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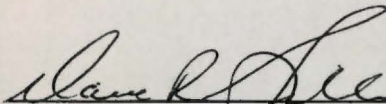
Exxon Valdez Oil Spill Trustee Council

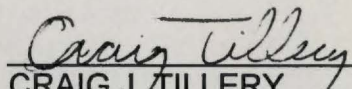
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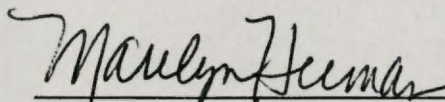
Approved: August 3, 2000

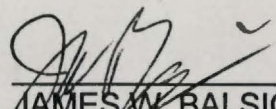


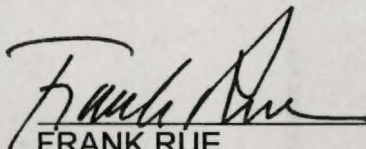
Revised Trustee Council Procedures, approved August 3, 2000 in Anchorage, Alaska.

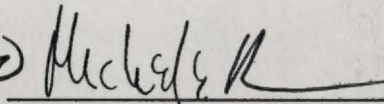
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EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL PROCEDURES

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INTRODUCTION

1. *Purpose.* Define the Policies and Procedures of the *Exxon Valdez* Oil Spill Trustee Council (Trustee Council) and provide guidance regarding the authorities and responsibilities of agencies that receive funds approved by the Trustee Council.

2. *Supersession.* These procedures supersede the Procedures adopted by the Trustee Council August 29, 1996, the Operating Procedures adopted by the Trustee Council January 10, 1992, and the Financial Operating Procedures adopted by the Trustee Council September 21, 1992.

3. *Relationship.* The Procedures of the Trustee Council augment state and federal procedures. Agencies receiving funding approved by the Trustee Council are responsible for ensuring that the procedures described in this document and the appropriate state or federal procedures are followed.

4. *Amendments.* These procedures may be modified by unanimous agreement of the Trustee Council.

5. *Authority.* The principles and processes stated herein are established pursuant to the Memorandum of Agreement and Consent Decree entered as settlement of United States of America v. State of Alaska, No. A91-081 Civil, U.S. District Court of Alaska. The Joint Trust Fund is comprised of all payments received in settlement of State of Alaska v. Exxon Corporation, et al., No. A91-083 CIV, and United States of America v. Exxon Corporation, et al., No. A91-082 CIV.

6. *Restoration Plan.* The *Exxon Valdez* Restoration Plan provides long-term guidance for restoring the resources and services injured by the oil spill. It contains policies for making restoration decisions and describes how restoration activities will be implemented. The Restoration Plan was adopted by the Trustees in November 1994 after completion of the Final Environmental Impact Statement. By unanimous consent, the Trustee Council may change the plan if the Trustee Council determines that the plan is no longer responsive to restoration needs.

OPERATING PROCEDURES

TRUSTEE COUNCIL

1. *Basic Governing Procedures.* The current edition of *Roberts Rules of Order* will govern the Trustee Council. All provisions of these rules of order will apply to Trustee Council deliberations unless the Trustee Council unanimously decides to proceed differently.

2. *Trustee Council Membership.* The following officials act on behalf of the public as trustees: the Attorney General of the State of Alaska; the Commissioner of the Alaska Department of Environmental Conservation; the Commissioner of the Alaska Department of Fish and Game; the Secretary of the United States Department of Agriculture; the Secretary of the United States Department of the Interior; and the Administrator of the National Oceanic and Atmospheric Administration, United States Department of Commerce. Each Trustee may designate a representative to serve on the Trustee Council. Any such designation shall be in writing and the designation shall be maintained in the official record. In the event a Trustee Council member is precluded from attending a meeting or must be excused during a meeting, an alternate may exercise voting privileges on behalf of the Trustee Council member. Alternates shall be designated in writing and the designation shall be maintained in the official record or an alternate may be identified at the meeting and so stated for the record.

3. *Quorum.* A quorum of two-thirds (2/3) of the total Trustee Council membership including at least two state members and two federal members shall be required to convene a meeting. All decisions shall be made by unanimous agreement of the six Trustee Council members, their designee or their alternate, except that a quorum may approve the agenda, take public testimony and adjourn a meeting.

4. *Chair.* The Trustee Council shall designate a chair to preside at each meeting. The chair may participate in discussion and debate at the meetings and shall vote on all questions before the Trustee Council.

5. *Trustee Council Action.* All matters before the Trustee Council which require a vote, make a recommendation, approve or disapprove an item, or otherwise render a decision shall require the unanimous agreement of the six Trustee Council members, their designee or their alternate. All actions by the Trustee Council shall be taken at duly convened meetings except as provided in Section 10.

6. *Recusal.* In the event a Trustee Council member believes he or she must recuse himself or herself from voting, the Trustee Council member may request the decision be deferred until a designated alternate is available to vote.

7. *Meetings.* Meetings shall be held at times and locations determined by the Trustee Council. The Executive Director shall provide a proposed agenda and appropriate briefing

materials to the Trustee Council members in advance of the meeting. The final agenda for the meeting will be determined by the Trustee Council and shall include a reasonable opportunity for public comment.

8. *Executive Sessions.* Executive sessions shall be kept to a minimum and shall be used only for discussion of matters concerning confidential personnel issues, litigation or legal advice, habitat acquisition negotiations, confidential archaeological information, confidential fisheries information or other matters included under AS 37.14.430, AS 44.62.310 (c) or other applicable State or Federal laws.

9. *Minutes of Trustee Council Meetings.* All meetings shall be recorded electronically or by a court reporter, and said records shall, along with the written, approved meeting notes, constitute the official record of the *Trustee Council's* actions.

10. *Emergency Action.* In the event of an emergency requiring *Trustee Council* action before a meeting can be held in accordance with the procedures described herein, the Executive Director will poll the Trustee Council and take action by unanimous agreement. Any decisions of the Trustee Council shall be reflected in the official record of the Trustee Council along with justification regarding the need to take emergency action. In addition, any emergency action taken shall be ratified at the next meeting of the Trustee Council.

STRUCTURE

1. *General.* Pursuant to the agreement between the State of Alaska and the United States, the Trustee Council has created the position of Executive Director and the Restoration Office to manage the day-to-day administrative functions of the Trustee Council and the overall restoration program. These activities are complemented by the agencies, which are responsible for management of projects approved by the Trustee Council.

2. *Restoration Office.* Under supervision of the Executive Director, the Restoration Office is responsible for: (1) facilitating communication between the federal and state governments, the Trustee Council members and the Public Advisory Group; (2) maintaining the official record of the Trustee Council's actions; (3) coordinating the annual project proposal solicitation and annual restoration work plans; (4) preparing and analyzing financial and project status information; (5) developing and implementing procedures to achieve the goals and objectives of the Trustee Council; (6) performing and/or overseeing special and on-going projects; and (7) public outreach and public participation.

3. *Agencies.* Under supervision of the agency's Trustee Council member, each agency is responsible for: (1) ensuring that the procedures described herein, and the appropriate state or federal procedures are followed, including compliance with the National Environmental Policy Act; (2) ensuring that projects funded meet their stated goals, objectives and schedules, and are accomplished consistent with the funds authorized; (3) implementing, evaluating and monitoring

approved projects; (4) obtaining information from or facilitating the exchange of information among the Restoration Office, the public, cooperating agencies, and principal investigators; (5) developing agency goals and objectives for the restoration program; (6) assisting in the preparation and review of project proposals and detailed budgets; (7) assisting in the development of the annual restoration work plan; and (8) representing their Trustee Council member in matters related to the restoration program.

RESTORATION WORK PLAN

1. *Invitation.* Annually the public, private sector, non-profit groups, and government agencies will be invited to submit proposals for funding based on identified restoration priorities and needs.

2. *Internal Review.* Proposals received will be subject to independent scientific review, as well as policy, budget, agency and legal review.

3. *Public Review and Comment.* Prior to Trustee Council action, a reasonable period of time shall be provided to the public to review and comment on the project proposals and the Work Plan.

4. *Approval.* After expiration of the period for public review and comment, the Trustee Council, in open session and with additional opportunity for public comment, will review the proposed Work Plan. The Trustee Council may make such changes to the Work Plan or include terms and conditions of funding as the Trustee Council deems appropriate. Upon unanimous approval, the Work Plan shall be adopted by the Trustee Council.

HABITAT PROTECTION AND ACQUISITION

1. *General.* Habitat Protection and Acquisition is an important means of restoring injured resources and the services that are dependent upon those resources. Habitat Protection and Acquisition may include the purchase of lands or interests in land such as conservation easements, mineral rights, or timber rights.

2. *Parcel Nomination and Sponsorship.* Only those parcels nominated by a willing seller will be considered for purchase. In addition, a federal or state land management agency must sponsor the parcel prior to evaluation and ranking.

3. *Parcel Evaluation and Ranking.* Parcels that have been nominated and sponsored will be evaluated and ranked according to the potential benefits that purchase and protection would provide to injured resources and services. The criteria and procedures for evaluating and ranking parcels shall be developed by the Executive Director and approved by the Trustee Council.

4. *Terms and Conditions.* By unanimous agreement of the six Trustees, their designee or their alternate, a resolution shall be adopted authorizing the purchase of land or ownership rights. The resolution shall set forth the terms and conditions appropriate for the identified parcel(s).

5. *Title and Management.* The title of any lands or ownership rights will be specified in the resolution adopted by the Trustee Council. All land acquired shall be managed in accordance with the terms and conditions of the Trustee Council.

6. *Public Review and Comment.* Prior to final Trustee Council action, reasonable public notice shall be given and the public shall be provided an opportunity to comment.

7. *Application or Notification for Disbursement.* Upon certification from the Executive Director that the terms and conditions set forth in a resolution have been satisfied, the Alaska Department of Law and the United States Department of Justice shall be requested to apply to the United States District Court for the District of Alaska for the withdrawal of funds. Concurrently, as appropriate, the Alaska Department of Law and the United States Department of Justice shall be requested to provide the custodian of the Investment Fund(s) with payment instructions.

RESTORATION RESERVE

1. *General.* The Trustee Council has established the Restoration Reserve. Pursuant to Court Order, the Restoration Reserve is a separate account within the Court Registry Investment System (CRIS) administered through the United States District Court for the Southern District of Texas.

2. *Payments.* The amount to be deposited on an annual basis will be determined by the unanimous agreement of the six Trustees, their designee or their alternate. Upon approval, the Alaska Department of Law and the United States Department of Justice shall petition the District Court to transfer the funds from the Joint Account to the Restoration Reserve.

3. *Investments and Interest.* The Restoration Reserve shall be invested with the intent of maximizing interest earnings and all such earnings shall be retained in the Restoration Reserve.

4. *Use.* Consistent with the resolution adopted by the Trustee Council March 1, 1999, funds in the Restoration Reserve and other remaining unobligated settlement funds available October 1, 2002, shall be allocated in the following manner, unless otherwise provided by a unanimous resolution:

- \$55 million of the estimated funds remaining on October 1, 2002 and the associated earnings thereafter will be managed as a long-term funding source, with a significant proportion of these funds to be used for small parcel habitat protection; and

- The remaining balance of the funds on October 1, 2002 will be managed so that the annual earnings, adjusted for inflation, will be used to fund annual work plans that include a combination of research, monitoring, and general restoration.

DEPOSITS IN AN INVESTMENT FUND

1. *General.* Under Public Law 106-113, some or all of the joint trust funds may be deposited in the Natural Resource Damage Assessment and Restoration Fund or accounts outside the United States Treasury, or both. Where the Trustee Council exercises this authority, it is responsible for the prudent investment of the settlement funds in income-producing obligations and other instruments or securities that have been determined by unanimous vote of the Trustee Council to have a high degree of reliability and security.

2. *Policies.* The Trustee Council shall adopt written investment policies to protect and manage an Investment Fund(s).

3. *Asset Allocation.* The Trustee Council recognizes that strategic asset allocation is the single most important policy decision affecting investment return and risk for an Investment Fund. At least annually, the Trustee Council will evaluate its strategic asset allocation.

PUBLIC PARTICIPATION

1. *General.* The Trustee Council recognizes that public participation in the restoration program is an integral part of the process. To that end, the public is invited to review, comment and participate in the development and implementation of the restoration program.

2. *Exxon Valdez Oil Spill Public Advisory Group.* By order of the District Court for the District of Alaska, the Public Advisory Group is to advise the Trustees, appointed to administer the fund established in settlement of United States v. Exxon Corporation, Civil Action No. A91-082, and State of Alaska v. Exxon Corporation, Civil Action No. 091-083, both in the United States District Court for the District of Alaska, in all matters described in Paragraph V.A.1 of the MOA referenced above. The overall procedures for the Public Advisory Group are contained in the Charter unanimously approved by the Trustee Council and signed by the Secretary of the United States Department of the Interior. The Public Advisory Group consists of members recommended by the Trustee Council and appointed by the Secretary of the United States Department of the Interior.

3. *Public Notice.* Reasonable public notice shall be given for all meetings of the Trustee Council. The notice shall include, when possible, publication in one or more newspapers of general circulation in the following communities: Anchorage, Chenega, Cordova, Homer, Juneau, Kenai, Kodiak, Seward, Tatitlek, Valdez and Whittier and by distribution of the public notice to radio stations broadcasting to these communities. To the maximum extent possible,

reasonable public notice shall also be provided to other communities within the spill area. The public notice shall identify the purpose of the meeting and include a reasonable opportunity for public comment.

4. *Access to Information.* Except where documents are confidential under state or federal law, the public shall have access to the official record of the Trustee Council's action and information regarding proposed or completed studies or other activities funded by the Trustee Council.

FINANCIAL PROCEDURES

SETTLEMENT FUNDS

1. *Joint Trust Funds.* The Joint Trust Funds consists 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.

2. *Court Registry Investment System.* Pursuant to Court Order and in accordance with the Terms of the Memorandum of Agreement and Consent Decree, the Joint Trust Funds were to be placed in an interest-bearing account in the Court Registry Investment System (CRIS) administered through the United States District Court for the Southern District of Texas. The CRIS established two accounts – the EXXON VALDEZ Oil Spill Settlement Account and the CRIS – Exxon Valdez Reserve Fund to receive and hold the Joint Trust Funds.

3. *Investment Fund(s).* The Governments sought and obtained Congressional approval to expand options for investment of the settlement proceeds. Public Law 106-113, the Consolidated Appropriations Act, 2000, was enacted November 29, 1999. Section 350 of H.R. 3423, authorizes deposit of all or a portion of the Joint Trust Funds previously received, or to be received, by the Governments in the Natural Resource Damage Assessment and Restoration Fund or accounts outside the United States Treasury or both.

4. *CRIS Disbursement.* Upon joint application of counsel for the United States and the State of Alaska, the United States District Court for the District of Alaska orders the disbursement of funds for purposes consistent with the Memorandum of Agreement and Consent Decree. The joint application shall consist of legal documents required by the Court and documentation demonstrating the unanimous agreement of the Trustee Council. When appropriate, interest earned on the federal and state accounts and/or unobligated balances from prior years' Work Plans shall be subtracted from the disbursement.

5. *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 to notify the United States District Court for the District of Alaska. The notification shall consist of legal documents required by the Court and documentation demonstrating the unanimous

agreement of the Trustee Council. Concurrently, the Alaska Department of Law and the United States Department of Justice shall be requested to provide the custodian(s) of the Investment Fund(s) with payment instructions. When appropriate, interest earned on the federal and state accounts and/or unobligated balances from prior years' Work Plans shall be subtracted from the disbursement.

6. *Authority to Spend.* No obligations shall be incurred until such time as a Court Order is entered by the United States District Court for the District of Alaska or a notification is filed with 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.

7. *Federal Account.* In accordance with federal law, funds required for federal project implementation are deposited in the Natural Resource Damage Assessment and Restoration (NRDA&R) Fund.

8. *State Account.* In accordance with state law, funds required for state project implementation are deposited in the *Exxon Valdez* Oil Spill Settlement Fund.

AUTHORIZATION

1. *General.* Authorization to expend personal services, travel, contractual, commodities, equipment and general administration shall be consistent with the budgets approved by the Trustee Council.

2. *Fiscal Year.* Unless otherwise approved by the Trustee Council, the fiscal year begins on October 1 and ends on September 30. In the event the Trustee Council approves a project with a different fiscal year, the fiscal year must be clearly stated in the approval motion. In the event the Trustee Council approves a capital project, the designation as a capital project must be clearly stated in the approval motion.

3. *Adjustments.* As long as an adjustment does not alter the underlying scope or objectives of the affected projects, agencies have the authority to move funds into or out of projects up to the cumulative amount of \$25,000 or up to 10% of the authorized level of funding for each affected project, whichever is less. In addition, as long as an adjustment does not alter the underlying scope or objectives of the project, agencies are authorized to move, within a single project, budgeted funds between line items and may change detailed items of expenditure to accommodate circumstances encountered during budget implementation. In the event an adjustment impacts personnel costs or contractual costs, the actual recovery of general administration shall be in proportion to the adjusted actual costs. Justification and supporting documentation as to the reason for all such adjustments (both between projects and line-items) shall be maintained by the agencies. All adjustments between projects shall be reported to the Executive Director in the Quarterly Financial Report. For further information regarding the Quarterly Report, refer to the Reporting section of these procedures.

4. *Revisions.* Trustee Council action is required to move amounts greater than that authorized in section 3 above. Trustee Council action is also required if the revision changes the scope or objectives of a project, establishes a new project, or terminates an approved project during the fiscal year. In the event the proposed revision changes the scope or objectives of a project, establishes a new project, or terminates an approved project during the fiscal year, the public shall be given a reasonable opportunity to review and comment on the proposed change prior to action of the Trustee Council.

PROJECT COSTS

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

2. *Indirect Project Costs.* Indirect costs are those that are incurred for common or joint projects and therefore cannot be identified readily and specifically with a project. In the case of governmental agencies, indirect costs are covered through a general administration formula. The appropriate indirect rate for contractors will be approved on a case-by-case basis.

3. *General Administration Formula.* The general administration formula is used to reimburse governmental agencies for indirect project costs incurred in implementing the restoration program. The general administration formula is applied against direct project costs including actual expenditures (outlays) and obligations (encumbrances). Actual recovery shall be in proportion to actual direct costs and is limited to:

- a. Fifteen percent of each project's actual personnel cost; and
- b. Seven percent of the first \$250,000 of each project's actual contractual costs, plus two percent of each project's actual contractual costs in excess of \$250,000.

4. *Unallowable Costs.* Restoration funds shall not be used to support normal agency functions and activities. As such, costs that would have been incurred, absent the oil spill, are not eligible for reimbursement. This includes costs considered necessary for the management, supervision and administrative control of an agency.

ACCOUNTING

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

2. *Source Documentation.* Adequate justification and supporting documentation must be maintained for each project.

3. *Appropriateness.* Expenditures charged to a project must 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 time sheets and when work performed by such individuals is necessary to the project.

4. *Reasonableness.* Costs attributable to a project must 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.

5. *Segregation.* Accounts must be properly designed and maintained to ensure that funds are expended in accordance with Trustee Council approval. In addition, direct project costs must be segregated from indirect costs to ensure that restoration projects are assessed the general administration formula in proportion to direct costs.

6. *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.

7. *Obligations (Encumbrances).* The term obligations shall be defined as a commitment to acquire goods or services during the fiscal year, or to accommodate contracts where the length of time for completion of the service extends into the following fiscal year. 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. Funds approved for contracts in which the length of time for completion of the service extends into the following fiscal year, may be obligated at year end. To be valid, the length of time to complete the service should be identified in the Detailed Project Description and the budget approved by the Trustee Council. As a general rule, agencies shall have one year from the end of a project's approved fiscal year to satisfy all obligations.

LAPSE

1. *General.* The unexpended and unobligated balance of a project shall lapse on September 30 of the fiscal year for which the project was approved. However, an undisclosed obligation may be established and/or paid during the Close-Out Period.

2. *Capital.* The unexpended balance of a capital project shall be carried forward for two subsequent fiscal years. At the end of the three year period, the unexpended and unobligated balance shall lapse. Trustee Council action is required to extend the project lapse date beyond the three year period.

3. *Close-Out Period.* During the months of October, November and December agencies may pay from prior year funds an expense that was undisclosed during the fiscal year just ended. In addition, agencies may establish obligations to accommodate an expense that was undisclosed during the fiscal year just ended. By January 31 of each year, agencies shall report to the

Executive Director the total expended for each project, plus any obligations relating to the fiscal year just ended. For further information regarding the Annual Financial report, refer to the Reporting section of these procedures.

4. *Reimbursement for Prior Year Expenses.* Expenses discovered after the Close-Out Period may be charged to the subsequent year's project budget. In the event the agency determines that insufficient funds are available to charge the expense to the subsequent year's budget, or the expense relates to a completed project, authority to adjust a prior year Final Report is required. During the months of January through June, adjustments relating to a prior year Final Report may be approved by the Executive Director. All expenses discovered after June require Trustee Council action.

EQUIPMENT

1. *Title.* Subject to the conditions set forth in this section, title to equipment acquired with Joint Trust Funds is retained by the respective governmental agency. In the event equipment is transferred between governments, title to the equipment shall also be transferred.

2. *Use.* Equipment shall be used for the project for which it was acquired. When no longer needed for the original project, the equipment may be used in other activities for which funding was approved by the Trustee Council.

3. *Surplus.* Equipment that continues to function but is no longer needed by the acquiring agency for projects approved by the Trustee Council, may be used for other agency purposes or may be disposed of in accordance with normal agency procedures, providing that first preference is given to restoration projects approved by the Trustee Council. Prior to retaining the equipment for other agency purposes or disposing of the equipment, the acquiring agency must first notify the Restoration Office and obtain approval from the Executive Director. The notification shall 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 Restoration Office shall advertise the availability of the equipment to other agencies for use on restoration projects for which funding is approved by the Trustee Council. If no one expresses an interest in using the equipment, the acquiring agency is permitted to use the equipment for other agency purposes or may dispose of the equipment. Any such equipment should be removed from the annual equipment report.

4. *Inventory.* Property records shall be maintained in accordance with agency procedures.

5. *Repair, Maintenance and Safeguarding.* The repair, maintenance and safeguarding of equipment purchased with joint funds shall be accomplished in accordance with agency procedures.

6. *Disposal.* Equipment that ceases to function shall be disposed of in accordance with agency procedures.

PROFESSIONAL SERVICES CONTRACTS

1. *General.* Agencies shall ensure that 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 Federal and State laws.

2. *Definition.* Professional services means contracts for professional, technical, or consultant services that result in the production of a report or the completion of a task, and include analysis, evaluation, prediction, planning, or developing a recommendation.

3. *Indirect Rates.* The appropriate indirect rate for contractors will be determined on a project by project basis or through a memorandum of understanding with a contractor that provides for a consistent rate and methodology.

4. *Equipment.* Equipment purchased by the contractor will remain the property of the contracting agency.

5. *Special Considerations.* All notes and other data developed by the contractor shall remain the sole property of the contracting agency.

REPORTING

1. *Joint Trust Funds.* Revenues, disbursements and fees associated with the Joint Trust Funds shall be reported to the Trustee Council on a monthly basis. This report shall include an analysis of the Joint Trust Fund balance and the total estimated funds available.

2. *Quarterly Financial Reports.* Within thirty days following the end of each quarter, agencies shall report expenditures and obligations recorded at the end of the quarter to the Executive Director. The report shall include the total amount authorized for each project, any revisions approved by the Trustee Council, any adjustments between projects, the total expended by project, and the total of any outstanding obligations by project.

3. *Quarterly Project Status Reports.* Within thirty days following the end of each quarter, agencies shall submit a project status report to the Executive Director. The report submitted by the agencies shall communicate the project status in relationship to the project tasks that were identified in the proposal approved by the Trustee Council, any problems that are being encountered, and noteworthy accomplishments.

4. *Annual Financial Reports.* By January 31 of each year, agencies shall report to the Executive Director the total expended for each project, plus any valid obligations relating to the

fiscal year just ended. The report shall reflect the total amount authorized by line-item, any revisions approved by the Trustee Council, any adjustments between projects, and any adjustments between line-items.

5. *Annual Project Reports.* Annually, agencies shall submit a report to the Executive Director for all continuing projects approved by the Trustee Council. To be considered continuing, a project must have been initiated with the expectation that it was multi-year. The report deadline and format shall be determined by the Executive Director.

6. *Final Project Reports.* Upon completion of a project or the determination by the Trustee Council to no longer fund a project, agencies shall submit a report to the Executive Director. The report deadline and format shall be determined by the Executive Director.

7. *Equipment Reports.* By December 31 of each year, agencies shall report equipment valued at a cost of \$1,000 or more, and other sensitive items to the Executive Director. Sensitive items shall include firearms, audio/visual equipment, computers and cameras. The report shall 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. In addition, the report should also identify the restoration project that is using the equipment. Agencies shall also report during that calendar year all equipment that has ceased to function or equipment that is surplus. For further information regarding surplus equipment, refer to the Equipment section of these procedures.

AUDITS

1. *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.

2. *Definition.* The term audit includes both financial and performance audits.

3. *Readiness.* When an agency receives funding from the Trustee Council, the agency assumes 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.

4. *Professional Services Contracts.* Contractors who receive funding for professional, technical, or consultant's services are not automatically subject to an annual audit. However, this does not preclude the Trustee Council or the agency from making a determination that an audit is required in addition to an agency's review of expenditure documentation and work produced by a contractor.

5. *State and Federal Audits.* Each Federal agency and the State of Alaska have audit functions. In the event an audit is performed, a copy of the audit shall be provided to the Executive Director.

6. *External Audits.* All external audits shall be conducted in accordance with Governmental Auditing Standards. In addition, the firm and the staff assigned to conduct the audit shall be independent of the Trustee Council, the funding agencies, the Court Registry Investment System, Exxon Corporation, Exxon Shipping Company and Exxon Pipeline Company.

APPENDIX A: FEDERAL INTERNAL PROCEDURES

NATURAL RESOURCE DAMAGE ASSESSMENT AND RESTORATION FUND

1. *Segregation.* All principal and interest shall be accounted for separately by the Department of the Interior, Office of the Secretary. Each disbursement shall be assigned an appropriate account, sub-activity and/or project number when deposited to the aggregate Natural Resource Damage Assessment and Restoration Fund within the Federal Reserve Bank. Confirmation of the deposit shall be provided to the Treasury Department, which reconciles the deposit with the Federal Reserve Bank.

2. *Investments.* By law, the funds may only be invested in Treasury Securities and all ownership is maintained in the name of the Natural Resource Damage Assessment and Restoration Fund. Based on an estimate of cash flow requirements, the Department of the Interior, Office of the Secretary generates instructions for investment and forwards the instructions to the 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.

3. *Reports.* Quarterly, the Department of the Interior shall report interest income to the Executive Director. In addition, all disbursements to the federal agencies shall be reported to the Executive Director.

AUTHORIZATION

1. *General.* Congress permanently appropriated funding approved by the Trustee Council in Section 207 of Public Law 102-227. However, all authorization is subject to compliance with any terms and conditions imposed by the Trustee Council.

2. *Budget and Reports.* Under Section 207, 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.

3. *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.

4. *Instructions for Transfer.* Federal agencies are required to submit an annual cash flow plan to the United States Department of the Interior, Office of the Secretary, Office of Budget, 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, Office of Budget, 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.

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

6. *Return of Unobligated Balances.* On January 31 of each year, federal agencies shall return to the Natural Resource Damage Assessment and Restoration Fund the unobligated balance for the fiscal year just ended. Concurrently, the agencies shall return any recovery of prior year obligations. Agencies are required to submit to the United States Department of the Interior, Office of the Secretary, Office of Budget, a report reflecting the total unobligated balance for the fiscal year just ended and the amount of funding recovered from prior year obligations. The report submitted shall also indicate the date the agency intends to return the funds. The vehicle used for transfers is a SF1151, non-expenditure transfer. The Department of the Interior shall report the total unobligated balance for the fiscal year just ended and the amount of funding recovered from prior year obligations to the Executive Director by February 15 of each year.

APPENDIX B: STATE INTERNAL PROCEDURES

EXXON VALDEZ OIL SPILL SETTLEMENT FUND

1. *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 Department of Revenue.

2. *Investments.* The Alaska Department of Revenue, Division of Treasury will 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.

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

AUTHORIZATION

1. *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 Order signed, and any terms and conditions placed on the funding by the Trustee Council have been met.

2. *Budget and Reports.* To meet the requirements of Alaska Statute 37.14.415, agencies are required to comply with directions published by the State Office of Management and Budget, 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 fiscal year and the amounts actually expended during the preceding fiscal year.

(2) prepare and submit, under AS 37.07, a budget for the next fiscal year setting out, for each object or purpose of expenditure, the trustees' estimate of the amounts that are, during the next 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 (2) 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 fiscal year and that are not included in the budget submitted under (2) of this section.

3. *Legislative Budget and Audit Committee.* Alaska Statute 37.14.405(b), allows agencies to meet the requirements of an appropriation conditioned on compliance with the program review provisions of AS 37.07.080(h). In accordance with the procedures of the Alaska Office of

Management and Budget (OMB), agencies are required to submit a request to OMB for transmittal to the Legislative Budget and Audit Committee.

4. *Expenditure Authority.* Authorization to receive and expend shall be recorded in the Alaska State Accounting System within the *Exxon Valdez* Oil Spill Settlement Fund. Following legislative action, OMB will record the authorization by approving an Authorized Budget Transaction (AB).

APPENDIX C: INVESTMENT FUND(S)

1. *General.* The Trustee Council, through appropriate state and/or federal agencies, may contract for investment, custodial or depository services on a discretionary or non-discretionary basis, with the State and Federal governments, or with independent investment management firms, banks, financial institutions or trust companies by designation through appointments, contracts or letters of authority.

2. *Segregation.* All principal and interest shall be accounted for separately by the custodian.

3. *Reports.* The custodian shall provide to the Executive Director a suite of financial statements on a monthly basis. The monthly report shall reflect all activity associated with the Investment Fund(s) including the date and amount of each transaction, any pending transactions, interest received, purchases, sales and other transactional data on a day-to-day basis. In addition, the custodian shall provide a monthly report which sets forth the opening balance in the Investment Fund(s), associated transactions and a reconciliation to the final balance. The investment manager shall provide to the Executive Director a suite of financial and performance reports on a monthly basis. The monthly financial report shall contain an asset appraisal which sets forth all of the assets held by the Investment Fund(s). The report shall provide detailed information such as cost and market value, current yield and percentage of each investment and sector. In addition, the investment manager shall provide monthly and cumulative performance reports. The performance reports shall include a comparison to the benchmarks approved by the Trustee Council.

4. *Investments.* By unanimous consent, the Trustee Council shall determine the strategic asset allocation and bands. The Executive Director shall have discretion to move assets among asset categories provided that such actions are consistent with movement of the actual asset allocation within the variability bands of the Trustee Council's strategic asset allocation policy. The Executive Director shall make the necessary adjustments to the initial target allocation within 30 calendar days. The Executive Director shall report any asset shifts at the next Trustee Council meeting. Such reports will include a description of the rationale for the shift.

5. *Performance.* The Trustee Council shall identify benchmarks to evaluate Investment Fund(s) performance. Performance shall be evaluated relative to the identified benchmarks and also relative to an appropriate peer group of competitive alternatives. On a biannual basis, performance will be presented to the Trustee Council.

6. *Fees.* No fees shall be assessed by the custodian except as approved in advance by the Trustee Council.

