Exxon Valdez Oil Spill Trustee Council



Financial Procedures

Adopted: October 28, 2013

Revised: November 21, 2022; October 28, 2026

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I. SETTLEMENT FUNDS

A. Joint Trust Funds

The Joint Trust Funds consist of all payments received or to be received by the United States and the State of Alaska pursuant to the Agreement and Consent Decree issued in United States v. Exxon Corporation, et al. (No. A91-082 CIV) and State of Alaska v. Exxon Corporation, et al. (No. A91-083 CIV), including any interest accrued thereon.

B. Investment Fund(s)

Pursuant to this Court Order and in accordance with the Terms of the Memorandum of Agreement and Consent Decree, from December 1991 through October 5, 2000, the Joint Trust Funds were placed in an interest-bearing account in the Court Registry Investment System (CRIS) administered through the United States District Court. The United States and the State of Alaska sought and obtained Congressional approval to expand options for investment of the settlement proceeds in 1999.

Public Law 106-113. The Consolidated Appropriations Act, 2000, was enacted November 29, 1999, authorizing the deposit of all or a portion of the Joint Trust Funds previously received, or to be received, by the Governments into the United States Department of the Interior's Natural Resource Damage Assessment and Restoration (NRDAR) Fund or accounts outside the United States Treasury or both (Section 350 of Appendix C - H.R. 3423). Since 2000, consistent with Public Law 106-113, the Investment Funds have been invested and managed outside of the Court Registry by the Alaska Department of Revenue (ADOR), Treasury Division.

C. Investment Fund(s) Disbursement

Upon unanimous approval of the Trustee Council, the Alaska Department of Law and the United States Department of Justice shall be requested by Council staff to notify the United States District Court for the District of Alaska of a disbursement from the Investment Funds. Disbursements are transferred to the appropriate Federal or State agency account for processing and thence to the designated recipient of the funds.

> *Notification.* Shall consist of legal documents required by the Court and documentation demonstrating the unanimous agreement of the Trustee Council.
>
> *Payment instructions.* Concurrently, the Alaska Department of Law and the United States Department of Justice shall be requested by Council Staff to provide the custodian(s) of the Investment Fund(s) with payment instructions.
>
> *Interest.* When applicable, interest earned on funds held in the federal and state accounts and/or unobligated balances from prior years' authorizations shall be subtracted from the succeeding disbursement.

D. Flow of Funds

Disbursements from the Alaska Department of Revenue Investment Fund can only be transferred to the Federal Account or State Account (defined in Section I.F and I.G). Disbursements from the NRDAR or IRIS Funds can only be directly transferred to federal or state government agencies (Figure 1). These agencies will further disburse funds either directly to another entity that will administer the funds to principal investigators (i.e., investigators not sponsored by a federal or state agency) or may directly administer funds to principal investigators (i.e., investigators sponsored by a federal or state agency).

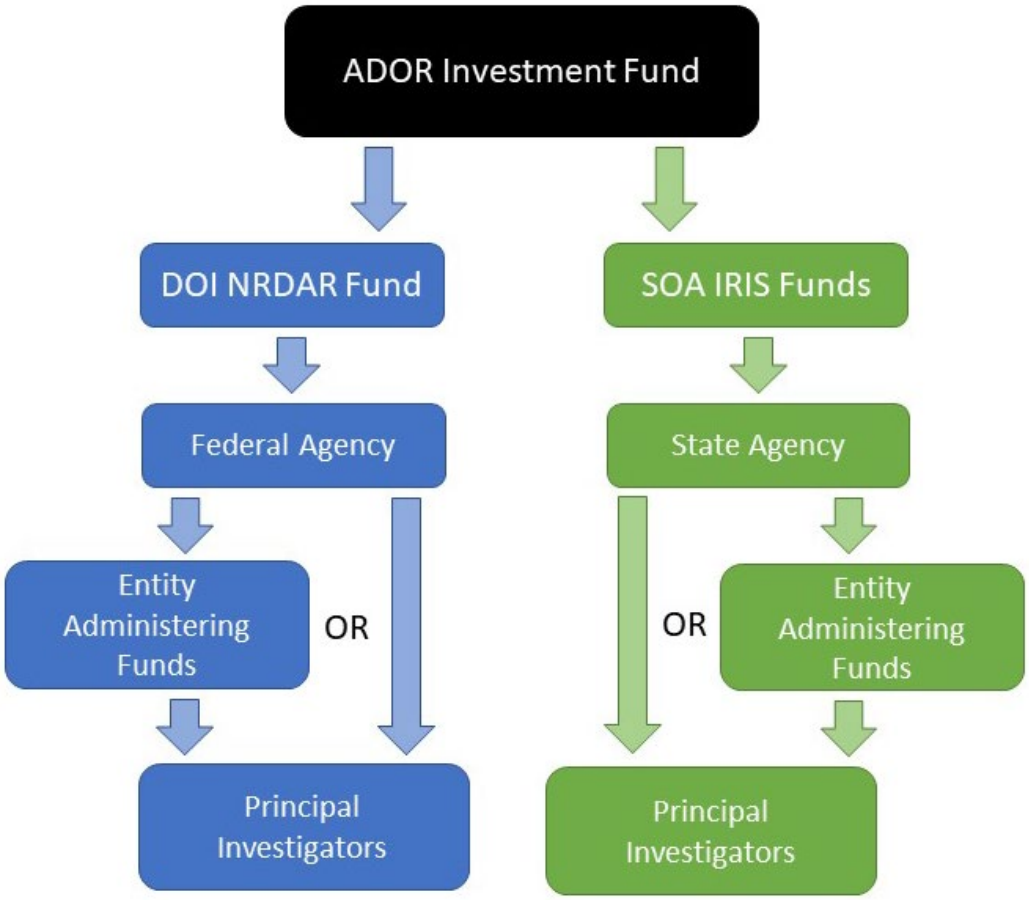


Figure 1: Disbursement of EVOSTC funds to entities implementing projects. Entities administering funds may include organizations and universities.

E. Authority to Spend

No obligations for Trustee Council-approved projects shall be incurred until a court notice is filed with the United States District Court for the District of Alaska notifying the court of the governments' release of Council-approved funding, or Court Order is entered by the United States District Court for the District of Alaska, and any terms and conditions placed on the funding by the Trustee Council have been met.

F. Federal Account

In accordance with federal law, funds authorized by the Trustee Council for federal project implementation are deposited in the Natural Resource Damage Assessment and Restoration Fund managed by the Department of the Interior.

G. State Account

In accordance with state law, funds authorized by the Trustee Council for state project implementation are deposited in the State Settlement Trust managed by the Alaska Department of Revenue, Treasury Division.

II. PROJECT AUTHORIZATION

A. General

The Executive Director and Office of the Trustee Council are responsible for managing budgets in accordance with the Trustee Council's decisions and these Financial Procedures. Authorization to expend approved funds on personal services, travel, procurement of services, commodities, equipment, general administration, and acquisition of real property or conservation easements shall be consistent with the project budgets approved by the Trustee Council and these Financial Procedures.

B. Fiscal Year

The EVOSTC fiscal year begins on February 1 and ends on January 31 of the following year unless an alternate expenditure period is approved by the Trustee Council. The fiscal year is named using the year of the starting date of the fiscal year. For instance, the EVOSTC fiscal year 2026 (FY26) spans February 1, 2026, to January 31, 2027. In the event the Trustee Council approves a project with a different expenditure period, the expenditure period and final fiscal year must be clearly stated in the approval motion and resolution. In the case of a capital project, the designation as a capital project must be clearly stated in the approval motion, along with the fiscal year in which the funds will lapse, which may be up to five years from the date of approval.

C. EVOSTC Office General Operating Budget

The EVOSTC Office general operating budget is considered and approved by the Trustee Council and includes a range of programmatic, managerial, and operational activities identified in specific components of the operating budget. Component activities are typically considered one "project" for the sake of these Financial Procedures and are typically assigned the same project number. A variety of agencies/organizations may receive funding as part of the operating budget. The Executive Director is responsible for the management of the operating budget.

D. Long-Term Research & Monitoring, Mariculture, and Education & Outreach

In 2012, the Trustee Council began implementing a 20-year strategic plan that established two Long-Term Programs: The Herring Research and Monitoring (HRM) Program and the Long-Term Monitoring Program (Gulf Watch Alaska - GWA). In 2017, data management services were consolidated from individual projects into a unified Data Management Program, which began providing data management services to all Council-funded science and technical projects in 2020. In 2022, the HRM Program, GWA Program, and individual science projects that began before 2022 were consolidated under the umbrella of the Long-Term Research & Monitoring (LTRM) Program. Additionally, two new focus areas were implemented: Mariculture, and Education & Outreach.

E. Habitat Protection

Because Trustee Council meetings will occur infrequently, to accommodate the sometimes time-critical nature of real property transactions, the Trustee Council may authorize a ceiling funding amount for closing the transaction before the ultimate sales price is known. Such approvals are contingent upon the completion of specified due diligence tasks and interim approvals by the Executive Director, in consultation with the Alaska Department of Natural Resources, U. S. Department of the Interior Solicitor's Office, and the Alaska Department of Law, as specified for each project in a Council Resolution. Since negotiations with the landowner could continue for more than one fiscal year, the Trustee Council typically identifies a specific lapse date for the ceiling amount, which may not exceed five years. If all the Council's funding conditions have been satisfied and the funding authorization has not lapsed, the Executive Director can initiate the release of funding (Section I.C) to close the transaction.

F. Habitat Enhancement & Restoration

The Trustee Council also funds habitat enhancement and restoration projects. The authorization for these projects will be in accordance with Sections II.A and II.B, unless otherwise specified by the Trustee Council.

III. PROJECT COSTS

A. Direct Project Costs

Direct costs are those costs that can be identified with or linked to a specific project.

B. Indirect Project Costs

Indirect costs are organizational costs that cannot be readily assigned to a specific project. Examples include utilities, facility maintenance, human resources, and general administrative salaries.

Non-governmental entities receiving funds are permitted to recover indirect costs. Indirect costs may be applied to all non-equipment expenses at a rate not to exceed the percentage approved in the project's original proposal. If an entity anticipates annual increases to its indirect rate during the project period, those increases must be included in the proposed budget and approved by the Trustee Council during the proposal review process. Once the proposal and budget are approved, the approved indirect rates may not be increased. Indirect rates for non-governmental entities shall be reviewed and approved on a case-by-case basis during the proposal review process. Entities proposing an indirect rate based on a federally negotiated cost rate agreement (NICRA) must provide a copy of the current NICRA, or other documentation from the cognizant federal agency verifying the applicable negotiated rate, as part of the proposal and budget documentation.

C. General Administration Formula for Governmental Agencies

The general administration (GA) formula is used to reimburse state and federal governmental agencies for indirect project costs incurred in implementing the restoration programs or projects authorized by the Trustee Council to be managed by that agency. Governmental agencies cannot recuperate costs through both GA and indirect; they may only receive GA funds.

The GA formula is nine percent (9%) of each project's direct costs. The GA formula cannot be applied to equipment and indirect expenses. GA funds may be spent at the agency's discretion provided they are spent on indirect costs incurred in implementing activities funded by the Trustee Council. GA funds should not be treated as additional direct project funds. GA funds may not be used to pay salary costs for individuals whose salary is also charged directly to the same project.

GA funds are transferred to governmental agencies in one lump sum at the beginning of the fiscal year. Agencies are entitled to one hundred percent (100%) of the GA formula amount for projects they administer regardless of how much of their direct project funds have been expended. GA funds that have not been spent by project close-out will be returned to the Investment Fund.

D. Unallowable Costs

Restoration funds shall be used only for costs that directly benefit Trustee Council approved projects except for reimbursement of GA and indirect costs that are calculated in accordance with sections III.B and III.C above.

IV. ADJUSTMENT TO BUDGETS

A. Adjustments between Projects

Adjustments between Projects apply to the Gulf Watch Alaska Long-Term Research and Monitoring Program which includes several integrated and collaborative projects. Without prior approval, award recipients may move up to 10% of the authorized level of annual project funding from one project to another project if the adjustment does not alter the underlying scope or objectives of the affected projects. The Executive Director and managing governmental agency must be notified either during the next project reporting period, or ten days before the adjustment is made, whichever is sooner. Notification must be provided in writing and must include justification and supporting documentation if applicable.

The Executive Director may approve budgetary adjustments between projects, or within the Council's general operating budget, up to 25% of the authorized level of annual funding. Budget amendment requests must be submitted to the Executive Director with justification and supporting documentation. The request must show that an adjustment will not alter the underlying scope or objectives of the affected projects. The Executive Director shall notify the Trustee Council of any budget adjustments between 10% and 25% prior to implementation.

Budgetary adjustments between projects or within the general operating budget greater than 25% must first be approved by the Executive Director and then be approved by the Trustee Council.

Justification and supporting documentation as to the reason for all such adjustments shall be maintained by the Executive Director and administering agencies, as applicable. Once approved, any budget adjustments must be included in the Annual Financial Report described in Section V of these procedures.

B. Adjustments to Line Items Within a Project

Without prior approval, award recipients may move up to 10% of the authorized level of annual funding between line items within a project if the adjustment does not alter the underlying scope or objectives of the affected project. The Executive Director and managing governmental agency must be notified either during the next project reporting period, or ten days before the adjustment is made, whichever is sooner. Notification must be provided in writing and must include justification and supporting documentation if applicable.

The Executive Director may approve budgetary adjustments to line items within a project, up to 25% of the authorized level of annual funding. Budget amendment requests must be submitted to the Executive Director with justification and supporting documentation. The request must show that an adjustment will not alter the underlying scope or objectives of the affected projects. The Executive Director shall notify the Trustee Council of any budget adjustments between 10% and 25% prior to implementation.

Budgetary adjustments to line items within a project greater than 25% must first be approved by the Executive Director and then be approved by the Trustee Council.

Indirect costs are not eligible for line-item transfers. Any adjustment to direct-cost line items must include a corresponding recalculation of allowable indirect costs based on the applicable indirect cost rate and eligible cost base. Transfers to equipment or other costs excluded from the indirect cost base must result in a corresponding reduction in indirect costs. Funds resulting from that reduction may not be transferred to other budget line items.

Justification and supporting documentation as to the reason for all such adjustments must be maintained by the Executive Director and administering agencies, as applicable. Once approved, any budget adjustments must be included in the Annual Financial Report described in Section V of these procedures.

C. Adjustments between Fiscal Years of a Multi-Year Project

A multi-year project is a project that is awarded funds over more than one fiscal year, unless otherwise specified by the Trustee Council. Program projects are typically multi-year projects with five-year or ten-year terms. Award recipients may carry forward unspent funds to the same line item in subsequent fiscal year of a multi-year project if the adjustment does not alter the underlying scope or objectives of the project. Carrying forward unspent funds beyond the final year of a multi-year project requires Executive Director approval. Agencies are authorized to carry forward released project funds that have not been expended to the subsequent fiscal year of a multi-year project or, alternatively, return them to the Investment Fund, if requested by the Executive Director.

Justification of financial adjustments must be included in the Annual Financial Report, described in Section V of these procedures.

D. Financial Adjustments Requiring Trustee Council Approval

Trustee Council action is required to move amounts greater than that authorized in section IV.A, IV.B. and IV.C. above. Trustee Council action is also required to:

- change the scope or objectives of a project
- establish a new project
- terminate an approved project before its scheduled completion
- increase a project's indirect rate

Between meetings, Trustee Council approval shall be by electronic vote of the individual Council members or their designees. Records shall be kept of each electronic vote of the Council and be available to the public.

If a proposed adjustment changes the scope or objectives of a project, establishes a new project, or terminates an approved project before its scheduled completion, the Trustee Council shall

provide initial approval. In these circumstances the public shall be given a reasonable opportunity to review and comment on the change prior to final Trustee Council approval.

E. Withholding of Funding Pending Final Deliverables

A portion of project funding will be withheld until the following have been completed:

- the final report has been accepted by the Executive Director; and
- all project data and metadata have been submitted to approved archives, in accordance with the Trustee Council Data Policy.

The default amount of project funding to be withheld is ten percent (10%). The Executive Director has discretion to increase or decrease the amount withheld based on the circumstances of the project and the status of required deliverables.

For multi-year projects, the withholding will apply to funding for the final project year.

The Executive Director has discretion to grant up to a one-year extension on final project deliverables when the Executive Director determines that an extension or other modification is reasonable.

No further funding will be released or awarded to award recipients or proposers with overdue EVOSTC final deliverables, or to award recipients or proposers whose final deliverables EVOSTC determines to be unsatisfactory.

V. ACCOUNTING

A. General

It is the responsibility of agency personnel and fiscal officers to make certain that all actions are based on sound accounting and budgetary practices.

B. Source Documentation

Adequate justification and supporting documentation shall be maintained for each project.

C. Appropriateness

Expenditures charged to a project shall be directly attributable to or allocated to the project benefiting from the activity. Salaries and benefits may be charged for the time an individual is working directly on a project, when supported by timesheets and when work performed by such individuals is necessary to the project.

D. Reasonableness

Costs attributable to a project shall be necessary and reasonable to achieve the objectives of the project and be consistent with the policies and procedures governing other activities of the agency or entity administering the project.

E. Segregation

Accounts shall be properly designed and maintained to ensure that funds are expended in accordance with Trustee Council approval, to allow clear project-specific accounting, and to facilitate the return of lapsed funds.

F. Expended (Outlays)

The term expended shall be defined as the actual outlay of funds through the issuance of checks or warrants, the disbursement of cash, or the electronic transfer of funds. The term expenditure shall be defined as the act of expending.

G. Obligation (Encumbrances)

The term “obligation” shall be defined as a commitment (prior to actual outlay of funds) to acquire goods or services during the fiscal year or, for multi-year projects, a commitment to acquire goods or services prior to the project’s specified lapse date.

The term “obligation” shall also be used to accommodate service procurement instruments where the length of time for submitting and paying invoices extends beyond the project’s specified lapse date (see VI.E. Close-Out Period).

An obligation is a commitment to pay and should not be considered an expenditure until the goods or services have been received and the invoice paid.

H. Reporting: Annual Financial Reports

By March 31 of each year, agency personnel shall report to the Executive Director the total expended for each project for which it administers funds, plus any valid obligations relating to the fiscal year just ended. The Executive Director shall report to the Trustee Council by April 30 of each year on expenditures during the fiscal year just ended.

The report shall reflect, as applicable:

- the total amount authorized by line item,
- any revisions approved by the Trustee Council,
- any adjustments between projects,
- any adjustments between line items, and
- for multi-year projects, any adjustments between fiscal years for which the project was approved.

Unless determined otherwise by the Executive Director, this requirement can be fulfilled by submission of the Annual Project Report, as required by the Reporting Policy.

VI. LAPSE

A. General

Subject to the exceptions noted in sections VI.B, VI.C, and VI.D below, the unexpended and unobligated balance of a project's authorized funding shall lapse on the last day of the month before the close of the fiscal year for which the project was approved. For example, for a one-year project or funding authorization with a February 1 – January 31 fiscal year, no new obligations may be established after January 31. Expenditures after January 31 are only allowed to satisfy obligations established before January 31. Funding bound as obligations before the lapse date will lapse at the end of the Close-Out Period (section VI.E).

B. Multi-Year Projects

For multi-year projects described in Section II.D., the funding lapse date is the last day of the final year of the project's multi-year term approved by the Trustee Council, unless otherwise specified in Trustee Council funding approval resolutions or as modified in writing by the Executive Director.

The unexpended and unobligated balance in each interim year of a multi-year project shall be carried forward to the lapse date in accordance with Section IV.C. Governmental agencies administering Trustee Council funded projects are responsible for ensuring direct award recipients have authority to continue spending lapsed funds through the lapse date in accordance with the rules and policies relevant to that agency.

C. Habitat Protection and Restoration Projects

The lapse date for each project will be specifically identified in the Trustee Council Resolution approving the project and will not exceed five years after the date of the Resolution. Funding not released from the Investment Fund by the lapse date requires re-authorization by the Trustee Council.

D. Capital Projects

For capital projects, the Trustee Council typically authorizes funding amounts for use over a period of two years. The unexpended balance of a capital project may be carried forward for up to three additional subsequent fiscal years, unless the project is terminated before then, in which case remaining unexpended funds shall be returned to the Investment Funds. At the end of the five-year period, the unexpended and unobligated balance shall lapse. Trustee Council action is required to extend the project lapse date beyond the five-year period.

E. Fiscal Close-Out Period

All financial activity associated with the project must be completed before the end of the fiscal year for the governmental agency managing the project. This corresponds to the end of the state fiscal year or federal fiscal year in which the project lapse date occurs. This includes expenses that were incurred but undisclosed before the lapse date. For a project that is administered by a

state agency with a lapse date of January 31, expenses may be paid through June 30 provided the expenditure or obligation was incurred prior to the lapse date. For a project that is administered by a federal agency with a lapse date of January 31, expenses may be paid through September 1 provided the expenditure or obligation was incurred prior to the lapse date.

Remaining unspent funds at project close-out will be redistributed to other Trustee Council approved projects as needed.

Obligations to pay: Agencies distributing project funds must encumber (obligate) unspent funds during close-out until the Executive Director determines all deliverables are complete. Managing agencies and/or principal investigators are responsible for ensuring obligations are satisfied prior to funding lapsing.

VII. EQUIPMENT AND SUPPLIES

A. Definitions

The definitions for "equipment" and "supplies" shall be determined by the applicable laws, rules, and policies of the agency distributing project funds to the principal investigator and the funding instrument employed, if any, by that agency to distribute funds to the principal investigator. For example, when a federal agency distributes funds to a project's principal investigator through a cooperative agreement, the definitions of "equipment" and "supplies" will be defined by the federal laws, rules, and policies applicable to federal cooperative agreements. As such, the definitions may be different for projects receiving funds from federal agencies compared to state agencies. When the principal investigator is sponsored by a federal or state agency that receives funds directly from the Trustee Council rather than through a formal funding agreement with another entity, the procurement and acquisition laws, rules, and policies relevant to that agency will apply.

B. Ownership and Use

Ownership of equipment and supplies purchased with Trustee Council funds is determined and governed by the applicable laws, rules, and policies of the agency distributing project funds to the principal investigator and the funding instrument employed, if any. Principal investigators should not assume that they will be able to retain custody of all equipment and supplies after the project has ended if such equipment and supplies were purchased with Trustee Council funds. Equipment and supplies must be used for the project for which it was acquired or as otherwise authorized by the Executive Director.

Surplus: At the conclusion of the project, principal investigators may be required to yield equipment and supplies purchased with Trustee Council funds to the agency that distributed the project's funds. The laws, rules, and policies of the funding instrument will determine whether surplus of items will be necessary. Equipment in the possession of a state or federal agency must be surplused in accordance with agency procedures.

Inventory: Property records should be maintained in accordance with agency procedures or those required by the funding instrument.

Repair, Maintenance and Safeguarding: Entities holding title to equipment purchased with Trustee Council funds are responsible for the repair, maintenance and safeguarding of such equipment in accordance with the procedures of the agency that distributed funds to the project or those required by the funding instrument.

Disposal: Equipment that ceases to function must be disposed of in accordance with agency procedures or the procedures required by the funding instrument.

Reporting: By December 31 of each year, agencies distributing project funds must report all equipment with an original per unit cost of $5,000 or more to the Executive Director. The report

must include a description of the equipment (make and model), date the equipment was purchased, the purchase price, where the equipment is located and the condition of the equipment. The report must also identify the project that is using the equipment and the use being made of it.

IIX. PROCUREMENT OF GOODS AND SERVICES

A. General

To fulfill the objectives of a project, agencies distributing project funds, Project Leads, Program Leads, and Principal Investigators may obtain services or goods from governmental and non-governmental providers (i.e., vendors) using funds authorized by the Trustee Council. The financial instruments available for use include instruments such as inter-agency agreements, contracts, grants, and cooperative agreements. Agencies that distribute project funds, Project Leads, Program Leads, and Principal Investigators must ensure that procurements of goods and professional and non-professional services are accomplished in accordance with the terms, conditions, and specifications of the project approved by the Trustee Council and in accordance with applicable Trustee Council policies and federal and state laws, as appropriate.

B. Definitions

Professional Services: Professional, technical, or consultant services that result in the production of a report or the completion of a task or other work products, and may include analysis, evaluation, prediction, planning, or developing a recommendation.

Non-professional Services: Services that are primarily manual in nature, including boat charters, printing, and other. Non-professional services usually provide a service rather than generating original work products.

C. Named Recipient

In the event the Trustee Council determines that, to carry out its mandate under the Memorandum of Agreement and Consent Decree, a particular person or entity should implement all or a portion of a project, the Trustee Council may, by unanimous vote, name a contract recipient. The approval motion shall include the reason for selecting the contract recipient. In September 1999, the State of Alaska Assistant Attorney General issued an opinion that Alaska Department of Fish and Game may award a contract without competition when the Trustee Council expressly imposes a requirement that a contract is awarded to a specific entity. However, the identification of a Named Recipient by the Trustee Council does not supersede federal laws, rules, or policies regarding fair and open competition and sole sourcing for financial awards.

D. Indirect Rates

The appropriate indirect rate for vendors of goods and services that are direct award recipients shall be determined on a project-by-project basis or through a memorandum of understanding with a vendor that provides for a consistent rate and methodology.

E. Equipment

Ownership of equipment purchased by the vendor of goods and services with Trustee Council funds shall be determined and governed by the laws, rules, and policies associated with the financial instrument. *See* Equipment, Ownership and Use, VII.B. for specific details.

F. Special Considerations

All notes and other data developed by the vendor shall be subject to the Trustee Council's Data Policy, unless otherwise determined by the Executive Director.

G. Period of Performance Relative to Funding Lapse Date

Financial instruments will typically involve a description of the goods or services to be delivered by the vendor. Such goods and services must directly contribute to the fulfillment of the project goals and objectives. The delivery of these goods and services must be accomplished before the lapse date of the project. However, the financial instrument's period of performance may extend beyond the project lapse date to accommodate administrative close-out activities required by the financial instrument (e.g., final reporting and invoicing). However, the agency distributing project funds, Program Lead, Project Lead, or Principal Investigator must satisfy any financial obligations according to the Close-Out Period procedures described in Section VI.E.

H. Grants

Grants may be used as a procurement mechanism, but only to the extent they are permitted under existing state and federal laws. Federal Trustee agencies were given grant authority specific to the Trustee Council's restoration program under Public Law 106-113 (1999).

IX. AUDITS AND OVERSIGHT OF CONTRACTS AND COOPERATIVE AGREEMENTS

A. General

The purpose of an audit is to ensure public trust and accountability regarding the use of settlement funds. An audit provides credibility to the information reported by or obtained from management by independently acquiring and evaluating the evidence.

B. Definition

The term "audit" includes both financial and performance audits.

C. Readiness

When an agency or Trustee Council-Funded Program receives funding from the Trustee Council, agency personnel assume certain responsibilities with respect to those funds. These include ensuring that source documentation is organized and available for review, internal controls are documented and individuals knowledgeable about the projects are available to answer questions.

D. Contracts and Cooperative Agreements

Federal and state agencies will issue contracts in accordance with their respective contracting procedures. Entities who receive funding for professional or non-professional services are not automatically subject to an annual audit. However, this does not preclude the Trustee Council, the agency that distributes project funds, Program Lead, Project Lead, or Principal Investigator from deciding that an audit is required in addition to an agency or Program's review of expenditure documentation and work produced by a funding recipient.

E. Federal Audits

Funds granted to a non-federal entity from a federal agency will be subject to the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Uniform Guidance requires non-federal recipients of federal awards to have their programs audited as prescribed in 2 CFR 200.

F. State Audits

Funds granted by State of Alaska agencies to non-profit organizations or local governments will be subject to the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits (State Single Audit Guide)*. The State Single Audit Guide requires that non-profit organizations and local governments to have their programs audited as prescribed in the State Single Audit Guide.

G. External Audits

All federal and state single audits will be conducted in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States. These standards require that

the firm and the staff assigned to conduct such audits shall be independent as prescribed by the standards. Independents will include the Trustee Council, the funding agencies, the Alaska Department of Revenue, the Court Registry Investment System, Exxon Corporation, Exxon Shipping Company and Exxon Pipeline Company.

APPENDIX A: FEDERAL INTERNAL PROCEDURES

I. NATURAL RESOURCE DAMAGE ASSESSMENT & RESTORATION FUND

A. Segregation

Disbursements of Investment Funds to federal Trustee agencies are transferred to the Department of the Interior's Natural Resource Damage Assessment and Restoration (NRDAR) Fund which is managed by the Office of Restoration and Damage Assessment. All principal and interest shall be accounted for separately by the Department of the Interior, Office of Restoration and Damage Assessment. When Investment Funds are deposited to the aggregate NRDAR Fund within the Federal Reserve Bank, the funds are assigned to accounts specifically and solely designated for the Investment Funds. Confirmation of the deposit shall be provided to the Treasury Department, which reconciles the deposit with the Federal Reserve Bank.

B. Investments

By law, the funds may only be invested in Treasury Securities, and all ownership is maintained in the name of the NRDAR Fund. Based on an estimate of cash flow requirements, the Department of the Interior, Office of Restoration and Damage Assessment generates instructions for investment and forwards the instructions to the Department of the Interior National Business Center. The National Business Center develops and submits an Investment Confirmation Letter that indicates which account investments are being purchased, the scheduled maturity dates and the investment type(s) to the Department of Treasury, which purchases the securities. At maturity, interest income is paid directly to the account.

C. Reports

The Department of the Interior shall report interest income to the Executive Director annually, at a minimum. If requested by the Executive Director, disbursements to the federal agencies shall be reported to the Executive Director. By March 31 of each year, the Department of the Interior shall report to the Executive Director all lapsed funds returned to the NRDAR Fund by the federal agencies.

II. AUTHORIZATION

A. General

Congress permanently appropriated funding approved by the Trustee Council in Section 207 of Public Law 102-229. However, all authorization is subject to compliance with any terms and conditions imposed by the Trustee Council.

B. Budget and Reports

Under Section 207, of Public Law 102-229, agencies are required to comply with directions published by the Federal Office of Management and Budget. This includes submitting a budget for the upcoming fiscal year and documentation associated with the current and prior fiscal year.

C. Obligation Authority

Prior to the obligation of any funds, agencies must first complete the allocation process required by their respective budget offices to establish codes for each project. The allocation process provides the authority, amount of funding and the guidance with which to obligate funds.

D. Instructions for Fund Transfer

Federal agencies are required to submit an annual cash flow plan to the United States Department of the Interior, Office of the Secretary, Natural Resource Damage Assessment and Restoration Office, and instructions regarding the transfer of settlement funds. The instructions shall specify the purpose of the transfer, which account the funds are to be transferred to, and an estimate of cash flow requirements. Unless the transfer represents a one-time payment, the cash flow estimate shall be structured on a quarterly basis. Any change in cash flow requirements that occurs during the fiscal year shall be communicated to the United States Department of the Interior, Office of the Secretary, Natural Resource Damage Assessment and Restoration Office, in writing. A change is defined as a decrease in the cash flow requirement due to an unanticipated delay in a project or an increase in the cash flow requirement due to an unanticipated change in the schedule, or subsequent Trustee Council action.

E. Fund Transfers

The vehicle used for transfers is a SF1151, a non-expenditure transfer. The SF1151 is initiated, prepared, and approved by the Office of Restoration and Damage Assessment and then sent to Treasury where the funds are transferred within the Treasury system.

F. Return of Unobligated Balances

By June 1 of each year, federal agencies must return to the NRDAR Fund the unobligated balance for any projects which have terminated. Concurrently, the agencies must return any de-obligated, lapsed funds. Agencies are required to submit to the United States Department of the Interior, Office of Restoration and Damage Assessment, a report reflecting the total unobligated balances of current projects as of June 1 and the amount of funding recovered from any prior year de-obligations. The vehicle used for transfers is a SF1151, non-expenditure transfer. The Department of the Interior shall report the total unobligated balance and de-obligated balances to the Executive Director by July 1 of each year.

APPENDIX B: STATE INTERNAL PROCEDURES

I. *EXXON VALDEZ* OIL SPILL SETTLEMENT FUND

A. Segregation

All principal and interest shall be accounted for separately by the Alaska Department of Revenue, Division of Treasury. Each disbursement shall be deposited in a Department of Law sub-account, *Exxon Valdez* Oil Spill Settlement Fund. Confirmation of the deposit shall be provided by the bank to the Alaska Department of Revenue.

B. Investments

The Alaska Department of Revenue, Division of Treasury shall calculate the daily income amount and provide for daily compounding (including weekends and holidays). The income shall be credited to the fund and posted in the Alaska State Accounting System on a monthly basis.

C. Reports

The Alaska Department of Revenue, Division of Treasury shall report income earned to the Executive Director on a monthly basis.

D. Transfers to NRDAR and State Settlement Trust

Transfers from the Investment Fund to NRDAR or State Settlement Trust will be initiated by the Alaska Department of Fish and Game and reviewed by the Executive Director with instructions for the transfer to the Alaska Department of Revenue, Division of Treasury.

II. AUTHORIZATION

A. General

Pursuant to Alaska Statute 37.14.405(a), a state agency may not expend money received from the trust unless the expenditure is in accordance with an appropriation made by law. However, prior to the expenditure of funds, Trustee Council approval must be obtained, the court notice filed, any terms and conditions placed on the funding by the Trustee Council met, and the funds transferred from the Investment Fund to the *Exxon Valdez* Oil Spill Settlement Fund, if necessary.

B. Budget and Reports

To meet the requirements of Alaska Statute 37.14.415, agencies are required to comply with directions published by the Alaska Office of Management and Budget (OMB), Division of Budget Review. Alaska Statute 37.14.415 states: The state trustees shall

1. submit to the governor and the legislature by December 15 of each year a report setting out, for each object or purpose of expenditure, the amounts approved for expenditure from the trust during the preceding state fiscal year and the actual amounts expended during the preceding state fiscal year,
2. prepare and submit, under AS 37.07, a budget for the next state fiscal year setting out, for each object or purpose of expenditure, the Trustees' estimate of the amounts that are, during the next state fiscal year, to be funded by the trust and expended by state agencies, and
3. prepare and submit to the legislature, at the same time the budget for state agency expenditures is submitted under (b) of this section, a proposal setting out, for each object or purpose of expenditure, the trustees' estimate of the amounts that are to be funded by the trust in the next state fiscal year and that are not included in the budget submitted under (2) of this section.

C. Legislative Budget and Audit Committee

Alaska Statute 37.14.405(b) allows agencies to meet the requirements of an appropriation conditioned in compliance with the review provisions of AS 37.07.080(h). In accordance with the procedures of OMB, agencies are required to submit a request to OMB for transmittal to the Legislative Budget and Audit Committee.

D. Expenditure Authority

Authorization to receive and expend shall be recorded in the Alaska Integrated Resource Information System within the *Exxon Valdez* Oil Spill Settlement Fund. Following legislative action, OMB will record the authorization by approving an Authorized Budget Transaction.

Offset of Unused State Funding: Annually, after the close of the State of Alaska fiscal year, and anticipated to occur by October 1, the State of Alaska will evaluate the unexpended fund balance of the State Settlement Trust. Any unexpended and uncommitted fund balances will be used to reduce future transfers from the State Investment Fund to the State Settlement Trust.