Office of Inspector General

Appalachian Regional Commission

Management and Performance Challenges Report

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Report Number 23-28

September 29, 2023

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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) improving 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, input from Commission management, and knowledge of the Commission's programs and operations.

Improving Management Information Systems

During the pandemic, the Commission adapted its network to meet new remote work requirements. Meeting the challenge included moving its email service to the cloud and establishing a virtual private network (VPN) to enable staff to have seamless access to their files and the ARC portal. In addition, the Commission made sure that staff had access to virtual meeting platforms and provided the technical capacity to support various online meeting formats.

The challenge moving forward will be to modernize the Commission's business systems to improve the efficiency and effectiveness of the grant management process. The Commission needs to minimize its reliance on paper processes and deploy automation when possible. The Commission has selected a vender and entered into a contract to replace ARCNet, its primary business information system for managing grants. They have started the process of identifying and defining the overall system requirements and setting the priorities for identifying detailed system requirements.

Transitioning to a new system will create challenges such as:

- Defining systems requirements,
- Planning communications strategies,
- Establishing roles and responsibilities,
- Implementing a data migration plan,
- Training staff, and
- Preparing a "change management" approach.

These challenges will require the Commission to thoughtfully engage stakeholders to ensure that the transition is carefully planned and sensibly executed.

Risks Associated with the Rapid Growth of ARC Funding

The Commission's appropriated funding doubled between 2015 and 2021. This rapid increase in funding has changed how the Commission implements its programs. However, it is not without the presence of risks, and the possibility of future risks.

Both the rapid growth of grant award sizes and the increased complexity of the grants under new programs pose risks to the Commission. In 2014, the Commission awarded grants with an average size of $136,000. Seven years later, the Commission was awarding grants with an average size of $370,000. 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.

Commission capacity requires having both appropriate resources and using the resources to effectively manage its grants program. Building sufficient capacity is a challenge that will involve significant costs or tradeoffs for the Commission. Human capital capacity measures the extent to which an organization has sufficient staff, knowledge, and technical skills to effectively meet its program goals. Human capital needs will shift over time as programs change or the programs address new challenges. A lack of capacity can result in less staff time administering and monitoring grant programs. Given the importance of grants management at the Commission, it is critical that the Commission have adequate human resources with the technical expertise to properly administer its grant program.

Additionally, the ARC should be aware of any risks, emerging issues, or new challenges that rapid growth has created for our state partners and grantees that could negatively impact program performance. The Commission should have a framework to continually assess, identify, and monitor risk in the performance of its grant management activities to ensure grantees have—and maintain— the necessary capacity to effectively administer the larger awards to achieve program goals.

I will continue to work with you and management to reassess the goals of our office to ensure that my focus can continue to remain on the most important risks and priorities of the Commission.

Philip M. Heneghan
Inspector General
Appalachian Regional Commission