Appalachian Regional Commission

Office of Inspector General

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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 three management and performance challenges: (1) the COVID-19 pandemic, (2) information systems, and (3) 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.

COVID-19

Like the rest of the world, the Commission faced an immediate threat to operations when the COVID-19 pandemic required it to close its offices and have staff work from home. In early 2020, the Commission did not include telework as part of its normal business processes. Responding to COVID-19, the Commission sent the entire staff home to work and successfully met the challenge of establishing work processes for remotely implementing its programs and continuing to accomplish its mission.

The Commission faces a dual challenge: Ensuring the health and safety of its staff, grantees and other partners, while simultaneously accomplishing the work needed to respond to the increased need for its programs in the Appalachian region. In addition, the Commission will need to understand how the pandemic has changed how it works—and whether some of the changes are or should be permanent. For example, remote meetings are able to bring more people together from throughout the Appalachian region at a lower cost, but effectively staging these remote sessions requires a different set of skills than conducting in-person training.

IT Systems

The Commission had already moved its email service to the cloud before the pandemic forced it to have its staff work remotely. The ARC responded rapidly to new

technical challenges brought on by the change to a 100% remote work operation. The Commission created and made available a VPN so that staff would 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 meetings. The Commission has been automating its business processes by implementing an automated payment tool and eliminating the need for paper for much of the grant approval process.

The challenge moving forward will be to continue 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. This will require a clear IT strategy to identify the systems and available technologies to automate the grant-making process from the pre-award through post-award phases, without compromising the Commission's management and oversight responsibilities.

Risks associated with rapid growth of ARC funding

Over the past six years, the Commission experienced a 118% increase in program funding. From May 2014 to May 2020, the Commission's staff increased from 39 to 49, or about 25%. With the increase in funding and the scope of its grant-funded endeavors, the Commission was challenged to continue to implement its program. This challenge was met. However, it was not and is not without risks.

In 2014 the Commission had 441 projects with an average size of $136 thousand. Six years later, the Commission had 478 projects with an average size of $366 thousand. A significant percentage of these grants are awarded in the last quarter of the fiscal year. Increasing the size and number of grants being awarded and managed creates risk, and may make it more difficult for the Commission to assess program performance and conduct oversight.

Both the rapid growth and the increase in the complexity of the grants under new programs (such as POWER, SAAW and CAB) pose operational risks to ARC. In addition, with the increase in academies, institutes, workshops, and leadership conferences, there is more direct involvement with the hundreds of people benefiting from these programs. Capacity involves both having appropriate resources and using the resources to effectively to manage the program. Building sufficient capacity is a challenge that may involve significant costs or tradeoffs.

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 shift over time as programs change and face new challenges. A lack of capacity can adversely limit staff time in administering and monitoring grant programs. Given the role and importance of grants management at the Commission, it is critical that the ARC 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.

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Inspector General
Appalachian Regional Commission