Denali Commission

Top Management and Performance Challenges Fiscal Year 2022

FINAL REPORT

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Denali Commission Office of Inspector General

DENALI COMMISSION
OFFICE OF INSPECTOR GENERAL
ANCHORAGE, ALASKA 99501

INSPECTOR GENERAL

MEMORANDUM

DATE: November 10, 2021

TO: Garrett Boyle
Federal Co-Chair, Denali Commission

FROM: Roderick H. Fillinger
Inspector General

SUBJECT: *Top Management and Performance Challenges Fiscal Year 2022*

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 2022. 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) Continued improvement in information systems and cybersecurity; (2) Continued implementation of the strategic plan to fulfill the Commission's statutory purpose with significant Increases in funding; (3) Continued improvement in controls and compliance with records management and privacy data protection; (4) Human capital challenges, including the addition of critical staff and management through the return to the workplace plans and implementation of new policies as a result of the COVID-19 pandemic. I appreciate management's strong commitment in addressing these challenges and welcome comments to this report.

Challenge 1: Information Systems and Cybersecurity

The Commission continues to adapt its network to meet changing security needs while also providing the necessary technological resources and tools to its staff and stakeholders to conduct its mission in a remote working environment. As evidenced in the progress in moving from a maturity level of “ad hoc” in its Federal Information Security Management Act (FISMA) to an overall maturity level of “defined” in the fiscal year 2021 audit in one year, the Commission is aggressively addressing this challenge. FISMA 2002, part of the E-Government Act (Public Law 107-347) was passed in December 2002. FISMA 2002 requires each federal agency to develop, document, and implement an agency-wide program to provide information security for the information and systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other sources.

The Federal Information Security Modernization Act of 2014 amends FISMA 2002, by providing several modifications that modernize federal security practices to address evolving security concerns. These changes result in less overall reporting, strengthens the use of continuous monitoring in systems, increases focus on the agencies for compliance and reporting that is more focused on the issues caused by security incidents. FISMA 2014 also required the Office of Management and Budget (OMB) to amend/revise OMB Circular A-130 to eliminate inefficient and wasteful reporting and reflect changes in law and advances in technology.

The challenges that continue to confront the Commission arise from the difficulties in applying the requirements of FISMA to a micro-agency like the Commission. Both in terms of human capital and technological resources, implementation of all the necessary security measures and programs to achieve a maturity level of “five” – “Optimized,” exceed the resources currently available to the Commission. Complicating this challenge has been the 5% cap on administrative expenses in the Denali Commission Act of 1998. This limitation contributes to the difficulty in finding the resources to pursue the upgrades needed. Many laws have been passed that required a great deal of resources to meet the requirements in those laws, but the Commission has not been provided the needed funding; instead, the Commission saw multiple years of funding decreases. The Commission continues to face the challenge of obtaining adequate resources for cybersecurity expenses.

This scarcity is not limited to Commission resources. It also arises from the lack of technological and communication infrastructure available geographically within Alaska. The Commission has, however, defined the necessary information security and systems needed to continue improving while managing the risks inherent in its systems. The challenge confronted is managing risk at an acceptable level and identifying the available systems and available technology to improve cybersecurity and information systems without any diminution to the Commission’s ability to fulfill its mission.

Challenge 2: Continued Implementation of Strategic Plan to Fulfill the Commission’s Statutory Purpose with Significant Increases 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 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 has been reversed in the recently passed infrastructure bill providing for a one-time appropriation of $75 million and authorizing an annual appropriation of $20 million for the transportation program, under Sec. 309 of the Denali Commission Act. If this authorization is funded at the $20 million authorized, combined with the $15 million “base” funding, under Sec. 312, this funding plus transfers under TAPL would approximately double what the Commission’s annual appropriation has been in recent years. Combined with the $75 million appropriation this is a significant increase in the Commission’s funding.

With both the increase in funding and the expanded scope of potential grant-funded endeavors, the Commission faces the challenge of determining the most strategic, cost-effective, and impactful manner to carry out its mission. The Commissioners are considering alternative approaches. The challenge will be to identify the presence of current risks, as well as the possibility of new risks moving forward. The challenge is also presented to have adequate human capital capacity to effectively manage the program. Measuring the extent to which the Commission has sufficient staff, knowledge, and technical skills to effectively meet its program goals must be part of any programmatic implementation. A lack of training and skill could adversely limit appropriate grant oversight.

Additionally, the Commission should be aware of risks, emerging issues, or new challenges that this growth creates for 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 that grantees have, and maintain, the necessary capacity to effectively administer larger or more numerous awards to achieve program goals.

Challenge 3: Compliance with Records Management and Privacy Act Controls

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.

With respect to Privacy Act controls, the Commission faces the challenge of implementing effective privacy and data protection policies and procedures. This may be addressed through implementing the NIST Privacy Framework to achieve effective privacy and data protection policies and procedures. We recommend that a data asset inventory be completed to identify the data assets owned by the Commission. In addition, the Commission should perform a gap assessment to the Privacy Framework and NIST 800-53 to determine where the Privacy Policy can be enhanced. The Commission also faces the challenge of putting in place or enhancing privacy policies related to Governance and Risk management, roles and responsibilities for ensuring compliance with privacy requirements, data actions, handling of data to comply with privacy requirement and privacy training.

Challenge 4: Strategic Human Capital Management

This challenge 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. Your appointment as the new Federal Co-Chair and your familiarity with the Commission's mission from your involvement with legislative issues and needs facing the Commission provides a measure of continuity from the very beginning of your term as Federal Co-Chair.

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. This is a challenge in a unique way for a Commission as small as the Denali Commission because of the need to rely upon single individuals for several areas of expertise and mission delivery.

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.

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