
Denali Commission

OFFICE OF INSPECTOR GENERAL

**FISCAL YEAR 2021 TOP MANAGEMENT
AND PERFORMANCE CHALLENGES**





DENALI COMMISSION
OFFICE OF INSPECTOR GENERAL
ANCHORAGE, ALASKA 99501

INSPECTOR GENERAL

MEMORANDUM

DATE: November 6, 2020

TO: John Torgerson
Interim Federal Co-Chair, Denali Commission

FROM: 
Roderick H. Fillinger
Inspector General

SUBJECT: *Top Management and Performance Challenges Facing the Denali Commission in Fiscal Year 2021*

In accordance with the Reports Consolidation Act of 2000, I am providing you a summary of the top management and performance challenges facing the Commission, noting management's progress in addressing these challenges. I have identified four management and performance challenges facing the Denali Commission in fiscal year 2021. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. Serious management and performance challenges are defined as mission critical areas or programs that have the potential to be a significant weakness or vulnerability that would seriously impact agency operations or strategic goals if not addressed by management.

I have identified these challenges based on the Office of Inspector General's (OIG) experience and observations from my oversight work, as well as a general knowledge of the Commission's programs and operations. The management and performance challenges facing the Commission are: (1) Management through the COVID-19 pandemic; (2) Compliance with records management; (3) Continued implementation of the strategic plan to fulfill the Commission's statutory purpose with static funding that is a significant decrease from prior years; (4) Human capital challenges, including the appointment of a new Federal Co-Chair. I appreciate management's strong commitment in addressing these challenges and welcome comments to this report.

Challenge 1: Management through the COVID-19 Pandemic

COVID-19 has caused unprecedented global social and economic disruption including one of the largest global recessions since the Great Depression. Further, COVID-19 has caused many businesses to close and lay off employees. Like the rest of the United States and the world, the Commission faced major disruption to its operations. The Commission has faced a three-fold challenge. With respect to the initial challenge of ensuring the health and safety of the staff, the Commission closed its office and had staff work from home. This arrangement presented some challenges to normal workflow procedures, but management has adjusted throughout the year to address the challenges of an entirely distributed workforce and has leveraged existing technologies to make these adjustments. The second part of the challenge is the effect of the shutdown or slowed production of various industries resulting in limited or slow supply chains, combined with the relatively short construction season in Alaska that have presented challenges for the grant recipients in completing projects as originally scheduled. Combined with other restrictions on travel and the ability to conduct physical inspections, an additional burden is placed on the Commission grant managers to assess program performance and conduct oversight.

Moving forward into the next calendar year, the Commission also faces the challenge of reopening its operations in a safe manner to protect both employees and guests of the Denali Commission.

Challenge 2: Compliance with Records Management

Federal agencies are required by law (the Federal Records Act of 1950, as amended and codified in Title 44 of the United States Code) to adequately document their missions, functions, policies, procedures, decisions, and transactions. They are required to preserve historically valuable records, and it is a crime to destroy records without approval from the National Archives.

In 2011, Presidential Memorandum, Managing Government Records, requires Federal agencies to manage both permanent and temporary email records in an electronic format by the end of 2016. By the end of 2019, agencies were directed by the Office of Management and Budget (OMB) and U.S. National Archives and Records Administration (NARA) jointly issued Memorandum M-12-18, Managing Government Records Directive to manage all permanent records in an electronic format.

NARA is set to stop accepting paper-based records at the end of 2022, and OMB has issued M-19-21, Transition to Electronic Records to help agencies meet this deadline.

OMB is directing agencies, to “ensure that all Federal records are created, retained, and managed in electronic formats, with appropriate metadata,” and develop plans to close agency-operated storage facilities for paper and other, analog records, and transfer those records to Federal Records Centers operated by NARA or commercial storage facilities.”

The OMB guidelines require that all agencies “manage all permanent electronic records in an electronic format” by December 31, 2019. By December 31, 2022, this requirement extends to all permanent records as well as temporary records,” to the fullest extent possible.” December 31, 2022, is also the deadline for agencies to close any agency-operated record centers, and transition all records to Federal or commercial centers.

The memo states, “Beginning January 1, 2023, all other legal transfers of permanent records must be in electronic format, to the fullest extent possible, regardless of whether the records were originally created in electronic formats. After that date, agencies will be required to digitize permanent records in analog formats before transfer to NARA.”

The Commission has worked diligently towards compliance with the records management directive by continuing to implement an electronic records system as well as policies and procedures to properly handle Commission files and records. Management continues to develop and implement these policies and procedures in consultation with NARA. However, it is imperative that a complete oversight or governance process be established to include documenting agency policies, procedures and processes that address all hard copy and electronic records proper handling. The Commission needs to ensure various roles (e.g., system administrator); related authorities and capabilities are properly assigned, documented, managed, and monitored. Such written documentation should be maintained as this need will become increasingly critical as additional functionality and enhancements are added to any system developed. Further, although, certain types of records do not have legal retention requirements; the policies, processes and procedures should, clearly and specifically, instruct staff on the proper handling. Further, management should periodically verify that such policies are being followed.

Challenge 3: Continue Implementing Strategic Plan to Fulfill the Commission’s Statutory Purpose with Significant Decreases in Funding

In 1998, the Denali Commission Act established the Commission as a federal agency with the statutory purpose of providing to rural areas of Alaska job training and economic development services, rural power generation and transmission facilities, modern communications systems, water and sewer systems, and other infrastructure needs. The Commission has awarded more than \$2 billion in federal grants to help develop remote communities, funding more than 1,400 projects across various programs, including energy, transportation, and health care. Between FYs 2004 and 2008, on average the Commission received nearly \$130 million in total funding per fiscal year. Since then, the Commission has experienced a significant decrease in funding in recent fiscal years, from

receiving about \$141 million in FY 2006 to about \$25 million in FY 2019, a decrease of approximately 82 percent. This reduced level of funding is expected to continue for the near future. The 2016 Water Infrastructure Improvements for the Nation Act (WIIN Act) reauthorized the Commission for an appropriation of \$15 million for each fiscal year through 2021.

In the November 2018 Top Management and Performance Challenges report, OIG identified that the Commission faced significant decreases in funding levels which could not support grant making on the scale and pace done in the past while still fulfilling its statutory purpose. Although the Commission has taken steps to address this challenge, it continues to face difficulties in its current role as primarily a grant-making agency in the current budget environment. In March 2015, GAO identified several strategies that the Commission could utilize in its approach to fulfilling its statutory purpose in the future while facing significantly limited budgetary resources. Among the recommended strategies were limiting grants, focusing on facilitation, and maintaining existing infrastructure. In late FY 2017, the Commission developed a strategic plan for FY 2018–2022 to address this GAO recommendation by stating that it will pivot away from its traditional grant-making role to more of a maintenance and facilitator role. However, during FY 2019, the Commission moved away from this strategy and returned to its core grant funding model. To address this challenge the Commission should consider returning to its strategic plan. In either model, this remains a significant challenge for the Commission until the original strategic plan is fully implemented and the impact of these changes can be determined, or a new plan is created.

Challenge 4: Strategic Human Capital Management

This challenge is one that confronts most Federal agencies throughout the government. It relates to management's stewardship of its human capital, as well as the leadership of the Federal Co-Chair. During fiscal year 2018, the Secretary of Commerce appointed an interim Federal co-chair, John Torgerson. In April of 2019, a new full-time Federal co-chair, Jason Hoke, was appointed. Mr. Hoke subsequently resigned in April of 2020. This abrupt departure was mitigated from the perspective of continuity in leadership by Mr. Torgerson's appointment in April 2020 to serve again as the interim Federal Co-Chair. Mr. Torgerson's familiarity with the Commission, its mission, and its operations brought some much-needed stability and continuity to the Commission. Nevertheless, the absence of a permanent Federal Co-Chair remains a challenge for the Commission's management.

With respect to the Commission's staff, a significant management challenge is maintaining a safe, well-trained, sustainable workforce while facing challenges in retirement eligibilities, succession planning and training, and diversity. The Commission relies heavily upon subject matter experts in its programmatic areas. Employees are its most valuable asset, and the safety and well-being of the workforce is brought to the forefront during times like the current COVID-19 pandemic. Because of the heavy reliance

on these subject matter experts, the Commission's success depends greatly on its ability to recruit, retain, and develop a capable workforce, including the ability to effectively have knowledge transfer upon the departure of a key individual. Because it is a very small agency, changes in the workforce— such as the retirement or departure of key management and senior employees—must be accounted and planned for to avoid undue disruption to Commission functions. Planning ensures that institutional knowledge and experience are passed on, and the reliance upon subject matter experts remains a strength, rather than a liability for the Commission. Workforce training and development takes a significant investment of resources, but ensures that the Commission maintains a vital, experienced staff. Adjustments made by the interim Federal Co-Chair to address accomplishment of mission objectives while protecting employee health is exemplified by temporary adjustments made to Commission policies related to telework and personal cell phones and the provision of internet. These adjustments resulted in no decrease in accomplishment of the Commission's work plan during fiscal year 2020.

In addition to the ongoing challenge of workforce development and retention, the Commission must continually assess and deploy strategies to reach its goals for diversity and inclusion. It can do this by using various tools that identify and reduce potential barriers to diversity and inclusion, enhance outreach, evaluate the Commission's recruitment data to use when vacancies do arise, and heighten awareness through programs that support diversity and inclusion.

The Denali Commission Office of Inspector General remains committed to keeping the Commission's decision-makers informed of problems identified through our audits, evaluations, and investigations so that timely corrective actions can be taken. A copy of this final report will be included in the Commission's Agency Financial Report, as required by law.

The Denali Commission Office of Inspector General appreciates the cooperation received from the Commission and looks forward to working with the Commission in the coming months. If the Commission has any questions concerning this report, please contact the Denali Commission Office of Inspector General at (907) 271-3500.



DENALI COMMISSION

November 12, 2020

Memorandum

To: Roderick H. Fillinger, Inspector General

From: John Torgerson, Interim Federal Co-Chair

Subject: Response to Top Management and Performance Challenges facing the Denali Commission in Fiscal Year 2021

I have reviewed your letter regarding management challenges for FY 2021 and agree with your comments. I will address each concern in turn:

COVID-19 Impacts:

The COVID-19 pandemic has changed the way we work and reduced our ability to travel and created challenges for our grantees. The Commission staff is now primarily working from home, however, I have been impressed with the staff's continued high level of production. The staff has met this challenge by following OPM guidelines and outperformed expectations. As to our grantees the Commission has continually worked with all grant recipients to comply with the grant provisions and has provide extensions to 45 grant recipients so that the work can be completed the following year. Finally, we agree that site visits have been curtailed because of travel limitations due to COVID-19 precautions. We anticipate a robust schedule of follow-up site visits will be conducted once the health concerns and travel restriction are lifted.

Records Management:

The Commission has had several meetings with NARA personnel to advise us on becoming compliant. Staff has been assigned to this task and progress is being made. COVID-19 restrictions have limited staff's ability to work on the hardcopy files maintained in the office which have slowed down our progress. The Commission nonetheless continue to make progress on becoming compliant.

Implementation of the Strategic Plan:

DENALI COMMISSION

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The Commission has faced reduced funding from its historic levels and has leveled out at \$15,000,000 per year. The Commission has continued to leverage our funding more than 3 to 1 (\$51M) by regularly working with our Federal, State, and local partners to meet our objectives in the Strategic Plan.

Workforce Development:

The Commission staff is currently well situated, and no vacancies are anticipated within the next few years. The advice is well taken and when any of the staff announce their plans on vacating their positions, we should have ample time to recruit and train replacements.

The appointment of a Federal Co-Chair is out of our jurisdiction, although the appointing authority have been made aware of the importance of recruiting a permanent Federal Co-Chair.

Sincerely,


John Torgerson
Interim Federal Co-Chair
Denali Commission

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