INSPECTOR GENERAL

DENALI COMMISSION
OFFICE OF INSPECTOR GENERAL
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DATE: November 18, 2024

TO: Julie Kitka
Federal Co-Chair, Denali Commission

RODERICK FILLINGER Digitally signed by RODERICK FILLINGER Date: 2024.11.18 10:50:53 -05'00'

FROM: Roderick H. Fillinger
Inspector General

SUBJECT: *Top Management and Performance Challenges Fiscal Year 2025 (Report No. OIG-MR-2025-03)*

In accordance with the Reports Consolidation Act of 2000, 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 five management and performance challenges: (1) implementation of a course of action to demonstrate the value of the Commission; (2) long term grants monitoring; (3) succession planning; (4) cohesive, collaborative, and engaged employees in a remote working environment; and (5) continued focus on cyber security. These challenges were identified based on audit work performed for the Office of Inspector General, input from Commission management, and knowledge of the Commission's programs and operations. I appreciate management's strong commitment to addressing these challenges and welcome comments on this report.

I will continue to work with you and management to reassess the goals of our office to ensure that my focus continues to remain the most important risks and priorities of the Commission. I remain committed to keeping you and the Commission's other decision-makers informed of problems identified through our audits, evaluations, and investigations so that timely corrective actions can be taken.

I appreciate the cooperation received from the Commission and look forward to working with you in the coming months. If you have any questions concerning this report, please contact me on (907) 271-3500.

cc: John Whittington, General Counsel
Elizabeth Flowers, Senior Financial Officer

Challenge 1: Implementation of a Course of Action to Demonstrate the Value of the Commission

During the financial statement audit, the auditors noted that during the year ended September 30, 2022, a one-time appropriation of $75 million was made to the Commission in the Infrastructure Investment and Jobs Act. While additional funding is a welcomed opportunity, there still exists a longer-term threat to the funding of the Commission if the Commission does not show the value of the additional funding. This risk could be potentially offset with the implementation of a vision and plan that demonstrates the value the Commission provides. Effectively, what the Commission needs to be able to demonstrate is that through the Commission's experience with a wide variety of solutions to economic and environmental issues throughout Alaska and the Arctic Circle, the American taxpayer receives the best value and return on investment through the continuance of the Commission. This may be as simple as a cost benefit analysis that shows that it will be more expensive for other Federal agencies to complete work in Alaska without the Commission.

Through MAP 21 language the Commission has begun to spend budgetary authority on behalf of other Federal agencies. While this is a good first step, as management continues to pursue these opportunities, management should also consider the development of performance metrics to show the value the Commission provides. For instance, developing estimates of the additional costs another Federal agency would incur to implement programs that the Commission could implement on their behalf could demonstrate value added. Further metrics could include how the Commission is better able to leverage knowledge, experience, and familiarity with the unique challenges in Alaska to expend budgetary dollars more effectively to obtain greater results. This in turn could inform other agencies about the value of being able to do more with less by partnering with the Commission.

Further, the Commission should leverage its current grants monitoring process to provide statistics on the positive impact of previous grants. The Commission should consider an analysis of how other grant making agencies within the Federal government benchmark performance. Through consideration of this bench-marking process, the Commission can highlight what it does best and develop improvement plans for areas that the Commission is falling behind. We recommend the development of benchmarking attributes to mirror the items included in its considered course of actions.

Challenge 2: Long Term Grants Monitoring

The Commission currently does not have a robust process to determine that the grants previously awarded have been and continue to be used as intended. Through the adoption of uniform grant guidance regulations, the Commission has begun to rate grantees based upon risk and has internally reviewed certain projects through various means during the grant award period. However, after grant award closure, there is not a process to follow up on the grant project to determine whether the project is having its intended outcome or providing a longer-term benefit.

While the monitoring process during the grant period begins the process of answering whether the intended use of resources has been continually met (i.e., a care facility is continued to be used as a care facility), it currently does not track whether the long-term performance of the grant outcome has been met. In other words, it does not answer the question "how many people have benefited from the construction or improvement of a care facility?"

The development of performance metrics to show how a project is performing in the long term against the original plan can assist management in the risk rating process of grantees and can be a tool to report to constituents on the effectiveness of the use of taxpayer resources. For instance, to be able to quantify the effect of the installation of a project that shows long term reduction in taxpayer resources can be a powerful tool. As importantly, the quantification of a project that does not show long term reduction in needed additional taxpayer resources will allow the Commission to analyze how to improve grant awards in the future. The performance success of projects can assist with the determination of the value that the Commission provides.

Challenge 3: Succession Planning

Several personnel changes have occurred over the last couple of years, inclusive of changes in the Federal Co-Chair position. Management should consider documentation of various duties as others fill in the position to facilitate future knowledge transfer. This will allow for faster transition and elimination of intellectual capital that leaves when an employee departs.

There are only two members of the Finance group. If either of these two people were to leave the Commission, management would likely be overwhelmed, and the limited staff would create internal controls deficiencies. Specifically, there would be segregation of duties issues that could leave the Commission more susceptible to accounting errors or misappropriation of assets (both internal and external). These deficiencies would cause the Commission not to comply with the Office of Management and Budget and General Accountability Office requirements and could further hinder management efforts to obtain additional funding. Internal controls are typically a variable cost (as an organization grows the cost grows as well); however, there is a certain fixed portion of cost that needs to be incurred regardless of the size of the organization (based on Federal requirements) and continued reduction in staff may cause the Commission to be below the fixed portion of internal controls. While specifically addressing concerns related to the finance function of the Commission, the diminishing staff and related internal control impact will affect all areas of the Commission (grant origination, grants monitoring, etc.).

Management should be aware that the documentation and development of succession planning can go hand in hand along with long-term strategic planning. There are many Federal agencies and related organizations that can assist in the development of strategic and succession planning.

Challenge 4: Cohesive, Collaborative, and Engaged Employees in a Remote Working Environment

The Commission is predominantly a remote working environment. While generally this appears to have had positive effects on the morale of staff and cost savings, building and maintaining a cohesive, collaborative, and engaged team is more difficult in a remote environment. Management should consider periodic team building events that are in person to have staff interact with one another. These events can lead to increases in teamwork, collaboration, and communication among employees. Further, these events can build bridges across administrative and programmatic functions. Given the interoperability of processes and procedures between administrative and programmatic functions at the Commission, intentionally promoting interaction can help foster innovation and improve employee engagement and morale.

Challenge 5: Continued Focus on Cyber Security

The Commission has made significant and measurable improvements to meet the requirements of the DATA Act and FISMA requirements. The theft of data and ransomware have become more prevalent with over 422 million individuals impacted by data comprises in 2022. Management should continue to be vigilant about cyber security and continue to invest in counter measures and training. Additionally, the Commission should consider investing in tools and resources, funding permitting, that will periodically test the policies and procedures in place and identify weaknesses to allow such items to be addressed prior to an actual cybersecurity incident occurring.

cc: John Whittington, General Counsel
Elizabeth Flowers, Senior Financial Officer