



Office of Inspector General

Appalachian Regional Commission

Management and Performance Challenges Report

Appalachian Regional Commission

Office of Inspector General

Report Number 25-04

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Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, Suite 718
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Commissioners:

This memorandum transmits the Inspector General's summary of the top management and performance challenges facing the Commission and briefly assesses management's progress in addressing these challenges.

I have identified two management and performance challenges: (1) updating management information systems, and (2) addressing risks associated with the rapid growth of ARC funding. These challenges were identified based on work by the Office of Inspector General, discussions with Commission management, and knowledge of the Commission's programs and operations.

Updating Management Information Systems

In fiscal year 2025, the Commission will begin transitioning to a new grant management system, replacing its current system known as ARCNet. The Commission has selected a vendor and entered into a contract to implement the new system. The vendor will facilitate the changeover to prevent compromising the Commission's grant management and oversight responsibilities.

The challenge facing the Commission is replacing ARCNet with the new grant management system, while avoiding disruption to the current grant process and Commission operations. During the acquisition phase, system requirements were identified and defined to help with the transition to the new system. Now the Commission must integrate the new system while maintaining its current operations.

Transitioning to the new system will create challenges including:

- Implementing a data migration plan,
- Maintaining old records with full accessibility,
- Planning communications strategies,
- Establishing responsibilities among staff,
- Training staff, partners, and grantees; and
- Adjusting to any initial application complications.

These challenges will require the Commission to carefully plan and sensibly introduce the new system while adapting its processes to ensure that the transition does not affect grant procedures or Commission operations.

Risks Associated with the Rapid Growth of ARC Funding

The Commission's appropriated funding has rapidly increased over the past decade leading to significant growth in grant awards and program operations. In addition to increases in appropriations, the Infrastructure Investment and Jobs Act is providing the Commission \$1 billion over the course of fiscal years 2022 through 2026 to fund multi-state projects throughout Appalachia. This large influx of funding has already changed how the Commission operates and manages its grants, programs, and internal functions.

The rapid increase in funding has added to the size, complexity, and attention needed for the grants awarded. Additional funding has also bolstered new initiatives adding to the management load of Commission staff. Increasing the size of grants being awarded and managed creates risks. It will be more challenging for the Commission to evaluate grant proposals, measure program performance, and conduct appropriate oversight with the creation of new initiatives and the receipt of increased funding.

As the Commission adjusts to the rapid growth in funding and operational complexity, human capital capacity remains an important focus in order to affectively handle the increase. Human capital capacity measures the extent to which an organization has sufficient staff, knowledge, and technical skills to effectively meet its program goals. The need for human capital will shift as programs are either added or adjusted. A lack of capacity can result in less staff time administering and monitoring grant programs. The government as a whole has experienced strategic human capital management challenges over the past two decades as there has been a struggle to attract, develop, and retain a skilled and versatile workforce. The ability to recruit and retain a full staff, to adequately manage increased program operations, is of the utmost importance to manage the risks imposed by increased funding.

Additionally, the Commission should consider the rapid growth of funding as it relates to ARC's state partners and grantees and the potential effect on their operations and performance. The Commission should maintain a continual process that assesses grant management capacity and performance measures as it relates to the increase in program expenditures and size. The ability to identify and monitor important risk factors as it relates to rapid growth will help mitigate any potential issues when administering larger awards and achieving program goals.

I will continue to monitor the Commission's efforts to address these management challenges and will also ensure that our office works with you and management to identify and mitigate risks in the furtherance of accomplishing the Commission's goals.



Clayton Fox
Inspector General
Appalachian Regional Commission