



TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

REPORT ON THE AUDIT OF THE ADMINISTRATION OF THE GULF OF MEXICO ENERGY SECURITY ACT

JULY 2023

EXECUTIVE SUMMARY

The Texas General Land Office (GLO) has established processes and controls to ensure the adequate administration of the Gulf of Mexico Energy Security Act (GOMESA) and compliance with the operational guidelines of the act. GOMESA funds are administered by the GLO Coastal Resources Division and allocated for usage amongst the following activities:

- Coastal Erosion Planning and Response Act (CEPRA)¹
- Coastal Management Program (CMP)²
- Resource Management Allocations (Other)³

Two administrative areas were identified that should be strengthened to increase the effectiveness of established controls. GLO Coastal Resources should ensure the development and consistent adherence to established procedures to strengthen the control environment and compliance with agency and program guidelines.

The areas identified for improvement pertained to the following:

1. Uniformity in the documentation, generation, communication, and retention of site visits for CEPRA activities
2. Retention of program documentation in adherence to agency requirements

Additional information on the items mentioned above is outlined in the “Details Results” section of this report. As a result of the audit, there were additional opportunities to strengthen internal controls, but they did not meet the criteria for inclusion in this report. These items were presented to management in a separate communication.

¹ CEPRA implements erosion response projects and studies through collaboration and a matching funds partnership with federal, state, and local governments, non-profit organizations, and other potential project partners.

² CMP, funded by the National Oceanic and Atmospheric Administration (NOAA), focuses on the state's coastal natural resource areas.

³ Resource Management “Other Allocation” are funds used for planning, administration, facilitating the initiation and completion of other coastal projects, and leveraged with other funding sources for the completion of related projects.

MANAGEMENT'S SUMMARY RESPONSE

Management generally concurs with the recommendations. The "Detailed Results" section of this report contains management's response to each observation.

ACKNOWLEDGMENTS

Personnel of the GLO Coastal Resources division are to be commended for their efforts in administering the GOMESA funds. We appreciate the assistance and cooperation provided to us by the management and staff of the Coastal Resources and Construction Services divisions during this audit. For questions about this report, please contact Tracey Hall at (512) 463-6078.



Tracey Hall, CPA, CISA
Chief Auditor, Office of Audit and Compliance

July 26, 2023
Date

BACKGROUND INFORMATION

The General Land Office (GLO) administers the Gulf of Mexico Energy Security Act (GOMESA) funding and distributes the funding to selected projects as authorized under Public Law 109-432⁴. GOMESA was enacted in 2006 and is federally administered by the United States Department of the Interior - Bureau of Ocean Energy Management (BOEM).

The act created revenue-sharing provisions for the four Gulf oil and gas-producing states (Alabama, Louisiana, Mississippi, and Texas) and their coastal political subdivisions (CPSs) via qualified Outer Continental Shelf (OCS) revenues and the Land & Water Conservation Fund. GOMESA funds are to be used for coastal conservation, restoration, and hurricane protection.

The amount distributed to each state and CPS is based on the sections of lease tracts that open each year and the distance from those sections to the states and CPS. GOMESA funding is dependent on oil prices and lease sales, which BOEM calculates annually from the previous year's OCS revenue.

GLO Coastal Resources administers the GOMESA funds, which are allocated to three programs as follows:

1. 65% - Coastal Erosion Planning and Response Act (CEPRA)
2. 15% - Coastal Management Program (CMP)
3. 20% - Resource Management Allocation (Other)

From 2018 to 2022, the State of Texas, via the GLO, has received approximately \$272 million in GOMESA funds.

GOMESA FUNDING ALLOCATION

Project	Funding Percentage (%)	Funding Allocation (In Millions)					GOMESA Phase II ⁵ Award
		2018	2019	2020	2021	2022	
CEPRA	65%	\$26.3	\$30.1	\$49.6	\$35.0	\$35.8	\$176.8
CMP	15%	\$6.1	\$6.9	\$11.4	\$8.1	\$8.3	\$40.8
Other Allocation	20%	\$8.1	\$9.3	\$15.2	\$10.8	\$11.0	\$54.4
Totals:	100%	\$40.5	\$46.3	\$76.2	\$53.9	\$55.1	\$272.0

⁴ Gulf of Mexico Energy Security Act of 2006, Public Law 109-432, Division C, Title I

⁵ GOMESA Phase I covers the beginning of the program 2007-2016; Phase II began in 2017 with a change in the definition of qualified OCS revenues and a significant increase in distributed funds.

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DETAILED RESULTS

CHAPTER 1: ENSURE THE CEPRA SITE VISITS ARE CONSISTENTLY DOCUMENTED, COMMUNICATED, AND RETAINED

Site visits for CEPRA-related construction projects are required to be conducted at defined intervals during the funded projects⁶ to ensure that construction is in conformance with plans and specifications. The designated project intervals include:

1. Pre-Construction
2. Mid Project
3. Construction Completion

Conducted site visits are led by personnel of the GLO Construction Services division. However, there is no established policy or uniform process for the documentation, communication, or retention of the results of conducted site visits. When requested during the audit, the site visit results could not be provided because they were not formally documented and communicated to Coastal Resources. Currently, the results of the site visits are informally shared during the CEPRA weekly meetings or via email and are not retained and formally documented with project files.

Consistency in documenting, reporting, and retaining CEPRA site visits would provide sufficient support for project monitoring and the accuracy of reporting. This would also ensure that the distribution of funds was in sync with the project's completion stage.

RECOMMENDATION FOR MANAGEMENT:

Coastal Resources Project Management should develop a process to ensure uniform documentation, communication, and retention of site visits conducted at required phases of CEPRA construction projects.

MANAGEMENT'S RESPONSE:

CEPRA staff are working with the GLO's IT department to add an additional feature in the Salesforce Database under a newly created Milestone sections for "Site Visit" demarcation. Additionally, CEPRA staff will be trained, during weekly CEPRA team meetings, on the necessity of documenting every site visit conducted by the CEPRA project manager in the Salesforce Database. They will be instructed to not only use the new "Site Visit" documentation tool in the Milestones section of the database but also on how they can add notes in the "Comment" section of the database that will include the date of the site visit, who attended, the purpose of the visit, what was observed, etc.

Implementation Date: August 31, 2023

Contact(s): Kevin Frenzel, CEPRA Manager; Julie McEntire, Director of Grant Programs

⁶ CEPRA Policies and Procedures Manual, Execution of Construction Phase, Sections (b) Pre-Construction Site Visit; (d) Mid-Project Site Visit; (e) Construction Completion Site Visit.

CHAPTER 2: ENSURE PROJECT DOCUMENTATION IS RETAINED IN ACCORDANCE WITH AGENCY REQUIREMENTS

Project documentation related to the Coastal Management Program is required to be retained in accordance with the GLO Records Retention Schedule and CMP Grant Projects Procedures Manual.

The GLO Records Retention Schedule requires the retention of documentation for seven years for financial transactions and performance reports; twenty years for the database that tracks submittals and reimbursements; and three years for final work plans, Cooperative Agreements, and Reprogramming Requests.⁷ In addition, the CMP Grants Projects Procedures Manual states, “All project materials must be saved for at least seven years after the end date. As of CMP Cycle 24, all project folders will be permanently retained in the CMP SharePoint folder.”⁸

During the audit, the documentation for several sampled projects (i.e., project progress reports, vendor performance evaluations, etc.) could not be provided and was identified as not being retained in accordance with the guidance mentioned above. The inability to provide readily available project documentation compromises the integrity of Coastal Resources’ reporting and monitoring efforts.

RECOMMENDATION FOR MANAGEMENT:

Coastal Resources should ensure all required project documentation is retained as outlined in the CMP Grant Projects Procedures Manual and in accordance with the GLO Records Retention Schedule.

MANAGEMENT’S RESPONSE:

CMP staff will be provided with refresher training on saving project documentation and a reminder on the file retention schedule requirements.

Implementation Date: August 31, 2023

Contact(s): Julie McEntire, Director of Grant Programs

⁷ Texas State Library Records Retention Schedule (RRS), section 4.7.008, GLO Records Retention Schedule section CP.CR.35 for the Coastal Management Program Grant Files.

⁸ CMP Grant Projects Procedures Manual, Section 18.2, Retention Schedule

APPENDIX A

OBJECTIVE

Assess the agency's administration of the GOMESA and its compliance with the operational guidelines of the act.

SCOPE & METHODOLOGY

The scope of the audit consisted of GOMESA funding received during 2018-2022. The scope included the confirmation that the GLO only funded projects that met the GOMESA-authorized uses, Coastal Management Program (CMP) or Coastal Erosion Planning and Response Act (CEPRA) Program goals and objectives, and GLO priorities identified in the Texas Coastal Resiliency Master Plan (TCRMP). In addition, we reviewed the processes in place for administering funds awarded to CMP and CEPRA projects via the respective program's selection process.

The methodology included the observation of processes, review of relevant rules, guidance, and procedures, interviewing of program area personnel, and analyzing and evaluating documentation, data, and reports utilized to administer the GOMESA funds for activities, including:

1. Coastal Erosion Planning and Response Act (CEPRA)
2. Coastal Management Program (CMP)
3. Resource Management Allocations

The audit was conducted in accordance with *Government Auditing Standards* and *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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