

Top Management and Performance Challenges Fiscal Year 2023



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DENALI COMMISSION
OFFICE OF INSPECTOR GENERAL
ANCHORAGE, ALASKA 99501

INSPECTOR GENERAL

DATE: November 14, 2022

TO: Garrett Boyle
Federal Co-Chair, Denali Commission

FROM: Roderick H. Fillinger
Inspector General

SUBJECT: *Top Management and Performance Challenges Fiscal Year 2023*

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 three management and performance challenges: (1) continued enhancement of information systems and cybersecurity, including implementation of trusted internet connections; (2) long term grants monitoring and annual evaluation plan to demonstrate the value of the Commission; and (3) strategic human capital management, including succession planning. These challenges were identified based on audit work performed by the Office of Inspector General, input from Commission management, and knowledge of the Commission's programs and operations. I appreciate management's strong commitment in addressing these challenges and welcome comments to 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 on 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 at (907) 271-3500.

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

Challenge 1: Continue Enhancement of Information Systems and Cybersecurity, Including Implementation of Trusted Internet Connection

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. Several security enhancements to the network and applications in use on the network were strengthened during this past fiscal year. The Commission continues to aggressively address the opportunities for strengthening the overall security of its information technology systems identified in the Federal Information Security Management Act (FISMA) audit.

The challenges continuing 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 costs of all the necessary security measures and programs to achieve a maturity level of “five” – “Optimized,” exceed the resources currently available. 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.

A significant challenge that remains is that of implementing the trusted internet connections (TIC) initiative. Under OMB M-19-26, Update to the Trusted Internet Connections (TIC) Initiative, which required Chief Information Officers at agencies to maintain an accurate inventory of agency network connections, including details on the service provider, cost, capacity, traffic volume, logical/physical configurations, and topological data for each connection in the event OMB, DHS, or others request this information to assist with government-wide cybersecurity incident response or other cybersecurity matters. We understand through discussions with management that the Commission has twice extended requests for proposals seeking a contractor to provide the necessary infrastructure and expertise to meet this requirement.

Under the Denali Commission Act of 1998, section 305, Powers of the Commission, allows the Commission to secure directly from any Federal department or agency such information as it considers necessary to carry out the provisions of this Act, including providing information to the Commission and procuring services and personnel from other Federal agencies. We recommend the Commission consider using this authority to request assistance from other Federal agencies who have already implemented TIC within the geographical boundaries of Alaska to assist the Commission in implementing the requirements. Additionally, the Commission should document the formal requests of such assistance to document the efforts of the Commission went to comply with the requirements of the initiative. Lastly, we recommend the Commission issue periodic RFPs until such time that a vendor responds to provide such services.

Challenge 2: Long Term Grants Monitoring and Annual Evaluation Plan to Demonstrate the Value of the Commission

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.

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.

An annual evaluation plan would assist Commission management in demonstrating the effectiveness of the grants selected for funding and the value of the Commission. Effectively, what the Commission needs to be able to demonstrate is that the Commission's experience with a wide variety of solutions to economic and environmental issues throughout Alaska and the Arctic Circle, provides American taxpayers with a significant return on investment through the continued and even enhanced funding of the Commission.

One example of how this demonstration might be made is through a cost benefit analysis showing the expense of other Federal agencies completing work in Alaska without the coordination and expertise of the Commission. Through MAP 21 authority, the Commission has

begun to spend budgetary resources on the behalf of other Federal agencies. While this is a good first step, management should continue to actively pursue these opportunities. Management should also consider the development of performance metrics to show the value the Commission can provide. For instance, developing what would be the additional costs another Federal agency would have had to incur to be able to implement programs that the Commission could implement on their behalf. Further metrics could include how the Commission was better able to leverage knowledge and experience to make the budgetary dollars go further. In other words, the Commission was able to do more because of presence and knowledge. This in turn could be described to other agencies on the value of being able to do more with less by employing 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 performance bench-marking analysis of other grant making agencies within the Federal government. 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 the bench-marking attributes to mirror the items included in its considered course of actions.

Challenge 3: Strategic Human Capital Management

This challenge relates to management's stewardship of its human capital. With respect to the Commission's staff, a significant management challenge is maintaining a 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. 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.

Succession planning particularly presents a management challenge considering the size of the Commission and the limits placed statutorily upon administrative expenses. Management should consider documentation of various duties of positions in the Commission to facilitate knowledge transfer and minimize the loss of intellectual capital that leaves with departed employees in the future. As part of the documentation process, management should consider

developing succession planning for each function within the organization. This documentation could help the transition process as new members are brought up to speed on core duties. Additionally, this documentation would reduce the amount of “institutional knowledge” that leaves the organization.

We note that 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 with limited remaining staff internal controls deficiencies would arise. Specifically, there would be a segregation of duties issue that could be created such that the Commission would be more susceptible to accounting errors or misappropriation of assets (both internal and external). While we are specifically addressing our 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.). Documentation and development of succession planning can facilitate long term strategic planning (see Management Challenge 2).

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.