landowners to improve irrigation system efficiency to conserve water and energy, while reducing nutrient loading, improving water quality, and restoring and protecting downstream habitat.

**Tampa Bay:** More than 95% of the commercially and recreationally fished species in the Gulf depend on estuaries during some part of their life cycle. With Florida having almost half of the U.S. estuaries bordering the Gulf, restoring these estuaries is integral to sustaining a healthy Gulf ecosystem. Tampa Bay, the largest open-water estuary in Florida, at nearly 400 square miles, has a wide variety of animals including manatees, wading birds and over 200 species of fish. However, many of these coastal resources have suffered loss from a variety of stressors, including elevated surface-water temperatures, tropical storms, coastal development and agriculture runoff, and invasive species. Restoration in the Tampa Bay area has been ongoing for many years and has resulted in water quality and habitat improvements. Yet work remains to be done to ensure the health and sustainability of this important coastal system. To that end, the Council proposes to build on those prior efforts by investing in additional water quality and hydrologic restoration efforts, while also continuing to support the extremely successful Tampa Bay National Estuary Program. Specifically, the Council proposes to fund planning to support habitat restoration, water quality improvement, and mitigation of erosion along the Palm River at the mouth of McKay Bay. The Council also proposes to fund planning to advance hydrologic restoration on approximately 140 acres of coastal upland, wetland, and subtidal habitats in the Robinson Preserve.



If finalized and approved by the Council, the draft FPL would provide substantial near-term ecological benefits and would help set the stage for future success with large-scale, comprehensive Gulf restoration. Among other activities, the draft FPL would:

- Restore and Conserve Habitat by focusing on projects that restore and enhance the health, diversity, and resilience of key marsh habitat and other coastal, estuarine, and marine habitats;
- Restore valuable wetlands by backfilling 16.5 miles of abandoned oil and gas canals;
- Conserve approximately 9,400 acres of high value coastal habitat;
- Protect existing coastal ecosystems by plugging 11 abandoned oil and gas wells;
- Improve water quality by working with private land owners to eliminate the use of approximately 16,000 pounds of fertilizer annually up to 15 years, and by funding activities that will result in water pollutant load reductions of approximately 60,000 pounds annually;
- Advance comprehensive restoration by funding a range of water quality and/or habitat restoration planning efforts in 10 key watersheds and estuaries; and
- Invest in Gulf-wide science, coordination, and planning programs.

The planning activities proposed in the draft FPL, if implemented in the future, could yield tens of thousands of additional acres of wetland restoration and many miles of living shorelines. Activities proposed in the draft FPL would be conducted in cooperation with other ecosystem restoration and science initiatives occurring in the Gulf, including the ongoing *Deepwater Horizon* NRDA and the NFWF GEBF.

This FPL is comprised of two separate categories of activities. The purpose of these categories is to clearly distinguish between those draft FPL activities that the Council is currently approving and funding (Category 1 activities) and those that are Council priorities for further review and potential future funding (Category 2 activities).

This FPL funds approximately \$139.6 million in Category 1 restoration activities that support Council goals 1 and 2, including hydrologic restoration, land conservation, and planning for large-scale restoration projects. For the possible implementation of activities in the future, the Council is reserving approximately \$43.6 million. The Council is not, in the Initial FPL, proposing to commit to the expenditure of any of these reserved funds for any particular activity, including any activity listed in Category 2. The reserved funds may be used for some, all or none of the activities listed in Category 2 and/or to support other activities not currently under consideration by the Council. Any subsequent material

modifications of this FPL, and any related funding decisions, will be made by the Council through Significant Action Votes<sup>2</sup>. See the following charts for a breakdown of funding priorities by restoration outcomes and Council Goals and Objectives.

Chart 1: Breakdown of Initial Funding Priorities by expected restoration outcomes.

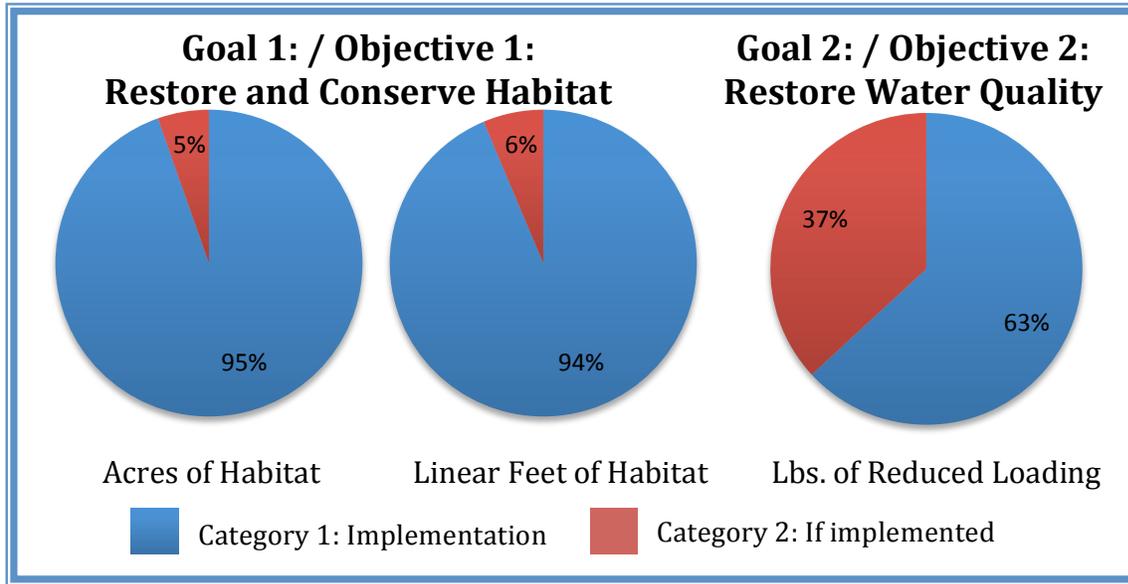
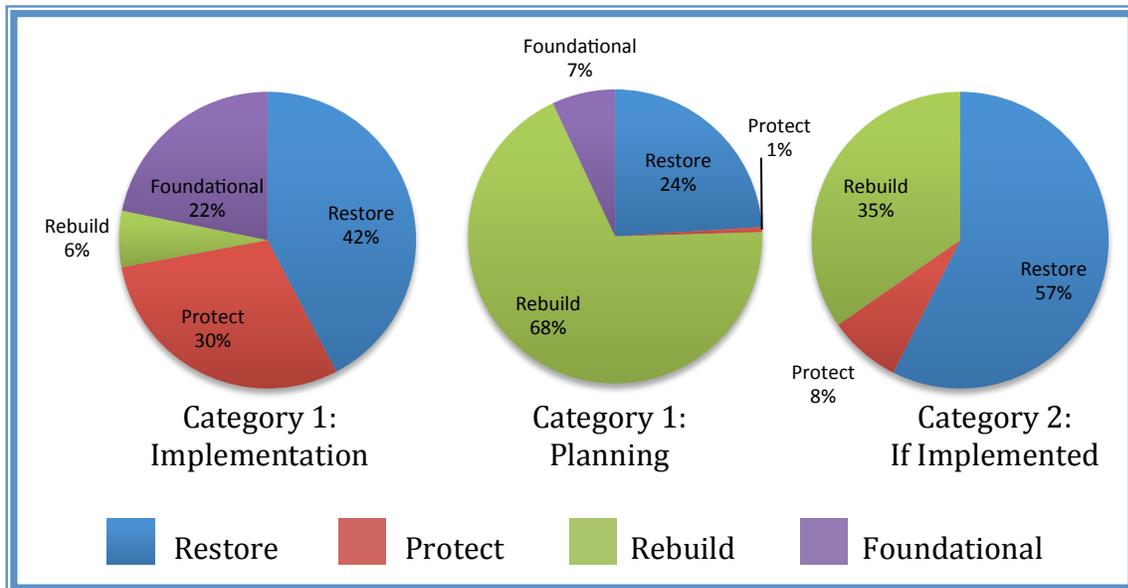


Chart 2: Implementation and planning funding allocation in Categories 1 and 2 by Council Goals and Objectives (Restore = Restore habitat and water quality, Rebuild = Rebuild habitat, Protect = Habitat conservation, Foundational = Science/Monitoring/Tool Development).



<sup>2</sup> Under the Act, a Significant Action Vote on a Council action means that an affirmative vote by the Chairperson and a majority of the State members is required for the action to become effective.

## **Spill Impact Component**

While the Council will select and fund projects and programs to restore the ecosystem with Council-Selected Restoration Component funds, the Spill Impact Component funds will be invested in projects, programs, and activities identified in approved SEPs. The RESTORE Act allocates 30% of the Trust Fund to the Gulf Coast States under a formula established by the Council, through a regulation, and spent according to individual SEPs. Each Gulf Coast State will develop an SEP describing how it will disburse the amounts allocated under the Spill Impact Component. These projects, programs and activities will be implemented through grants to the States in a manner that is consistent with the requirements of the RESTORE Act as well as the Goals and Objectives of the Comprehensive Plan.

In August 2014, the Council published an Interim Final Rule in the Federal Register to allow the Gulf Coast states to receive planning funds for the development of SEPs. The Final Rule was published on January 13, 2015. The Final Rule provides access to up to 5% of the funds available to each State under the Oil Spill Impact Component for planning. The Florida Consortium of Counties submitted a Planning State Expenditure Plan (PSEP) which was approved on May 21, 2015, followed by their grant application in September. Mississippi also submitted a PSEP in September, 2015.

On Tuesday, Sept. 29, 2015, the Council posted for public and Tribal comment and review a proposed regulation to implement the Spill Impact Component of the RESTORE Act. The regulation will establish the formula allocating funds made available from the Trust Fund among the Gulf Coast States of Alabama, Florida, Louisiana, Mississippi and Texas pursuant the Spill Impact Component of the RESTORE Act. This proposed regulation was available for public and Tribal review and comment through Wednesday, Oct. 29, 2015. Following the review of and response to public comments, the Council will finalize the regulation and begin accepting SEPs.

The Council will review each SEP to ensure it is consistent with Goals and Objectives set forth in the Initial Comprehensive Plan and ensure all requirements are met. The Council will approve or disapprove a plan within sixty days of receipt. If a SEP does not meet the applicable requirements, the Council will work with the State to address any outstanding issues.

## **Looking Forward**

In the year to come the Council will make final decisions on funding for the Initial Funding Priorities List. In early 2016, the Council will review the process used to develop the initial FPL. This review will consider both the views of Council members and public comments on the draft FPL. The goal of this review will be to expeditiously identify the broader lessons

learned, and apply this knowledge to the task of updating the Comprehensive Plan and developing future FPLs. The Council will begin updating the Comprehensive Plan in early 2016. The updated plan will incorporate guiding principles to be used as a framework for guiding Council decision-making and developing future FPLs.

## **FINANCIAL SECTION**

### **Message from the Chief Financial Officer November 16, 2015**

I am pleased to present our financial statements for fiscal year 2015. This report demonstrates our commitment to fulfill our fiduciary responsibilities to our constituents in the Gulf Coast region and to the American public.

The audit has resulted in an unmodified (or “clean”) opinion. The audit reported that although the controls are not yet fully documented, the Council had implemented entity level controls for the entire year, implemented process level controls for a significant portion of the year, and documented both entity and process level controls in February 2015. It also noted that although it has contracted for an organizational risk assessment, that assessment is not complete. The incomplete risk assessment, and delay in documenting entity level and process controls resulted in a significant deficiency. A significant deficiency is defined as a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To address last year’s material weakness in internal controls, the Council put in place a robust recruitment strategy and brought on board key management officials. In addition to the Executive Director and Chief Financial Officer/Director of Administration, the full-time permanent General Counsel, Deputy Executive Director, Director of Environmental Compliance, Senior Science Officer, Financial Manager, and Senior Grants Officer were brought on board, and detailees from Mississippi, Florida and Federal agencies were recruited to address other senior level positions. Additional permanent staff members were hired, while additional detailees and contractor staff supported the development of the grant program and system.

To the extent possible, increased segregation of duties commenced at the beginning of the year with the addition of the executive secretariat/program analyst. In February 2015, the Council’s Standard Operating Procedures (entity controls) were approved and the Financial Manager joined the Council team. Additional internal controls were immediately implemented and documented, and continuous improvement of the controls and documentation has occurred throughout the year. Additional administrative policies and procedures have also been developed and documented. Contracts are in place to perform an organizational risk assessment and develop additional risk management, internal control, financial assistance management and compliance, and administrative policies and procedures.

These financial statements fairly present our financial position, net cost, changes in net position, and budgetary resources and were prepared in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB.

A handwritten signature in black ink that reads "Mary C. Pleffner". The signature is written in a cursive style with a large, looped 'M' and a long, sweeping tail on the 'n'.

Mary C. Pleffner  
Chief Financial Officer

## INSPECTOR GENERAL TRANSMITTAL LETTER



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

November 16, 2015

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

Dear Chairperson Pritzker:

We contracted with the independent certified public accounting firm, RMA Associates, LLC (RMA), to audit the financial statements of the Gulf Coast Ecosystem Restoration Council (Council) as of September 30, 2015 and 2014, and for the years then ended, to provide a report on internal control over financial reporting, and to report any reportable noncompliance with laws, regulations, contracts, and grant agreements tested. The contract required that the audit be performed in accordance with government auditing standards and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

The audit of the Gulf Coast Ecosystem Restoration Council's financial statements is required by the Chief Financial Officer's Act, as amended by the Accountability of Tax Dollars Act of 2002. This audit was performed as part of our authority under Section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012.

In its audit of the Council, RMA found:

- the financial statements were fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- a significant deficiency in internal control over financial reporting related to the Council's lack of documented and implemented internal controls; and
- no instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested.

In connection with the contract, we reviewed RMA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express an opinion on the financial statements or

conclusions about the effectiveness of internal control or compliance with laws and regulations. RMA is responsible for the attached auditors' report dated November 6, 2015, and the conclusions expressed in the report. However, our review disclosed no instances where RMA did not comply, in all material respects, with U.S. generally accepted government auditing standards and OMB Bulletin No. 15-02.

I appreciate the courtesy and cooperation extended to RMA and my staff during the audit. Should you have any questions, please contact me at (202) 622-1090, or a member of your staff may contact Marla A. Freedman, Assistant Inspector General for Audit, at (202) 927-5400.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric M. Thorson', with a long horizontal line extending to the right.

Eric M. Thorson  
Inspector General, Department of the Treasury

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

Enclosure

# RMA Associates, LLC

Certified Public Accountants and Consultants

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## Independent Auditors' Report

Inspector General  
Department of the Treasury

Secretary, U.S. Department of Commerce and  
Chairperson, Gulf Coast Ecosystem Restoration Council

### Report on the Financial Statements

We have audited the accompanying financial statements of the Gulf Coast Ecosystem Restoration Council (Council) which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as “financial statements” or “basic financial statements”), for the years then ended; and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

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of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gulf Coast Ecosystem Restoration Council as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the U.S. require that the *Management's Discussion and Analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The *Message from the Executive Director on Behalf of the Council*, the *Performance Section*, and the *Other Information* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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## Other Reporting Required by *Government Auditing Standards*

### *Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in Exhibit A, that we consider to be a significant deficiency.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 15-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

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## *The Council's Response to Finding*

The Council's response to the finding identified in our audit is described in Exhibit A. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## *Purpose of the Other Reporting Required by Government Auditing Standards*

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

*RMA Associates*

Arlington, VA

November 6, 2015

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## Exhibit A: Significant Deficiency in Internal Control over Financial Reporting

### Lack of Documented and Implemented Internal Controls

The Council lacks certain documentation relating to entity level controls (control environment, risk assessment, information and communication, and monitoring) and process level internal control policies and procedures (control activities).

The Council uses the Treasury's Administrative Resource Center (ARC) for its accounting and financial reporting needs. However, ARC's controls can only be relied upon taken in conjunction with the Council's documented and implemented end-user complementary process level controls. Although the controls are not fully documented yet, the Council has implemented entity level controls for the entire year and has implemented process level controls for a significant portion of the fiscal year.

Starting in September 2014, process level controls were implemented to allow additional segregation of duties. In February 2015, with the addition of financial management staff, entity level and process controls were implemented and documented. However, the documentation needs additional development in order for it to be more comprehensive and integrated. Furthermore, the Council's risk assessment process has been initiated but has not been completed.

OMB Circular A-123, *Management's Responsibility for Internal Control*, which presents guidelines for internal control requirements for Federal agencies, states that "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations." According to OMB Circular A-123 and the GAO Standards for Internal Control within the Federal Government, management is responsible for developing and maintaining internal control activities within the following control areas:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communications; and
- Monitoring.

The Council is still in the early stage of organizational development. The Council hired an accountant in February of 2015 to assist with accounting and reporting responsibilities. A second staff accountant is currently being recruited. The Council has also brought on additional contract resources to help document, implement, and assess internal controls.

**Recommendation:** The Council should continue documenting, implementing, and assessing its internal control policies.

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## Gulf Coast Ecosystem Restoration Council

November 16, 2015

RMA Associates, LLC  
1005 N. Glebe Road, Suite 210  
Arlington, Virginia 22201

Gentlemen:

The Council is proud of the success it has achieved in standing up a new independent federal entity and establishing the administrative, financial and operational foundation to carry out its mission and achieve the goals and objectives of its Comprehensive Plan. The Council does, however, concur that we currently lack fully documented entity level (control environment, risk assessment, information and communication, and monitoring) and process level internal control policies and procedures (control activities). We agree with the recommendation to continue documenting, implementing and assessing our internal control policies.

In fiscal year 2015, the Council undertook an administrative action plan to address the material weakness identified in the fiscal years 2013 and 2014 audit, implemented and documented both entity and process level controls, undertook an organizational risk assessment, developed extensive grant policies and procedures in conjunction with the development of the automated grants management system, and is documenting additional financial and administrative policies and procedures. As a result of these efforts, the fiscal years 2013 and 2014 material weakness has been reduced to a significant deficiency.

After completion of the organizational risk assessment and the implementation of its recommendations, the Council anticipates that it will have in place the five internal control components of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. This integrated internal control framework will meet the requirements of GAO and OMB, and position the Council to exercise adequate oversight of the disbursement and use of funding for projects and programs to achieve the goals and objectives of the RESTORE Act for restoration in the Gulf Coast region.

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Justin Ehrenwerth  
Executive Director

**GULF COAST ECOSYSTEM RESTORATION COUNCIL**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2015 AND 2014**

**GULF COAST ECOSYSTEM RESTORATION COUNCIL  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2015 AND 2014**

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**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2015 AND 2014**  
**(In Dollars)**

	2015	2014
<b>Assets:</b>		
Intragovernmental		
Fund Balance With Treasury (Note 3)	\$ 1,111,966	\$ 940,904
Expenditure Transfers Receivable (Note 4)	2,052,551	764,164
Total Intragovernmental	3,164,517	1,705,068
Property, Equipment, and Software, Net (Note 5)	158,685	-
<b>Total Assets</b>	<b>\$ 3,323,202</b>	<b>\$ 1,705,068</b>
<b>Stewardship PP&amp;E</b>		
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable (Note 6)	\$ 389,572	\$ 332,763
Employer Contribution On Payroll Taxes Payable	10,284	285
Total Intragovernmental	399,856	333,048
With the Public		
Accounts Payable	\$ 25,083	\$ 6,102
Accrued Payroll	227,597	2,424
Total Liabilities With the Public	252,680	8,526
<b>Total Liabilities</b>	<b>\$ 652,536</b>	<b>\$ 341,574</b>
<b>Commitments and Contingencies</b>		
<b>Net Position:</b>		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 21)	2,670,666	1,363,494
Total Net Position	\$ 2,670,666	\$ 1,363,494
<b>Total Liabilities and Net Position</b>	<b>\$ 3,323,202</b>	<b>\$ 1,705,068</b>

**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**STATEMENT OF NET COST**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**  
(In Dollars)

	2015	2014
<b>Program Costs:</b>		
Comprehensive Plan - Administrative Expenses:		
Gross Costs	\$ 938,937	\$ 731,726
Less: Earned Revenue	-	-
Net Comprehensive Plan - Administration Expenses	\$ 938,937	\$ 731,726
Comprehensive Plan - Programmatic Expense:		
Gross Costs	\$ 2,030,196	\$1,298,271
Less: Earned Revenue	-	-
Total Comprehensive Plan Programmatic Expenses	\$ 2,030,196	\$ 1,298,271
Total Comprehensive Plan Projects and Programs (grants)	\$ -	\$ -
Net Comprehensive Plan - Programmatic Expense Costs	\$ 2,030,196	\$ 1,298,271
Net Cost of Operations	\$ 2,969,133	\$ 2,029,997

**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**  
(In Dollars)

	2015	2014
	Dedicated Collections	Dedicated Collections
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ 1,363,494	\$ 309,000
Adjustments	-	-
Beginning Balances, as Adjusted	1,363,494	309,000
<b>Budgetary Financing Sources:</b>		
Transfers In/Out Without Reimbursement	3,548,387	1,964,164
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing Sources (Note 9)	727,918	1,120,327
Total Financing Sources	4,276,305	3,084,491
Net Cost of Operations	(2,969,133)	(2,029,997)
Net Change	1,307,172	1,054,494
Cumulative Results of Operations	\$ 2,670,666	\$ 1,363,494
Net Position	\$ 2,670,666	\$ 1,363,494

**GULF COAST ECOSYSTEM RESTORATION COUNCIL**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**  
**(In Dollars)**

	2015	2014
<b>Budgetary Resources:</b>		
Unobligated Balance Brought Forward, October 1	\$ 1,123,318	\$ -
Unobligated Balance Brought Forward, October 1, as adjusted	1,123,318	-
Recoveries of Prior Year Unpaid Obligations	1,779	78,879
Unobligated balance from prior year budget authority, net	1,125,097	78,879
Spending authority from offsetting collections	3,548,387	1,964,164
<b>Total Budgetary Resources</b>	<b>\$ 4,673,484</b>	<b>\$ 2,043,043</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred	\$ 3,751,428	\$ 919,725
Unobligated balance, end of year:		
Apportioned	920,547	1,044,439
Unapportioned	1,509	78,879
Total unobligated balance, end of year	922,056	1,123,318
<b>Total Budgetary Resources</b>	<b>\$ 4,673,484</b>	<b>\$ 2,043,043</b>
<b>Change in Obligated Balance</b>		
<b>Unpaid Obligations:</b>		
Unpaid Obligations, Brought Forward, October 1	\$ 581,750	\$ 360,000
Obligations Incurred	3,751,428	919,725
Outlays (gross)	(2,088,938)	(619,096)
Recoveries of Prior Year Unpaid	(1,779)	(78,879)
Unpaid obligations, end of year	2,242,462	581,750
<b>Uncollected payments:</b>		
Uncollected payments from Federal sources, brought forward, October 1	(764,164)	-
Change in uncollected payments from Federal Sources	(1,288,387)	(764,164)
Uncollected payments from Federal sources, end of year	(2,052,551)	(764,164)
<b>Memorandum entries:</b>		
Obligated balance, start of year	\$ (182,414)	\$ 360,000
Obligated balance, start of year, as adjusted	(182,414)	360,000
Obligated balance, end of year	\$ 189,911	\$ (182,414)
<b>Budget Authority and Outlays, Net:</b>		
Budget authority, gross	\$ 3,548,387	\$ 1,964,164
Actual offsetting collections	(2,260,000)	(1,200,000)
Change in uncollected payments from Federal sources	(1,288,387)	(764,164)
<b>Budget Authority, net, (total)</b>	<b>\$ -</b>	<b>\$ -</b>
Outlays, gross	\$ 2,088,938	\$ 619,096
Actual offsetting collections outlays, net (total)	(2,260,000)	(1,200,000)
	(171,062)	(580,904)
<b>Agency outlays, net</b>	<b>\$ (171,062)</b>	<b>\$ (580,904)</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1. REPORTING ENTITY**

#### **A. Reporting Entity**

The Gulf Coast Ecosystem Restoration Council (Council) was established under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) (title I, subtitle F of PL 112-141) and section 311 of the Federal Water Pollution Control Act (FWPCA) (33 U.S.C. 1321). The Council is comprised of governors from the five affected Gulf States (Alabama, Florida, Louisiana, Mississippi and Texas), the Secretaries from the U.S. Departments of the Interior, Commerce, Agriculture, and Homeland Security as well as the Secretary of the Army and the Administrator of the U.S. Environmental Protection Agency.

The Council reporting entity is comprised of a General Fund and General Miscellaneous Receipts. The Council is a party to interagency transfers with the Gulf Coast Restoration Trust Fund (Trust Fund). The interagency transfers are processed through the Intra-Governmental Payment and Collection (IPAC) System.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Basis of Accounting and Presentation**

The financial statements have been prepared to report the financial position net costs, changes in net position and budgetary resources of the Council. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results. The Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Council in accordance with the hierarchy of accounting principles generally accepted in

the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the Council accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Council's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

#### **B. Fund Balance with Treasury**

Fund Balance with Treasury is the aggregate amount of the Council's funds with Treasury in expenditure, receipt, and deposit fund accounts. Funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The Council does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

#### **C. Expenditure Transfers Receivable**

An Expenditure Transfers Receivable is established when an apportionment is approved by OMB and funds can be drawn from the Trust Fund. However, funds are left in the Trust Fund until needed for cash disbursements so that these monies can continue to be invested and earn interest.

#### **D. Property, Equipment and Software**

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives.

The Council's capitalization threshold for general property, equipment, leasehold improvements and software is \$50,000 for individual and \$500,000 for bulk purchases.

Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life for the Council's equipment and software capitalized assets is 5 years.

## **E. Liabilities**

Liabilities represent the amount of funds likely to be paid by the Council as a result of transactions or events that have already occurred.

The Council reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another Federal agency. Liabilities With the Public represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

## **F. Use of Estimates**

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

## **G. Funds from Dedicated Collections**

The RESTORE Act of 2012 established in the Treasury of the United States a trust fund known as the Gulf Coast Restoration Trust Fund, which consists of deposits equal to 80% of all administrative and civil penalties paid by responsible parties in connection with the explosion on and sinking of the mobile offshore drilling unit Deepwater Horizon.

Pursuant to P.L. 112-141 Sec 1601-1608, 60% of administrative and civil penalty deposits in the Gulf Coast Restoration Trust Fund (020X8625) and 50% of interest revenue

collections from the amount in the Gulf Coast Restoration Trust Fund, available until expended, are transferred to the Council.

**H. Imputed Costs**

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The Council received support from Council Members primarily through non-reimbursable details, support services, and travel. The Council also received support from external entities through Intergovernmental Personnel Act assignments. The Council recognized imputed costs and financing sources in fiscal years 2015 and 2014 to the extent directed by accounting standards.

**NOTE 3. FUND BALANCE WITH TREASURY**

Fund balance with Treasury account balances as of September 30, 2015 and 2014 were as follows:

<b>FUND BALANCE WITH TREASURY ACCOUNT BALANCES</b>		
	<b>2015</b>	<b>2014</b>
<b>Fund Balances (General Fund):</b>		
Comprehensive Plan - Administration Costs	\$ 544,502	\$ 775,055
Comprehensive Plan - Program Costs	567,464	
Programmatic Expense Projects and Programs (grants)		165,849
Spill Impact Program (grants)		--
Other		--
<b>Total</b>	<b>\$ 1,111,966</b>	<b>\$ 940,904</b>

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts. The FY14 PAR reported the fiscal year 2014 Fund Balance for the Comprehensive Plan - Administrative Costs as \$755,055 but the figure should have read \$775,055. The total fiscal year 2014 Fund Balance was correct.

**STATUS OF FUND BALANCE WITH TREASURY**

	2015	2014
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 920,546	\$ 1,044,439
Unavailable	1,509	78,879
Obligated Balance Not Yet Disbursed	189,911	(182,414)
Non-Budgetary FBWT	--	--
<b>Total</b>	<b>\$ 1,111,966</b>	<b>\$ 940,904</b>

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

**NOTE 4. EXPENDITURE TRANSFERS RECEIVABLE**

Expenditure Transfers Receivable represents the balance of funds drawn from the Trust Fund to the Council from the apportionments approved by OMB. The Council leaves funds in the Trust Fund until it must disburse funds to pay for goods and services received. This is done to maximize the amount of interest earned by the Trust Fund, 50% of which flows to the Council. In fiscal year 2015, the Council received a total of \$2,260,000 from the Gulf Coast Restoration Trust Fund to liquidate obligations for goods and services received. The balance of funds available to be drawn from the Trust Fund is \$2,052,551 as shown in the table on the following page.

<b>EXPENDITURE TRANSFERS RECEIVABLE</b>		
	<b>2015</b>	<b>2014</b>
Funds Apportioned		
FY 2014 Apportionment	\$ --	\$ 1,964,164
FY 2015 Apportionment	3,548,387	--
Total Funds Apportioned	\$3,548,387	1,964,164
Funds Received from the Trust Fund		
Funds IPAC'd	(2,260,000)	(1,200,000)
Prior Year Receivable Carry Forward	764,164	--
Balance Expenditure Transfers Receivable	\$2,052,551	\$ 764,164

**NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE**

Schedule of Property, Equipment, and Software as of September 30, 2015. The Council did not have any applicable Property, Equipment and Software as of September 30, 2014.

<b>MAJOR CLASS</b>	<b>ACQUISITION COST</b>	<b>ACCUMULATED DEPRECIATION</b>	<b>NET BOOK VALUE</b>
Software in Development	\$ 158,685	N/A	\$ 158,685

**NOTE 6. INTRAGOVERNMENTAL LIABILITIES – ACCOUNTS PAYABLE**

The balance in Accounts Payable account consists of a number of interagency agreements for services from other federal agencies received but not yet billed. The table on the following page provides additional detail.

**INTRAGOVERNMENTAL LIABILITIES - ACCOUNTS PAYABLE**

	2015	2014
Department of Agriculture /National Finance Center/payroll	\$ --	\$35,000
Department of Commerce / legal/HR/email services	168,889	91,777
Environmental Protection Agency/web hosting	24,350	--
General Services Administration/office space lease	1,076	1,462
Department of the Interior/Interior Business Center/ network services	8,290	--
Department of the Treasury/Office of Inspector General/audit	4,800	12,582
Government Publishing Office	42,453	--
Department of Commerce/Office of the Secretary/legal services and salary reimbursement	101,560	191,942
Department of Interior/US Geological Service/website and GIS support	38,154	--
<b>Total Intragovernmental Liabilities</b>	<b>\$389,572</b>	<b>\$ 332,763</b>

**NOTE 7. LEASES**

The Council entered into an operating lease for 1,883 usable (2,399 rentable) square feet of office space with GSA in September 2014 in the Hale Boggs Federal Building/Courthouse in New Orleans. The Council entered their second year of occupancy effective September 15, 2015. The Council may relinquish space upon four months notice. Thus, the Council's financial obligation will be reduced to four months of rent.

**NOTE 8. INTRAGOVERNMENTAL COST**

Intragovernmental costs represent exchange transactions between the Council and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs are summarized as follows:

<b>INTRAGOVERNMENTAL COSTS</b>		
	2015	2014
Intragovernmental Costs	\$ 1,632,964	\$ 1,967,131
Public Costs	1,336,169	62,867
Total Program Costs	2,969,133	1,193,648
<b>Total Net Cost</b>	<b>\$ 2,969,133</b>	<b>\$ 2,029,997</b>

**NOTE 9. IMPUTED COSTS**

The Council received support totaling \$727,919 in fiscal year 2015 and \$1,120,327 in fiscal year 2014 from members of the Council, outside organizations and the Office of Personnel Management. The table that follows identifies the level of support provided by agency/organization.

<b>IMPUTED COSTS</b>		
	<b>2015</b>	<b>2014</b>
Department of Agriculture	\$ 25,738	\$ --
Department of Commerce	--	141,751
Department of Commerce (Walton Family Foundation , gift)	--	183,071
Environmental Protection Agency	107,490	380,554
United States Coast Guard	--	218,596
Office of Personnel Management	34,270	1,544
Department of Interior	37,707	--
Mississippi State University	--	90,837
Ocean Conservancy	28,658	103,974
Dept. of Commerce, National Oceanic & Atmospheric Adm	156,555	--
Dept. of Commerce, National Technical Information Service	337,500	--
<b>Total</b>	<b>\$ 727,918</b>	<b>\$ 1,120,327</b>

**NOTE 10. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT**

The President’s Budget that will include fiscal year 2015 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2016 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2016 Budget of the United States Government, with the "Actual" column completed for 2014, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

**NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

For the periods ended September 30, 2015 and 2014, budgetary resources obligated for undelivered orders amounted to \$1,589,925 and \$240,176, respectively.

## OTHER INFORMATION (UNAUDITED)

### RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Council has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

<b>RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET</b>		
	<b>2015</b>	<b>2014</b>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$3,751,428	\$919,725
Spending Authority from Offsetting Collections and Recoveries	(3,550,166)	(2,043,043)
Obligations Net of Offsetting Collections and Recoveries	201,262	(1,123,318)
Offsetting Receipts	--	--
Net Obligations	201,262	(1,123,318)
Other Resources		
Imputed Financing From Costs Absorbed by Others	727,918	1,120,327
Other Resources	--	--
Net Other Resources Used to Finance Activities	727,918	1,120,327
Total Resources Used to Finance Activities	929,180	(2,991)
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	(1,349,749)	68,824
Other	3,548,387	1,964,164
Resources That Finance the Acquisition of Assets	(158,685)	--
Total Resources Used to Finance Items Not Part of Net Cost of Operations	2,039,953	2,032,998
Total Resources Used to Finance the Net Cost of Operations	\$2,969,133	\$2,029,997
Net Cost of Operations	\$2,969,133	\$2,029,997

## SCHEDULE OF SPENDING AND EXPLANATORY NOTES

**GULF COAST ECOSYSTEM RESTORATION COUNCIL  
SCHEDULE OF SPENDING  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 & 2014  
(In Dollars)**

	2015	2014
<b>What Money is Available to Spend?</b>		
Total Resources	\$4,673,484	\$2,043,043
Less Amount Not Agreed to be Spent	(920,547)	(1,044,439)
Less Amount Not Available to be Spent	(1,509)	(78,879)
<b>Total Amounts Agreed to be Spent</b>	<b>\$3,751,428</b>	<b>\$919,725</b>
<b>How was the Money Spent?</b>		
Personnel Compensation	\$1,090,070	\$258,341
Personnel Benefits	265,211	77,880
Benefits for Former Personnel	--	--
Travel and transportation of persons	118,763	45,245
Transportation of things	3,373	--
Rent, Communications, and utilities	57,315	47,162
Printing and reproduction	45,527	--
Other contractual services	1,554,450	428,977
Supplies and materials	3,198	5,127
Equipment	611,269	6,993
Land and structures	--	50,000
Investments and Loans	--	--
Grants, subsidies and contributions	--	--
Insurance claims and indemnities	--	--
Interest and dividends	2,252	--
Refunds	--	--
Other	--	--
<b>Total Amounts Agreed to be Spent</b>	<b>\$3,751,428</b>	<b>\$919,725</b>
<b>Who did the Money go to?</b>		
Federal	\$2,055,350	\$836,620
Non-Federal	1,696,078	83,105
<b>Total Amounts Agreed to be Spent</b>	<b>\$3,751,428</b>	<b>\$919,725</b>

In fiscal year 2015, the Council received a total of \$3,548,387 in new authority and obligated \$3,751,428.

“Other contractual services” consists of interagency agreements or contracts for the following:

- Accounting, procurement and travel services: Administrative Resources Center, Department of the Treasury
- Audit services: Office of Inspector General, Department of the Treasury
- Legal, human resources, and email services: Department of Commerce
- Website and GIS support services: US Geological Service, Department of the Interior
- Website transition services: Environmental Protection Agency
- Network services: Department of the Interior Business Center
- Organizational risk assessment, advisory and assistance services: commercial contract.

The “equipment” consists of the purchase and configuration of the Council’s automated grant system, the Restoration Agreements and Awards Management System (RAAMS) through an interagency agreement with the National Technical Information Service, the purchase of systems furniture for the Council’s open office area, computer and office equipment. “Rent, communications and utilities” includes office space lease costs, building security and the cell phone contract. “Printing and reproduction” consists of the interagency agreement with the Government Printing Office for Council publications in the Federal Register, and miscellaneous other printing and reproduction requirements.

The Council has no revenue forgone and does not collect taxes.

## **MANAGEMENT CHALLENGES AND RESPONSE**

The Treasury Inspector General (IG) has oversight responsibility over the Council. The 2015 Managements and Performance Challenges (OIG-CA-16-003) Report and the Council's response is as follows.



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 30, 2015

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: 2015 Management and Performance Challenges (OIG-CA-16-003)

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 of the most serious management and performance challenges facing the Council. In assessing the most serious challenges, we are mindful that the Council is still a relatively new 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 are reporting the following challenge, which is repeated from the prior year.

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

One of the more formidable initial tasks required by the RESTORE Act was to stand up the Council, including its operating framework and infrastructure. The Council is charged with administering two critical RESTORE Act components: the Council-Selected Restoration Component and the Spill Impact Component. Together, these components will receive 60 percent of all funds deposited into the Gulf Coast Ecosystem Restoration Trust Fund (Trust Fund) plus 50 percent of total interest earned on Trust Fund deposits.

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, 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.

In view of its broad responsibilities, the Council made notable achievements over the past year that included meeting two key mandates. In December 2014, the Council submitted its first *Annual Report to Congress* that outlined actions taken since passage of the Act. The Council also underwent its first financial statement audit covering fiscal years 2013 and 2014. Performing the

audit under the supervision of my office, an independent public accountant issued unmodified opinions (also referred to as “clean opinions”) on the Council’s financial statements. Similar to the challenge discussed in this letter, the auditor reported a material weakness concerning the Council’s lack of sufficient implemented and documented internal controls related to its financial reporting, which was attributed to the lack of staff resources.

The Council made significant progress to fill critical staff positions but has not yet achieved its planned permanent staffing structure. Sufficient and able staff is essential to completing the overall organizational infrastructure that is comprised of strong internal controls and a reliable and secure information technology environment to support financial management and grant activities.

To date, the Trust Fund received approximately \$816 million as a result of the Federal Government’s settlement with the Transocean defendants. Going forward, the Council must also consider the impact of the recently proposed settlement with BP Exploration & Production Inc. (BPXP). In July 2015, BP agreed to settle with the Federal Government and the Gulf Coast States resulting in approximately \$4.4 billion plus interest expected to be deposited into the Trust Fund over a 15-year period. Now that a more definitive amount has been determined, the Council, along with the Gulf Coast States and local governments, will need to ensure that existing plans and internal processes meet the expected funding levels as well as timing of payments.

The breadth and depth of the Council’s responsibilities under the RESTORE Act are far-reaching and many parties are dependent on its success. As such, we continue to meet with the Council’s staff and provide our perspectives on internal controls as they are being developed. We remain actively engaged with affected Federal, State, and local government entities to ensure effective oversight of programs established by the RESTORE Act. The appropriate disbursement and use of grant funds will be a focus of our work going forward.

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,

/s/

Eric M. Thorson  
Inspector General, Department of the Treasury

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



**Gulf Coast Ecosystem Restoration Council**  
New Orleans, Louisiana

November 4, 2015

Eric M. Thorson  
Inspector General, U.S. Department of the Treasury  
Washington, DC 20222

Re: Response to the OIG Report, 2015 Management and Performance Challenges  
(OIG-CA 16-003)

Dear Inspector General Thorson:

Thank you for the opportunity to review the Office of the Inspector General's (OIG) report 2015 Management and Performance Challenges (OIG-CA-16-003). As you have pointed out, the Council is still a relatively new 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). We concur that the major challenge of the Council is to stand up the operating framework and infrastructure to distribute the funds it will receive from the RESTORE Trust Fund and to address the mandates of the RESTORE Act in doing so.

The Council has made significant progress in the past year. In addition to the achievements noted in your letter, we have published the draft initial Funded Priorities List and the draft Spill Impact Component regulation. We implemented an Administrative Infrastructure Action Plan in response to the material weakness identified in the fiscal years 2013 and 2014 audit, and as a result the material weakness has been reduced to a significant deficiency. We continue to focus our efforts on filling critical staff positions, and are in the process of performing an organizational risk assessment, standing up an automated grant system, and documenting financial, administrative and grants management policies and procedures.

We appreciate the ongoing cooperation and support we receive from your staff. Their expertise has been invaluable and will be particularly important as we finalize procedures and controls for the disbursement and use of grant funds. We look forward to working with you to address the challenges identified in this 2015 Management and Performance Challenges report.

Sincerely,

Justin R. Ehrenwerth  
Executive Director

Hale Boggs Federal Building, 500 Poydras Street, Suite 1117, New Orleans, Louisiana 70130

**SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES**

The following tables provide a summary of an audit-identified material weakness in fiscal year 2014 and other FMFIA-related information as outlined in the fiscal years 2014 and 2015 Performance and Accountability Report. The material weakness identified in fiscal year 2014 has been reduced to a significant deficiency in fiscal year 2015. This information is consistent with the deficiency identified in the Council’s FMFIA Statement of Assurance.

<b>Table 1 - Summary of Financial Statement Audit</b>					
Audit Opinion	<b>Unmodified</b>				
Restatement	<b>No</b>				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Lack of Sufficient Documented Internal Controls over Financial Reporting	1	0	1	NA	0
<i>Total Material Weaknesses</i>	1	0	1	NA	0

<b>Table 2 - Summary of Management Assurances</b>						
<b>Effectiveness of Internal Control over Financial Reporting (FMFIA - § 2)</b>						
Statement of Assurance	<b>Qualified</b>					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Insufficient staff to fully implement its FMFIA Program	1	0	1	NA	NA	0
<i>Total Material Weaknesses</i>	1	0	1	NA	NA	0
<b>Effectiveness of Internal Control over Operations (FMFIA - § 2)</b>						
Statement of Assurance	<b>Unqualified</b>					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	NA	NA	NA	0
<b>Conformance with Financial Management System Requirements (FMFIA - § 4)</b>						
Statement of Assurance	<b>Conform</b>					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Non-Conformances</i>	0	0	NA	NA	NA	0

**IMPROPER PAYMENTS**

The Council has not made any improper payments reportable under the Improper Payments Information Act of 2002 (IPIA) as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012. The Council has determined that at this time they do not have any programs that are susceptible to significant improper payments, no OMB designated high priority programs, and based on its risk assessment, its current activities are at a low risk of susceptibility for improper payments.

As part of its internal control processes, on a weekly basis, the Vendor Supplier Group in ARC submits a file of active vendors through the Do Not Pay Business Center’s Continuous Monitoring system. The results are received and conclusive matches reviewed. Matches from the SSA Death Master File are end dated in Oracle; matches from the System for Award Management (SAM) Excluded Party List System (EPLS) are provided to the customer care branch for research and consultation with the customer for instructions.

<b>DO NOT PAY</b>	
Number of conclusive vendor matches	0
Number of payments reviewed	0
Number of payments stopped	0
Number of improper payments	0

The Council has determined that it is not necessary to perform a recapture audit for payments made in fiscal year 2015.

**FREEZE THE FOOTPRINT**

As a new agency established by the RESTORE Act, the Council had no fiscal year 2012 baseline office or warehouse space. The Council entered into an occupancy agreement (lease) for office space in September 2014. The Council has staff assigned to and working from this office space, while other staff members work remotely from home offices or parent agency offices, throughout the Gulf Coast, thereby minimizing the amount of square footage required for office space and minimizing the footprint of the Council.