Denali Commission
Agency Financial Report (AFR)
Fiscal Year 2024

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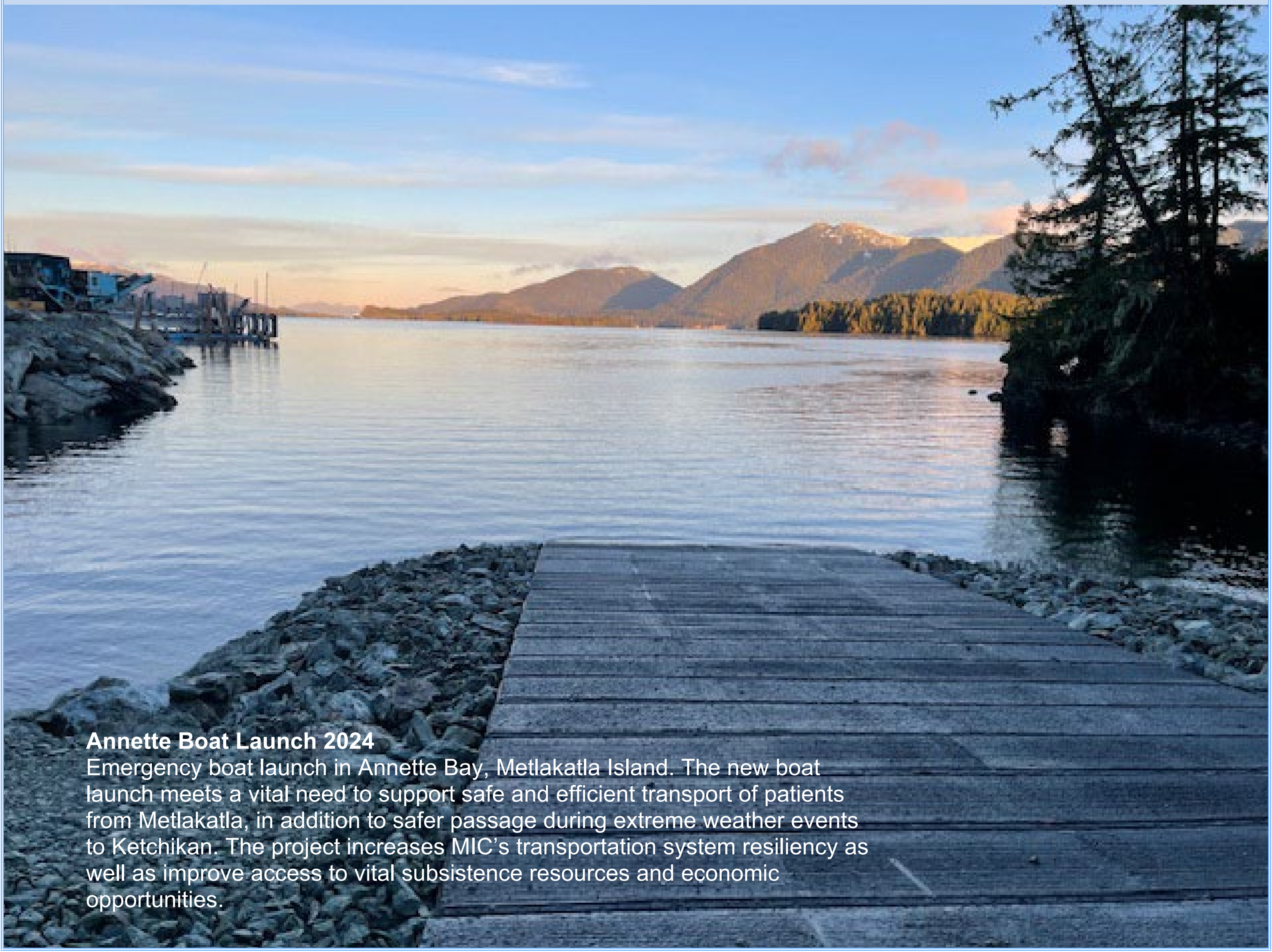

Annette Boat Launch 2024
Emergency boat launch in Annette Bay, Metlakatla Island. The new boat launch meets a vital need to support safe and efficient transport of patients from Metlakatla, in addition to safer passage during extreme weather events to Ketchikan. The project increases MIC's transportation system resiliency as well as improve access to vital subsistence resources and economic opportunities.

DENALI COMMISSION

This report is available on the internet on the Denali Commission's website at http://www.denali.gov under the Finance tab at the top of the home page, or at this specific address: https://www.denali.gov/finance/agency-financial-reports/

To order copies of the report or to submit comments on how to improve the report, contact:

Denali Commission
ATTN: Beth Flowers, Financial Officer
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Anchorage, AK 99501
Telephone: 907-271-1414

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Management Discussion and Analysis

Overview of the Denali Commission

In 1998, national attention was focused on the immense infrastructure and economic challenges faced by rural Alaskan communities by the passing of the Denali Commission Act (the full text of which is available on the Denali Commission's website. The Act became law on October 21, 1998 (Title III of Public Law 105-277, 42 USC 3121) establishing the Denali Commission an independent federal agency that acts as a regional commission focusing on the basic infrastructure needs of rural Alaska. Working as a federal-state-tribal-local partnership, the Commission provides critical utilities, infrastructure and promotes economic growth in the rural areas of the state. The agency also coordinates and streamlines federal program efforts in rural Alaska, and better leverages federal investments. By creating the Commission, Congress intended for those involved in addressing the unique infrastructure and economic challenges faced by America's most remote communities to work together in new ways to make a lasting difference.

Mission, Purpose Statement, Organizing Principles, and Priority Initiatives

Mission

The mission of the Denali Commission is to provide infrastructure, job training and to support economic development. The Commission was established with a specific focus on promoting rural development in the following areas: bulk fuel storage, power generation, health care facilities, surface transportation and waterfront facilities, communication systems and specialty housing (e.g., domestic violence shelters). In executing the mission, the Commission strives to deliver services in the most cost-effective manner possible.

Purpose Statement

Promote Rural Development by Unlocking More Powerful Solutions

Organizing Principles

- Lead transformational change to meet the infrastructure needs of rural communities in a sustainable manner
- Deliver federal services in the most cost-effective and transparent manner, utilizing public input every step of the way
- Focus on community infrastructure
- Use existing statutory authority, maximize Federal agencies in Alaska to effectively leverage infrastructure funds and maximize federal-state-municipal-tribal coordination
- Actively promote good governance, accountability, and innovation

Priority Initiatives

1. Work with Federal and non-Federal stakeholders to define the future of the Denali Commission and ensure alignment of all partners.
2. Protect existing infrastructure investments.
3. Continue to develop and implement the new Village Infrastructure Protection program.
4. Maintain relevance and impact in rural Alaska.

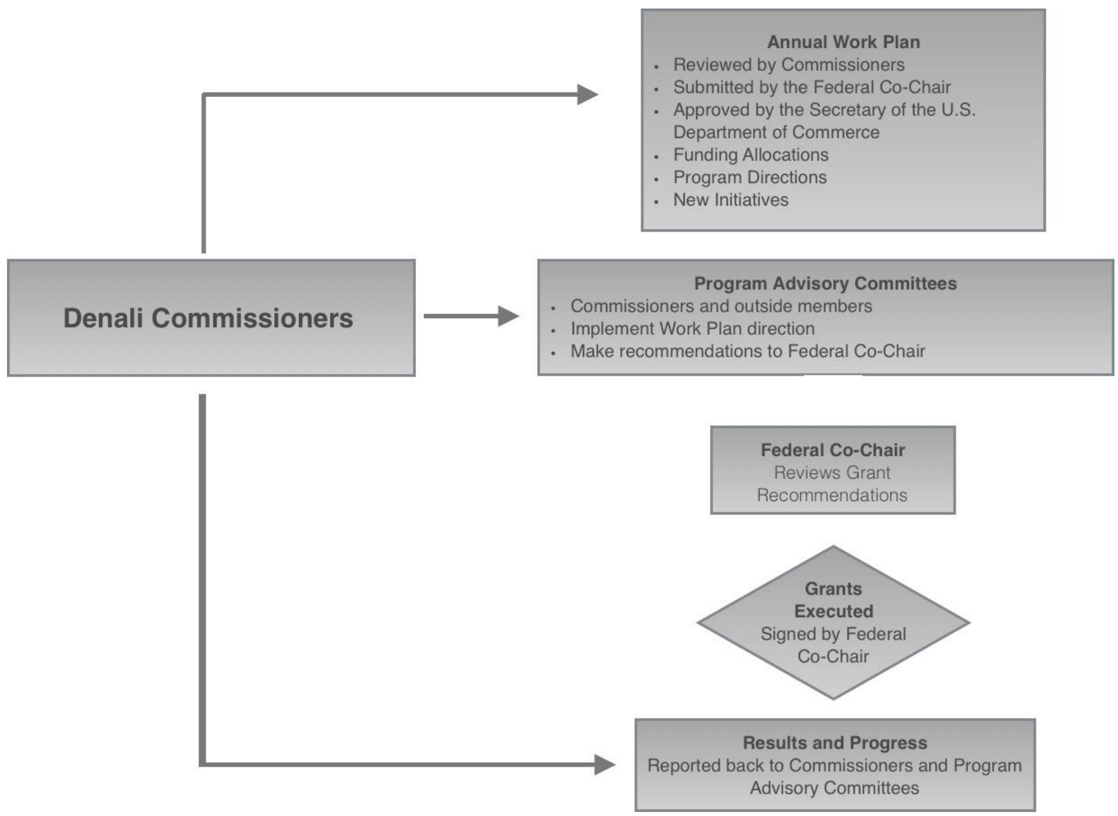
Denali Commissioners

The Denali Commission Act designates seven leading Alaskan policy makers by position to form a team as the Denali Commissioners:

- Federal Co-Chair, appointed by the U.S. Secretary of Commerce
- The Governor of Alaska, who serves as the State Co-Chair*
- President of the University of Alaska
- President of the Alaska Municipal League
- President of the Alaska Federation of Natives
- Executive President of the Alaska AFL-CIO
- President of the Associated General Contractors of Alaska

Commissioners meet at least twice a year to develop and monitor annual work plans that guide the agency's activities. Commissioners draw upon community-based comprehensive plans as well as comments from individuals, organizations, and partners to guide funding recommendations. This approach helps provide basic services in the most cost-effective manner by moving the problem-solving resources closer to the people best able to implement solutions.

* The Governor has delegated this authority to the Deputy Chief of Staff



Work Plans

Commissioners identified general program funding levels for the FY 2024 Work Plan during a meeting on January 30, 2023, and approved by email for public comment. Funding levels were based on anticipated “Base” appropriations, an estimate of the 2024 allocations from the Trans-Alaska Pipeline Liability Fund (TAPL), assumed Transportation Housing and Urban Development (THUD) appropriation, and funding received from the Infrastructure Investment and Jobs Act or Bipartisan Infrastructure Law (IIJA). On June 26, 2023, the Agency posted the draft Work Plan to the website, culminating in a July 12, 2023, public hearing to receive verbal comments. No written comments were received through July 13, 2023. Since no changes were made to the draft Work Plan based on public comments, it remained approved. The draft FY 2024 work plan was then published in the Federal Register August 4, 2023, for 30 days, during which no comments were received. On October 26, 2023, the FY 2024 Work Plan was formally approved by the Department of Commerce.

The approved FY 2024 Work Plan included funding for the following programs: Energy Reliability and Security, $5.9M; Bulk Fuel Safety and Security, $2.2M; Village Infrastructure Protection, $.5M; Transportation, $19.8M; Sanitation, $1.5M; Community Facilities, $1.5M; Broadband, $0.25M; Workforce and Economic Development, $1.9M; and Flexible Funding, $2.05M. The full FY 2024 Work Plan can be found in the Other Accompanying Information section of this document.

On November 15, 2021, the IIJA was signed by President Biden. In the IIJA, the Denali Commission was allocated $75 million. The law left it to the Commission to determine how best to spend these funds. Through the series of informational meetings in the spring of 2022, the Commissioners reviewed the needs of rural Alaska and decided to allocate the IIJA funds as follows:

- FY 2022 Workplan Amounts: In the FY 2022 Workplan the Commission noted that if additional funds became available then $5M would be allocated to Village Infrastructure Protection Program (VIP); $.25M to Broadband and $2M for Workforce Development. The Commissioners decided to allocate $7.25M of the $75 million IIJA funds to these programs consistent with the FY 2022 Workplan.
- 5% of the $75 million ($3.75 million) will cover administrative costs. This amount includes 0.5% of the funds being set aside for the Inspector General.
- The remaining $64 million was divided into a five year spend plan in the following categories with yearly amounts of $1 million for Energy Reliability and Security; $1 million for VIP; $.25M million for Workforce Development; $10M for the Infrastructure Fund and $.5M set aside for Emergency situations.
- As of September 30, 2024, $34.00 million has been obligated.

The Infrastructure Fund is a new process for the Commission. The Commission uses a public Funding Opportunity Announcement (FOA) to seek applications for projects across a wide range of program categories including Energy, Transportation, Healthcare and Community Wellness, VIP, Sanitation, Housing, Broadband, Economic Development and Workforce Development. Applications are reviewed and ranked according to published criteria with the highest scoring applications receiving funding. The complete FY 2022 – FY 2026 IIJA Work Plan can be found in the Other Accompanying Information section of this document. The Federal Co-Chair approves the annual FOA that incorporates IIJA and Annual Work Plans, then gives final approval for grants based upon the resulting recommendation.

Program Resources

The final FY 2024 Energy and Water Appropriations Bill included $17M of "Base" funding for the Commission. $13M of this amount was made available for program related activities/projects. This amount was consistent with the assumed Base funding in the Work Plan.

In FY 2022, a total of $75M was allocated from the IIJA to the Commission. The final FY 2022 – 2026 IIJA Work Plan made $12.75M available for program activities in for each fiscal year FY 2022 – FY 2026.

In FY 2024, a total of $4.65M of TAPL funding was made available to the Commission for bulk fuel program related activities/projects. This amount was approximately $1.85 higher than the assumed TAPL allocation in the Work Plan. The FY 2024 Transportation Housing and Urban Development (THUD) appropriation of $18M was also made available to the Commission.

During FY 2024, the Commission also received approximately $15 M from other agencies for program activities/projects. Base, TAPL and other funds transferred to the Commission remain available for use until expended.

Functional Uses of FY 2024 Budgetary Resources

The FY 2024 Commission budgetary authority funded Commission operating costs and the following program activities/projects.

Energy Program

- Rural Power System Upgrades
- Bulk Fuel Storage Facility Upgrades
- Power System and Bulk Fuel Facility Maintenance, Operator Training, Improvement Projects, and Energy Efficiency Projects
- Renewable Energy Projects (wind, hydro, and biomass heating)

Village Infrastructure Protection Program

- Projects and Activities for the Communities Identified in GAO Report 09-551
- Relocation or protection of Critical Public Infrastructure and Housing
- Center for Environmentally Threatened Communities Technical Assistance
- Other Support Activities for Managed Retreat and Protect in Place Solutions

Transportation Program
- Road and/or Waterfront Transportation Feasibility, Design, Maintenance, Improvement, and Expansion Projects

Sanitation Program
- Landfill Improvements
- Water Source, Treatment, and Distribution System Improvements
- Wastewater Treatment and Collection System Improvements

Health and Wellness Program
- Construction of Community Healthcare Facilities or Improvements to Facilities
- Enhancement of Rural Health Clinics and Community Centers
- Provider Housing

Housing Program
- Supportive Housing
- Market Analysis Studies for Affordable and Resilient Housing

Economic and Workforce Development Program
- Economic Development Planning
- State Aquaculture Enhancement and Processing
- Technical Training for Advanced Distance Services Provided for Vocational Organizations

Broadband Program
- Technical and Community Capacity Assistance on Broadband Enhancement

As is customary, when additional Base, TAPL or other program funds become available during the year once actual project budgets are finalized and/or when active projects are completed under budget, those excess funds are applied to the programs approved in the current year Work Plan.

Program Obligations

Commission staff implement the annual Work Plan via grants, cooperative agreements, and contracts. It is difficult to link funding directly or exclusively in a particular year, with an individual award or specific performance/outcomes in the same year because of certain timing issues. For example, in some years the Work Plan approval process has not been completed until the third or fourth quarter of the fiscal year. And in some years, the Base funds have been delayed due to the congressional appropriation process not being complete by 30 September, and/or direct transfers from other agencies were delayed. In addition, because the construction season is very short in most of rural Alaska, unless funds can be obligated very early in the fiscal year, physical construction cannot start until the following year. Finally, larger projects typically involve winter shut down periods and take several construction seasons to complete. For these reasons, it is more informative to summarize the funding available over several consecutive years, followed by a summary of the actual grants, agreements and contracts issued during a similar period. Invariably, the obligating documents involve a mixture of funds from several fiscal years and/or sources, and the projects supported with these funds take longer than a year to complete.

A summary of the program funds available in FY 2022, 2023, and 2024 appears below, followed by a summary of active program obligations as of November 14, 2024.

Program Resource Summary
30 September 2024

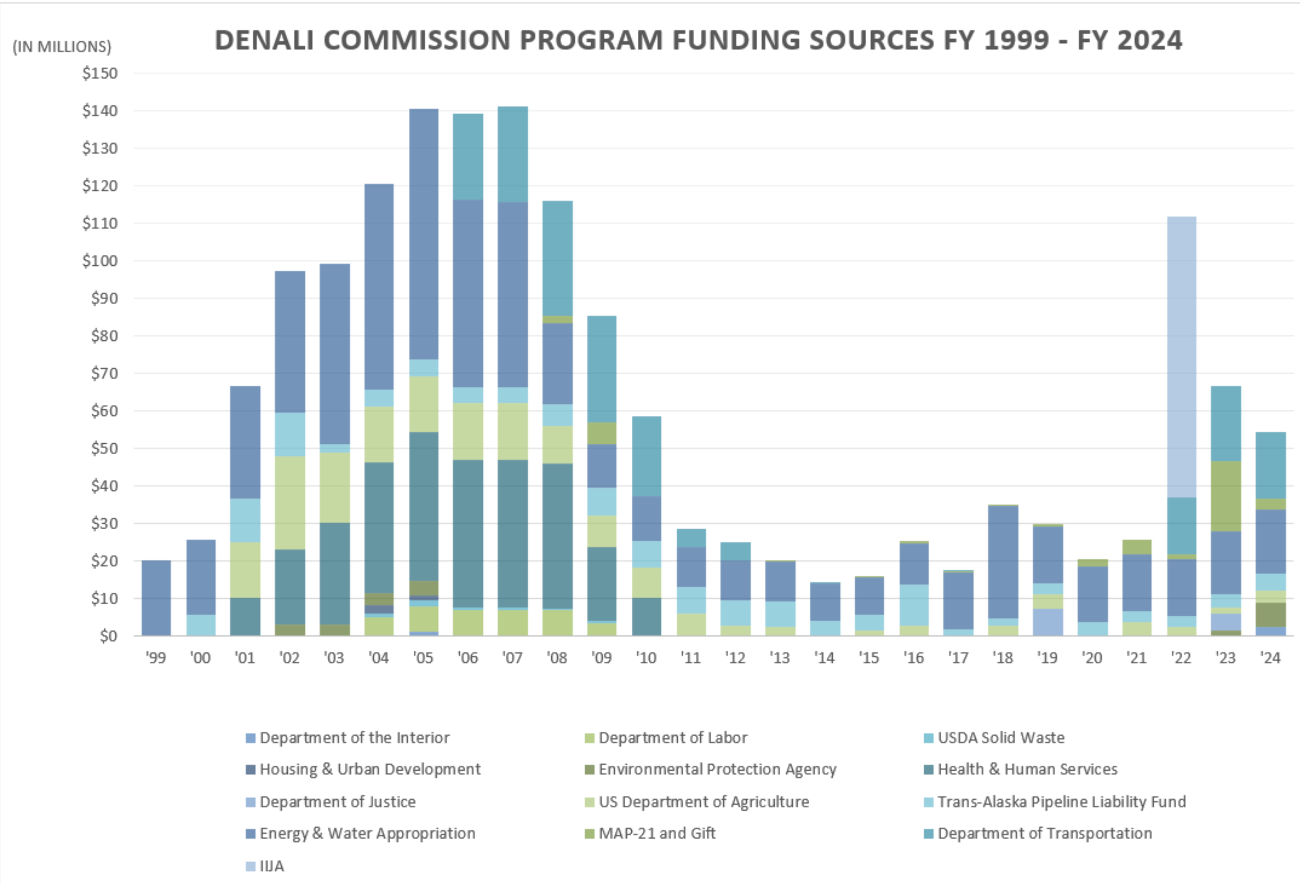
Year	Base	TAPL	Other
FY2022 and Prior Year Unobligated	$927,106.05	$0.00	$598,776.94
FY2023 Unobligated	$2,958,958.00	$0.00	$13,671,644.16
FY2024 Unobligated	$11,104,434.00	$2,207,498.82	$30,809,885.53
IIJA Unobligated			$40,866,504.82
Subtotals	**$14,990,498.05**	**$2,207,498.82**	**$85,946,811.45**
Grand Total	**$103,144,808.32**		

Active Program Obligations
14 November 2024

Program	Awarded Amount	Remaining Funds
Energy / Bulk Fuel	$135,715,989	$30,630,762
Village Infrastructure Protection	$42,414,540	$5,331,903
Transportation	$27,182,067	$15,778,568
Broadband	$2,981,171	$1,091,511
Workforce and Economic Development	$9,735,449	$4,207,250
Special Projects	$43,106,642	$27,023,074
Total	**$261,135,858**	**$84,063,068**

Financial Performance Overview

As of September 30, 2024, the financial condition of the Denali Commission was sound with respect to having sufficient funds to meet program needs and adequate control of these funds in place to ensure obligations did not exceed budget authority. Agency audits were conducted in accordance with auditing standards generally accepted in the United States of America, OMB Bulletin 07-04 (Audit Requirements for Federal Financial Statements) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.



Financial Performance Overview

Sources of Funds

The Denali Commission is funded through the Energy and Water Appropriation, which is direct budget authority; funds remain available until expended.

The Commission is the recipient of a portion of the interest earned on the trust fund for the Trans-Alaska Pipeline Liability (TAPL) fund. In FY 2024, $4.65 million was transferred to the Commission to assist in efforts to make bulk fuel tanks in Alaska code compliant.

Section 309 of the Denali Commission Act of 1998, as amended, authorizes the Commission to fund planning, design, engineering, and construction of road and surface transportation infrastructure identified under the Denali Access System Program. Additionally, Section 307(e) permits fund transfers for waterfront improvements. MAP-21, alongside Section 311 of the Act, allows the acceptance of federal funding, while Section 305 authorizes the Commission to accept non-federal funds to carry out the purposes of the Act.

Budget Authority	FY 2024
Appropriations Received	$17,000,000
Appropriations Transferred In/Out	41,907,279
Donations	2,424,578
Non-expenditure Transfers	4,645,097
Offsetting Collections	38,368,323
Total Budget Authority	**$104,345,277**

In FY 2024, Denali Commission’s total budgetary resources were $169.85 million, which includes $75.50 million in unobligated balances brought forward.

Uses of Funds by Function

The Denali Commission incurred obligations of $107.54 million in FY 2024 for program and administration operations. Unobligated funds in the amount of $44.84 million were carried forward for obligation in FY 2025.

Financial Statement Highlights

The Denali Commission's financial statements summarize the financial activity and financial position of the agency. The financial statements, footnotes and the balance of the required supplementary information appear in the Financial Section of this document.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the US Government, a sovereign entity.

Balance Sheet

Assets

The Commission's assets were $229.11 million as of September 30, 2024. This is an increase of $61.94 million from the end of FY 2023. The assets reported on the Commission's balance sheet are summarized in the accompanying table.

Assets Summary	FY 2024	FY 2023
Fund Balance with Treasury	$227,996,859	$167,172,333
Advances and Prepayments, Intragovernmental	1,089,999	-
Other Accounts Receivable, Net	27,003	-
Other Advances and Prepayments	997	-
Total Assets	**$229,114,858**	**$167,172,333**

Liabilities

The Denali Commission's liabilities were $8.53 million as of September 30, 2024, an increase of $.71 million from the end of FY 2023. The liabilities reported on the Commission's balance sheet are summarized in the accompanying table.

Liabilities Summary	FY 2024	FY 2023
Accounts Payable, Intragovernmental	$ 24,084	$ 5,871
Other Intragovernmental Liabilities	278,606	132,965

Accounts Payable, Public	59,955	100,262
Federal Employee and Salary, Leave, and Benefits	331,271	452,740
Other Liabilities, Public	7,840,169	7,128,632
Total Liabilities	**$8,534,085**	**$7,820,470**

Statement of Changes in Net Position

The difference between total assets and total liabilities, net position, was $220.58 million as of September 30, 2024. This is an increase of $61.23 million from the FY 2023 year-end balance. The net position reported on the Denali Commission's balance sheet is summarized in the accompanying table.

Net Position Summary	FY 2024	FY 2023
Unexpended Appropriations	$124,852,024	$95,053,446
Cumulative Results of Operations	95,728,749	64,298,417
Total Net Position	**$220,580,773**	**$159,351,863**

Statement of Net Cost

The Statement of Net Cost reports the cost of conducting the Denali Commission programs during the reporting period. The accompanying table displays the net cost for FY 2024 and FY 2023.

Net Cost	FY 2024	FY 2023
Program Costs	$43,353,613	$38,371,011
Less: Earned Revenue	-	-
Total Net Costs of Operations	**$43,353,613**	**$38,371,011**

Statement of Budgetary Resources

The Statement of Budgetary Resources reflects the budget authority that the Denali Commission possesses and compares the status of that budget authority. The Commission had $169.85 million in total budgetary resources for FY 2024 – comprised of direct appropriations, non-expenditure transfers from other federal agencies, and an unobligated balance available from FY 2023. During the fiscal year, $107.54 million was obligated for program and administrative functions, and $44.84 million was carried forward and will be available for obligation in FY 2025. Net outlays in FY 2024 amounted to $5.11 million.

Analysis of Systems, Controls, and Legal Compliance

Federal Managers' Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act (FMFIA or the Integrity Act) provides the statutory basis for management's responsibility for, and assessment of, accounting and administrative internal controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires executive agencies to establish internal and administrative controls in accordance with standards prescribed by the Comptroller General that provide reasonable assurance that obligations and costs follow applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The FMFIA also requires the agency head to annually assess and report on the effectiveness of internal controls that protect the integrity of federal programs and whether financial management systems conform to related requirements.

FMFIA Statement of Assurance

The Denali Commission management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). I can provide an unqualified statement of assurance of the agency's compliance with the FMFIA. The Commission's internal controls provide for effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations. Assessments have been conducted regarding the internal controls over financial reporting. The Commission attests the reasonable assurance that the internal controls over financial reporting comply with the requirements of the FMFIA.

Further, evaluations tested the effectiveness of the internal control over operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of these evaluations, the Denali Commission can provide reasonable assurance that
its internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2024, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

Finally, the US Treasury, Bureau of Fiscal Service (BFS) (Denali Commission's Financial Management Line of Business partner) engages a contractor to independently review its financial management systems in accordance with OMB Circular A-127, Financial Management Systems. Based on the results of this review, BFS and therefore the Denali Commission can provide reasonable assurance that its financial management systems comply with the applicable provisions of the FMFIA as of September 30, 2024.

Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act (FFMIA) is designed to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, and by the President, Congress, and the public.

FFMIA Compliance Determination

The Commission utilizes the services of US Treasury BFS and its financial management system. Annual audits of their system indicate that the system complies with federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and U.S. Standard General Ledger (USSGL) at the transaction level. The annual financial audit confirms this finding.

Goals and the supporting financial systems strategies

As a small agency, the Commission has arrived at the conclusion that human and financial resources internal to the agency are not sufficient to meet the increasing federal standards for financial systems and the costs involved. Therefore, in 2009, the Commission outsourced our financial management system and transactional level activities to the U.S. Treasury BFS. This strategy has proven effective and efficient and allows this small agency to assure the President, Congress and the public that federal budget authority entrusted to the Commission is executed responsibly and with full accountability.

Financial Section

Inspector General Transmittal Letter

INSPECTOR GENERAL

MEMORANDUM

DATE: November 18, 2024

TO: Julie Kitka
Federal Co-Chair, Denali Commission

Micaela Fowler
State Co-Chair, Deputy Commissioner for the State of Alaska

Alicia Amberg
Executive Director, Associated General Contractors of Alaska

Ben Mallott
President, Alaska Federation of Natives

Nils Andreassen
Executive Director, Alaska Municipal League

Pat Pitney
President, University of Alaska

Joelle Hall
Executive President, Alaska State AFL-CIO

RODERICK FILLINGER
Digitally signed by RODERICK FILLINGER
Date: 2024.11.18 12:07:38 -05'00'

FROM: Roderick H. Fillinger
Inspector General

SUBJECT: Results of the Audit of the FY 2024 Denali Commission Financial Statement Audit Report (Report No. OIG-AR-2025-02)

I am pleased to provide you with the attached audit report in which SB & Company, LLC (SBC), an independent public accounting firm, presented an unmodified opinion on the Denali Commission's fiscal year 2024 financial statements. SBC performed the audit in accordance with U.S. generally accepted government auditing standards.

November 14, 2023
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In its audit of the Denali Commission, SBC reported the following:

- The Commission's financial statements as of and for the fiscal years ended September 30, 2024, and 2023, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- Identified no material weaknesses in internal control over financial reporting based on the limited procedures they performed; and
- Identified no instances of reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

My office oversaw the audit performance, including the review of SBC's report and related documentation and inquiries of its representatives. This review disclosed no instances where SBC did not comply, in all material respects, with U.S. generally accepted government auditing standards. As differentiated from an audit in accordance with these standards, my review was not intended to enable me to express any opinion on the Denali Commission's financial statements.

Therefore, I do not express any opinion on the Denali Commission's financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws, regulations, contracts, and grant agreements. SBC is solely responsible for the attached report, dated November 2, 2023, and the conclusions expressed in it.

We appreciate the cooperation and courtesies the Denali Commission extended to both SBC and my office during the audit. If you wish to discuss the contents of this report, please call me at (907) 271-3500.

Attachment

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

Report of Independent Public Accountants

SBC Certified Public Accountants & Business Advisors

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Office of the Inspector General and the Denali Commission

In our audits of the fiscal years 2024 and 2023 financial statements of the Denali Commission (the Commission, we found:

- The Commission's financial statements as of and for the fiscal years ended September 30, 2024 and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- No material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments

Report on the Financial Statements

Opinion on the Financial Statements

In accordance with U.S. generally accepted government auditing standards, we have audited the Commission's financial statements. The Commission's financial statements comprise the balance sheets as of September 30, 2024 and 2023; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, the Commission's financial position as of September 30, 2024 and 2023, and its net costs of operations, changes in net position, and budgetary resources for the fiscal yeas then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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SBC Certified Public Accountants & Business Advisors

Responsibilities of Management for the Financial Statements

The Commission's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in the Commission's agency financial report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

Certified Public Accountants & Business Advisors
SBC

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance

Other Information

The Commission's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other accompanying information included in the Commissions agency financial report. The other accompany information comprises the Analysis of Systems, Controls, and Compliance, Denali Commission FY 2024 Work Plan, Denali Commission FY 2022-2026 IIJA Work Plan, and Other Accompanying Information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of the Commission's financial statements, we considered the Commission's internal control over financial reporting, consistent with our auditor's responsibility discussed below.

SBC Certified Public Accountants & Business Advisors

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of the Commission's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to the Commission's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

The Commission's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the Commission's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered the Commission's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the Commission's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

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Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Commission's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the Commission's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2023 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Commission. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

The Commission management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Commission.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the Commission that have a direct effect on the determination of material amounts and disclosures in the Commission's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Commission. We caution that noncompliance may occur and not be detected by these tests.

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Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, the Commission commented on the results discussed within this opinion. The complete text of the Commission's response is reprinted in appendix II. We have not performed any audit procedures on the Commission's response and take no responsibility for the response. The findings stated within this opinion remain as stated.

Owings Mills, Maryland
November 7, 2024

SB & Company, LLC

Financial Statements

DENALI COMMISSION

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023

DENALI COMMISSION
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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DENALI COMMISSION
BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Assets		
Intragovernmental Assets		
Fund Balance with Treasury (Note 3)	$ 227,996,859	$ 167,172,333
Advances and Prepayments	1,089,999	-
Total Intragovernmental Assets	229,086,858	167,172,333
Other than Intragovernmental Assets		
Accounts Receivable, Net (Note 4)	27,003	-
Advances and Prepayments	997	-
Total Other than Intragovernmental Assets	28,000	-
Total Assets	**$ 229,114,858**	**$ 167,172,333**
Liabilities (Note 5)		
Intragovernmental Liabilities		
Accounts Payable	$ 24,084	$ 5,871
Other Liabilities (Note 6)	278,606	132,965
Total Intragovernmental Liabilities	302,690	138,836
Other than Intragovernmental Liabilities		
Accounts Payable	59,955	100,262
Federal Employee Salary, Leave, and Benefits Payable	331,271	452,740
Other Liabilities (Note 6)	7,840,169	7,128,632
Total Other than Intragovernmental Liabilities	8,231,395	7,681,634
Total Liabilities	**$ 8,534,085**	**$ 7,820,470**
Net Position		
Unexpended Appropriations		
Funds from Other than Dedicated Collections	$ 124,852,024	$ 95,053,446
Total Unexpended Appropriations (Consolidated)	124,852,024	95,053,446
Cumulative Results of Operations		
Funds From Dedicated Collections (Note 8)	8,566,264	8,711,291
Funds from Other than Dedicated Collections	87,162,485	55,587,126
Total Cumulative Results of Operations (Consolidated)	95,728,749	64,298,417
Total Net Position	**$ 220,580,773**	**$ 159,351,863**
Total Liabilities and Net Position	**$ 229,114,858**	**$ 167,172,333**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
STATEMENTS OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Gross Program Costs		
Gross Costs	$ 43,353,613	$ 38,371,011
Net Program Costs	$ 43,353,613	$ 38,371,011
Net Cost of Operations	**$ 43,353,613**	**$ 38,371,011**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
STATEMENTS OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	Funds from Dedicated Collections	Funds from Other than Dedicated Collections	Eliminations	Consolidated Total
2024				
Unexpended Appropriations				
Beginning Balance	$ -	$ 95,053,446	$ -	$ 95,053,446
Appropriations Received	-	17,000,000	-	17,000,000
Appropriations Transferred-In/Out	-	41,907,279	-	41,907,279
Appropriations Used	-	(29,108,701)	-	(29,108,701)
Net Change in Unexpended Appropriations	-	29,798,578	-	29,798,578
Total Unexpended Appropriations	**$ -**	**$ 124,852,024**	**$ -**	**$ 124,852,024**
Cumulative Results of Operations				
Beginning Balance	$ 8,711,291	$ 55,587,126	$ -	$ 64,298,417
Appropriations Used	-	29,108,701	-	29,108,701
Donations and Forfeitures of Cash and Cash Equivalents	-	2,424,578	-	2,424,578
Transfers-In/(Out) without Reimbursement	4,645,097	38,368,323	-	43,013,420
Imputed Financing (Note 9)	-	237,246	-	237,246
Net Cost of Operations	(4,790,124)	(38,563,489)	-	(43,353,613)
Net Change in Cumulative Results of Operations	(145,027)	31,575,359	-	31,430,332
Total Cumulative Results of Operations	**$ 8,566,264**	**$ 87,162,485**	**$ -**	**$ 95,728,749**
Net Position	**$ 8,566,264**	**$ 212,014,509**	**$ -**	**$ 220,580,773**
2023				
Unexpended Appropriations				
Beginning Balance	$ -	$ 76,770,573	$ -	$ 76,770,573
Appropriations Received	-	17,000,000	-	17,000,000
Appropriations Transferred-In/Out	-	25,854,876	-	25,854,876
Appropriations Used	-	(24,572,003)	-	(24,572,003)
Net Change in Unexpended Appropriations	-	18,282,873	-	18,282,873
Total Unexpended Appropriations	**$ -**	**$ 95,053,446**	**$ -**	**$ 95,053,446**
Cumulative Results of Operations				
Beginning Balance	$ 10,057,779	$ 62,444,759	$ -	$ 72,502,538
Appropriations Used	-	24,572,003	-	24,572,003
Transfers-In/(Out) without Reimbursement	3,529,013	1,912,235	-	5,441,248
Imputed Financing	-	153,639	-	153,639
Net Cost of Operations	(4,875,501)	(33,495,510)	-	(38,371,011)
Net Change in Cumulative Results of Operations	(1,346,488)	(6,857,633)	-	(8,204,121)
Total Cumulative Results of Operations	$ 8,711,291	$ 55,587,126	$ -	$ 64,298,417
Net Position	**$ 8,711,291**	**$ 150,640,572**	**$ -**	**$ 159,351,863**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
STATEMENTS OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Budgetary Resources		
Unobligated Balance From Prior Year Budget Authority, Net	$ 75,503,285	$ 73,903,679
Appropriations	55,976,954	46,383,889
Spending Authority from Offsetting Collections	38,368,323	1,912,235
Total Budgetary Resources	**$ 169,848,562**	**$ 122,199,803**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 107,537,624	$ 57,458,588
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	44,835,337	60,386,339
Unapportioned, Unexpired Accounts	17,475,601	4,354,876
Unexpired Unobligated Balance, End of Year	62,310,938	64,741,215
Unobligated Balance, End of Year (Total)	62,310,938	64,741,215
Total Budgetary Resources	**$ 169,848,562**	**$ 122,199,803**
Outlays, Net and Disbursements, Net		
Outlays, Net (Total)	$ 5,113,618	$ 35,706,744
Agency Outlays, Net	**$ 5,113,618**	**$ 35,706,744**

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Denali Commission was established under the Denali Commission Act of 1998 (P.L. 105-277, Division C, Title III), as amended and 42 U.S.C. Chapter 38, Sec. 3121. The Commission, a “designated” federal entity as published by the Office of Management and Budget under the Inspector General Act of 1978, functions as a unique federal-state-local partnership to address crucial needs of rural Alaskan communities, particularly isolated Native villages and other communities lacking access to the national highway system, affordable power, adequate health facilities and other impediments to economic self-sufficiency. The Denali Commission reporting entity is comprised of Trust Funds, General Funds, Special Funds and General Miscellaneous Receipts.

The Denali Commission is a party to allocation transfers with other federal agencies as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. The Denali Commission receives allocation transfers, as the child, from the Federal Highway Administration under the Department of Transportation.

Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute. At the point of collection, our receipts are unavailable until appropriated by the U.S. Congress. The Trust Fund in our financial statements includes the Trans-Alaska Pipeline Liability Fund (TAPL), which is managed by the U.S. Treasury Bureau of Fiscal Service, and assists the efforts to make bulk fuel tanks in Alaska EPA code-compliant.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. Denali Commission manages two General Fund accounts.

Special Funds are receipt accounts credited with collections earmarked by law but included in the Federal funds group rather than classified as trust fund collections.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Denali Commission. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency’s operating results; the Statement of Changes in Net Position displays the changes in the agency’s equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency’s resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Denali Commission in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, as amended, and the Denali Commission's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Denali Commission's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates the control and monitoring of federal funds as well as the compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the Denali Commission's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The Denali Commission does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. When the reporting entity seeks to use Fund Balance with Treasury to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed for the agency on demand.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the Denali Commission by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

G. Liabilities

Liabilities represent the amount of funds likely to be paid by the Denali Commission as a result of transactions or events that have already occurred.

The Denali Commission reports its liabilities under two categories, Intragovernmental and Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another government agency. Liabilities other than intragovernmental represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

H. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

I. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the Denali Commission's employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the Denali Commission terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

J. Retirement Plans

The Denali Commission's employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the Denali Commission's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the Denali Commission matches any employee contribution up to an additional four percent of pay. For FERS participants, the Denali Commission also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the Denali Commission remits the employer's share of the required contribution.

The Denali Commission recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the Denali Commission for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The Denali Commission recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The Denali Commission does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

K. Other Post-Employment Benefits

The Denali Commission's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the Denali Commission with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The Denali Commission recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the Denali Commission through the recognition of an imputed financing source.

L. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

M. Reclassification

Certain fiscal year 2023 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

N. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. NON-ENTITY ASSETS

The Denali Commission Act of 1998 states that one of the purposes of the Commission is to deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs. In the spirit of this legislation, the Commission has offered a service to other federal agencies whereby a federal agency may utilize the Commission to make payments to non-federal organizations in Alaska on the agency's behalf. No fee is collected for this service. Amounts received from the State of Alaska, but not disbursed, are recorded on the Balance Sheet in the Fund Balance with Treasury line and are offset by a liability on the Other Liabilities line. This balance is $186,075 and $224,885 as of September 30, 2024 and 2023, respectively.

NOTE 3. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2024 and 2023, were as follows:

		2024		**2023**
Status of Fund Balance With Treasury:				
Unobligated Balance				
Available	$	44,835,337	$	60,386,339
Unavailable		17,475,601		4,354,876
Obligated Balances Not Yet Disbursed		165,162,343		101,868,730
Temporary Sequestration-TAPL		337,503		337,503
Non-Budgetary FBWT		186,075		224,885
Total	$	227,996,859	$	167,172,333

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2024 and 2023, were as follows:

		2024		2023
Other than Intragovernmental Accounts Receivable	$	27,003	$	-
Total Other than Intragovernmental Accounts Receivable	$	27,003	$	-
Total Accounts Receivable	**$**	**27,003**	**$**	**-**

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2024 and 2023.

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the Denali Commission as of September 30, 2024 and 2023, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

		2024		2023
Unfunded Leave	$	273,304	$	243,048
Total Liabilities Not Covered by Budgetary Resources	$	273,304	$	243,048
Total Liabilities Covered by Bugetary Resources		8,260,781		7,577,422
Total Liabilities	**$**	**8,534,085**	**$**	**7,820,470**

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2024 and 2023, were as follows:

	Current	Non-Current	Total
2024			
Intragovernmental:			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 3,520	$ -	$ 3,520
Employer Contributions and Payroll Taxes Payable	12,472	-	12,472
Other Liabilities With Related Budgetary Obligations	262,614	-	262,614
Total Intragovernmental	$ 278,606	$ -	$ 278,606
Other than Intragovernmental:			
Other Liabilities w/Related Budgetary Obligations	$ 7,654,094	$ -	$ 7,654,094
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections	186,075	-	186,075
Total Other than Intragovernmental	$ 7,840,169	$ -	$ 7,840,169
Total Other Liabilities	**$ 8,118,775**	**$ -**	**$ 8,118,775**
2023			
Intragovernmental:			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 7,759	$ -	$ 7,759
Employer Contributions and Payroll Taxes Payable	27,148	-	27,148
Other Liabilities With Related Budgetary Obligations	98,058	-	98,058
Total Intragovernmental	$ 132,965	$ -	$ 132,965
Other than Intragovernmental:			
Other Liabilities w/Related Budgetary Obligations	$ 6,904,747	$ -	$ 6,904,747
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections	223,885	-	223,885
Total Other than Intragovernmental	$ 7,128,632	$ -	$ 7,128,632
Total Other Liabilities	**$ 7,261,597**	**$ -**	**$ 7,261,597**

Accruals for Denali's mission of grant making are reflected as the Other Liabilities with related budgetary obligations. Non Fiduciary Deposit funds represent the State of Alaska funding.

NOTE 7. LEASES

Denali Commission occupies office space under a lease agreement that is accounted for as an operating lease. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. Annual rent for the Atwood location is charged by the State of Alaska-Dept of Transportation & Public Facilities. The lease term began on October 1, 2022, is renewable every year for nine years, and expires on September 30, 2032. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. Denali Commission reviews all lease agreements to determine appropriate accounting treatment per SFFAS-54. Denali Commission considers the non-federal lease agreement for rent to be immaterial. The total operating lease expense for fiscal years

2024 and 2023 were $113,843 and $287,293, respectively. Below is a schedule of future payments for the term of the lease.

Below is a schedule of future payments for the term of the lease:

	Buildings	Total Non-Federal
Fiscal Year		
2025	$ 114,982	$ 114,982
2026	116,131	116,131
2027	117,293	117,293
2028	118,466	118,466
2029	119,650	119,650
2030-2032	366,184	366,184
Total	**$ 952,706**	**$ 952,706**

The operating lease amount does not include estimated payments for leases with annual renewal options.

NOTE 8. FUNDS FROM DEDICATED COLLECTIONS

The Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 established the annual transfer of interest from the Oil Spill Liability Trust Fund to the Denali Commission. The Coast Guard and the Environmental Protection Agency enlist the assistance of the Commission to help in bringing bulk fuel tanks in Alaska up to environmental and safety standards as set by the two agencies. The Commission accounts for and reports on the use of these funds separately through its annual budget execution reporting.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.

Schedule of Dedicated Collections as of September 30, 2024 and 2023:

		2024		2023
BALANCE SHEET				
Assets:				
Intragovernmental				
Fund Balance with Treasury	$	9,298,568	$	9,486,404
Total Intragovernmental	$	9,298,568	$	9,486,404
Total Assets	$	9,298,568	$	9,486,404
Liabilities:				
Intragovernmental				
Accounts Payable	$	14,442	$	5,871
Total Intragovernmental	$	14,442	$	5,871
Other than Intragovernmental				
Other Liabilities		717,862		769,242
Total Other than Intragovernmental	$	717,862	$	769,242
Total Liabilities	$	732,304	$	775,113
Net Position:				
Cumulative Results of Operations	$	8,566,264	$	8,711,291
Total Net Position	$	8,566,264	$	8,711,291
Total Liabilities and Net Position	$	9,298,568	$	9,486,404
STATEMENT OF NET COST				
Program Costs	$	4,790,124	$	4,875,501
Net Program Costs	$	4,790,124	$	4,875,501
Net Cost of Operations	$	4,790,124	$	4,875,501
STATEMENT OF CHANGES IN NET POSITION				
Cumulative Results of Operations:				
Beginning Balances	$	8,711,291	$	10,057,779
Transfers-in/out Without Reimbursement		4,645,097		3,529,013
Net Cost of Operations		(4,790,124)		(4,875,501)
Change in Net Position	$	(145,027)	$	(1,346,488)
Cumulative Results of Operations - Ending		8,566,264		8,711,291
Net Position, End of Period	$	8,566,264	$	8,711,291

NOTE 9. INTER-ENTITY COSTS

Denali Commission recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. Denali Commission recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees.

The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2024 and 2023, respectively, inter-entity costs were as follows:

	2024	2023
Office of Personnel Management	$ 237,246	$ 153,639
Total Imputed Financing Sources	**$ 237,246**	**$ 153,639**

NOTE 10. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2024 and 2023 were as follows:

	Intragovernmental	Other than Intragovernmental	Total
2024			
Paid Undelivered Orders	$ 1,089,999	$ 997	$ 1,090,996
Unpaid Undelivered Orders	1,884,383	155,203,253	157,087,636
Total Undelivered Orders	**$ 2,974,382**	**$ 155,204,250**	**$ 158,178,632**
2023			
Unpaid Undelivered Orders	$ 942,123	93,574,071	94,516,194
Total Undelivered Orders	**$ 942,123**	**$ 93,574,071**	**$ 94,516,194**

NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2024 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2025 and can be found at the OMB website: http://www.whitehouse.gov/omb/. The Fiscal Year 2025 Budget of the United States Government, with the "Actual" column completed for 2023, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 122	$ 57	$ -	$ 36
Difference Due to Rounding	1	1	-	(1)
Budget of the U.S. Government	**$ 123**	**$ 58**	**$ -**	**$ 35**

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NOTE 12: RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation of Net Cost to Net Outlays as of September 30, 2024:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 3,207,054**	**$ 40,146,559**	**$ 43,353,613**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	27,003	27,003
Advances and Prepayments	1,089,999	997	1,090,996
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	(18,212)	40,306	22,094
Federal Employee Salary, Leave, and Benefits Payable	-	121,469	121,469
Other Liabilities	(145,641)	(711,537)	(857,178)
Financing Sources:			
Imputed Cost	(237,246)	-	(237,246)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ 688,900**	**$ (521,762)**	**$ 167,138**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Donated Revenue	$ -	$ (2,424,578)	$ (2,424,578)
Transfers Out (In) Without Reimbursements	(38,368,323)	-	(38,368,323)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ (38,368,323)**	**$ (2,424,578)**	**$ (40,792,901)**
Misc Items			
Non-Entity Activity	$ -	$ 38,810)	$ (38,810)
Appropriated Receipts for Trust/Special Funds	-	2,424,578	2,424,578
Total Other Reconciling Items	**$ -**	**$ 2,385,768**	**$ 2,385,768**
Total Net Outlays (Calculated Total)	**$ (34,472,369)**	**$ 39,585,987**	**$ 5,113,618**
Budgetary Agency Outlays, net			**$ 5,113,618**

The reconciliation of Net Cost to Net Outlays as of September 30, 2023:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 5,691,729**	**$ 32,679,282**	**$ 38,371,011**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	(499)	(499)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	(5,871)	(79,684)	(85,555)
Federal Employee Salary, Leave, and Benefits Payable	-	(141,864)	(141,864)
Other Liabilities	(100,312)	(270,163)	(370,475)
Financing Sources:			
Imputed Cost	(153,639)	-	(153,639)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (259,822)**	**$ (492,210)**	**$ (752,032)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Transfers Out (In) Without Reimbursements	$ (1,912,235)	$ -	$ (1,912,235)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ (1,912,235)**	**$ -**	**$ (1,912,235)**
Total Net Outlays (Calculated Total)	**$ 3,519,672**	**$ 32,187,072**	**$ 35,706,744**
Budgetary Agency Outlays, net			**$ 35,706,744**

Denali Commission FY 2024 Work Plan

DENALI COMMISSION

Improving Lives Through Cost Effective, Sustainable Infrastructure Development

FY 2024 WORK PLAN

APPROVED 26 OCTOBER 2023

line	PROGRAM and TYPE of INVESTMENT	FY2024 FUNDING SOURCES			
		Base[a]	TAPL[b]	THUD[c]	Total
1		*$13,000,000*	*$2,800,000*	*$19,800,000*	*$35,600,000*
2	**Energy Reliability and Security**				
3	Diesel Power Plants	$3,700,000			$3,700,000
4	Interties				
5	Wind, Hydro, Biomass & Other Proven Renewables	$800,000			$800,000
6	Emerging Technologies				
7	Audits, TA, & Community Energy Efficiency Improvements	$400,000			$400,000
8	RPSU Maintenance & Improvement Projects [d]	$1,000,000			$1,000,000
9	**Subtotal**	**$5,900,000**			**$5,900,000**
10	**Bulk Fuel Safety and Security**				
11	New/Refurbished Facilities [b]		$1,500,000		$1,500,000
12	Maintenance & Improvement Projects		$700,000		$700,000
13	**Subtotal**		**$2,200,000**		**$2,200,000**
14	**Village Infrastructure Protection**				
15		$500,000			$500,000
16	**Subtotal**	**$500,000**			**$500,000**
17	**Transportation**				
18	Surface Transportation			$14,800,000	$14,800,000
19	Waterfront Improvements			$5,000,000	$5,000,000
20	**Subtotal**			**$19,800,000**	**$19,800,000**
21	**Sanitation**				
22	Village Water & Wastewater	$1,500,000			$1,500,000
23	Solid Waste				
24	**Subtotal**	**$1,500,000**			**$1,500,000**
25	**Community Facilities**				
26	Housing	$1,000,000			$1,000,000
27	Health & Wellness	$500,000			$500,000
28	**Subtotal**	**$1,500,000**			**$1,500,000**
29	**Broadband**				
30		$250,000			$250,000
31	**Subtotal**	**$250,000**			**$250,000**
32	**Workforce and Economic Development**				
33	Energy and Bulk Fuel Operator Training	$300,000	$600,000		$900,000
34	Other	$1,000,000			$1,000,000
35	**Subtotal**	**$1,300,000**	**$600,000**		**$1,900,000**
36	**Flexible Funding**				
37		$2,050,000			$2,050,000
38	**Subtotal**	**$2,050,000**			**$2,050,000**
39	**TOTALS**	**$13,000,000**	**$2,800,000**	**$19,800,000**	**$35,600,000**
40	**Balance**	**$0**	**$0**	**$0**	

Notes:

a. Program funds available from the assumed overall FY2024 Energy & Water appropriation + prior year unobligated funds + anticipated recoveries

b. Assumed FY2024 Trans Alaska Pipeline Liability (TAPL) principal and interest allocation + anticipated recoveries

c. Assumed FY2024 Transportation Housing and Urban Development (THUD) appropriation via transfer, minus administrative overhead

d. Complement/leverage EPA DERA program, general facility, and transmission line upgrades

e. Any current year or prior year Base, TAPL or other amounts that are not fully expended, or additional funds become available, may be reassigned by the Federal Co-Chair to other programs identified in the current year Work Plan, above and beyond the "Up To" amounts

Denali Commission FY 2022 – 2026 IIJA Work Plan

DENALI COMMISSION

Improving Lives Through Cost Effective, Sustainable Infrastructure Development

FY 2022- 2026 IIJA WORK PLAN

APPROVED BY DEPT OF COMMERCE 19 JULY 2022

line	PROGRAM and TYPE of INVESTMENT		INFRASTRUCTURE AND JOBS ACT FUNDING EACH FISCAL YEAR 2022 - 2026
1			*$12,750,000*
2	Energy Reliability and Security		
3		Subtotal	$1,000,000
4	Village Infrastructure Protection		
5		Subtotal	$1,000,000
6	Workforce Development		
7		Subtotal	$250,000
8	Infrastructure Fund		
9		Subtotal	$10,000,000
10	Emergency Funding		
11		Subtotal	$500,000
12		TOTALS	$12,750,000
13		TOTAL FOR FIVE YEARS	$63,750,000

Notes:

Any funds that are not fully expended or deobligated may be reassigned by the Federal Co-Chair to other programs identified in the current year Work Plan, above and beyond the "Up To" amounts

Financial Management Trends

As a micro agency, the Commission continues to expand use of the services of the Administrative Resource Center (ARC) under the US Treasury, Fiscal Service. These services, which include Travel, Finance, Human Resources and Procurement, allow for our independent agency to continue to meet all federal mandates despite our reduced staff level. ARC has served, and continues to serve, as a cost-effective solution to operational budget challenges during times of decreased appropriations. In a professional manner, ARC ensures that our agency still maintains high quality and exceptional performance in all our management systems. We look forward to many more years of partnership with this federal Center of Excellence.

Summary of Material Weaknesses, Non-Conformances, and Corrective Action Plans

For FY 2024 the Commission received an unmodified opinion in its annual financial audit. The results of this audit found that the Commission's financial statements as of 2024 and 2023 for the fiscal years ended September 30, 2024, and 2023, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; the Commission's internal control over financial reporting was effective for the fiscal year ended September 30, 2024; and no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements that were tested.

For FY 2023, the Commission received an unmodified opinion in its annual financial audit. The results of this audit found that the Commission's financial statements as of 2023 and 2022 for the fiscal years ended September 30, 2023, and 2022, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; the Commission's internal control over financial reporting was effective for the fiscal year ended September 30, 2023; and no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements that were tested.

Improper Payments Report

On July 22, 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA). IPERA amended the Improper Payments Information Act of 2002 (IPIA) and generally repealed the Recovery Auditing Act. OMB has supplied implementing direction on IPERA which requires:

- Review all programs and activities and identify those that are susceptible to significant improper payments.

  Because of its small size, Denali Commission has assessed all its grant programs and acknowledges that all are susceptible to improper payments as defined by the IPERA. However, none of the Commission's program meet the threshold of 'significant improper payment' defined in Section 57 of OMB Circular A-11, which would be both 1.5 percent of program outlays and $10,000,000 of all program or activity payments during the fiscal year. And none of the agency's grant programs are funded at $100,000,000.

- Obtain a statistically valid estimate of the annual number of improper payments in programs and activities for those programs that are identified as susceptible to significant improper payment.

  The Commission has assessed all its grant programs and finds that none of the programs or activities reach the definition of 'significant improper payments.

- Implement a plan to reduce improper payments.

  This requirement does not apply to the Commission, as no programs or activities were identified with the conditions above.

- Report estimates of the annual number of improper payments in programs and activities and progress in reducing them.

  The Commission is not required to report on this component.

Inspector General's Perspective on Top Management and Performance Challenges Facing the Denali Commission

INSPECTOR GENERAL

DENALI COMMISSION
OFFICE OF INSPECTOR GENERAL
ANCHORAGE, ALASKA 99501

DATE: November 18, 2024

TO: Julie Kitka
Federal Co-Chair, Denali Commission

RODERICK FILLINGER

Digitally signed by RODERICK FILLINGER
Date: 2024.11.18 10:50:53 -05'00'

FROM: Roderick H. Fillinger
Inspector General

SUBJECT: *Top Management and Performance Challenges Fiscal Year 2025 (Report No. OIG-MR-2025-03)*

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 five management and performance challenges: (1) implementation of a course of action to demonstrate the value of the Commission; (2) long term grants monitoring; (3) succession planning; (4) cohesive, collaborative, and engaged employees in a remote working environment; and (5) continued focus on cyber security. These challenges were identified based on audit work performed for the Office of Inspector General, input from Commission management, and knowledge of the Commission's programs and operations. I appreciate management's strong commitment to addressing these challenges and welcome comments on 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 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 on (907) 271-3500.

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

Challenge 1: Implementation of a Course of Action to Demonstrate the Value of the Commission

During the financial statement audit, the auditors noted that during the year ended September 30, 2022, a one-time appropriation of $75 million was made to the Commission in the Infrastructure Investment and Jobs Act. While additional funding is a welcomed opportunity, there still exists a longer-term threat to the funding of the Commission if the Commission does not show the value of the additional funding. This risk could be potentially offset with the implementation of a vision and plan that demonstrates the value the Commission provides. Effectively, what the Commission needs to be able to demonstrate is that through the Commission's experience with a wide variety of solutions to economic and environmental issues throughout Alaska and the Arctic Circle, the American taxpayer receives the best value and return on investment through the continuance of the Commission. This may be as simple as a cost benefit analysis that shows that it will be more expensive for other Federal agencies to complete work in Alaska without the Commission.

Through MAP 21 language the Commission has begun to spend budgetary authority on behalf of other Federal agencies. While this is a good first step, as management continues to pursue these opportunities, management should also consider the development of performance metrics to show the value the Commission provides. For instance, developing estimates of the additional costs another Federal agency would incur to implement programs that the Commission could implement on their behalf could demonstrate value added. Further metrics could include how the Commission is better able to leverage knowledge, experience, and familiarity with the unique challenges in Alaska to expend budgetary dollars more effectively to obtain greater results. This in turn could inform other agencies about the value of being able to do more with less by partnering with 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 an analysis of how other grant making agencies within the Federal government benchmark performance. 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 benchmarking attributes to mirror the items included in its considered course of actions.

Challenge 2: Long Term Grants Monitoring

The Commission currently does not have a robust process to determine that the grants previously awarded have been and continue to be used as intended. Through the adoption of uniform grant guidance regulations, the Commission has begun to rate grantees based upon risk and has internally reviewed certain projects through various means during the grant award period. However, after grant award closure, there is not a process to follow up on the grant project to determine whether the project is having its intended outcome or providing a longer-term benefit.

While the monitoring process during the grant period begins the process of answering whether the intended use of resources has been continually met (i.e., a care facility is continued to be used as a care facility), it currently does not track whether the long-term performance of the grant outcome has been met. In other words, it does not answer the question "how many people have benefited from the construction or improvement of a care facility?"

The development of performance metrics to show how a project is performing in the long term against the original plan can assist management in the risk rating process of grantees and can be a tool to report to constituents on the effectiveness of the use of taxpayer resources. For instance, to be able to quantify the effect of the installation of a project that shows long term reduction in taxpayer resources can be a powerful tool. As importantly, the quantification of a project that does not show long term reduction in needed additional taxpayer resources will allow the Commission to analyze how to improve grant awards in the future. The performance success of projects can assist with the determination of the value that the Commission provides.

Challenge 3: Succession Planning

Several personnel changes have occurred over the last couple of years, inclusive of changes in the Federal Co-Chair position. Management should consider documentation of various duties as others fill in the position to facilitate future knowledge transfer. This will allow for faster transition and elimination of intellectual capital that leaves when an employee departs.

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 the limited staff would create internal controls deficiencies. Specifically, there would be segregation of duties issues that could leave the Commission more susceptible to accounting errors or misappropriation of assets (both internal and external). These deficiencies would cause the Commission not to comply with the Office of Management and Budget and General Accountability Office requirements and could further hinder management efforts to obtain additional funding. Internal controls are typically a variable cost (as an organization grows the cost grows as well); however, there is a certain fixed portion of cost that needs to be incurred regardless of the size of the organization (based on Federal requirements) and continued reduction in staff may cause the Commission to be below the fixed portion of internal controls. While specifically addressing 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.).

Management should be aware that the documentation and development of succession planning can go hand in hand along with long-term strategic planning. There are many Federal agencies and related organizations that can assist in the development of strategic and succession planning.

Top Management and Performance Challenges
Page 4

Challenge 4: Cohesive, Collaborative, and Engaged Employees in a Remote Working Environment

The Commission is predominantly a remote working environment. While generally this appears to have had positive effects on the morale of staff and cost savings, building and maintaining a cohesive, collaborative, and engaged team is more difficult in a remote environment. Management should consider periodic team building events that are in person to have staff interact with one another. These events can lead to increases in teamwork, collaboration, and communication among employees. Further, these events can build bridges across administrative and programmatic functions. Given the interoperability of processes and procedures between administrative and programmatic functions at the Commission, intentionally promoting interaction can help foster innovation and improve employee engagement and morale.

Challenge 5: Continued Focus on Cyber Security

The Commission has made significant and measurable improvements to meet the requirements of the DATA Act and FISMA requirements. The theft of data and ransomware have become more prevalent with over 422 million individuals impacted by data comprises in 2022. Management should continue to be vigilant about cyber security and continue to invest in counter measures and training. Additionally, the Commission should consider investing in tools and resources, funding permitting, that will periodically test the policies and procedures in place and identify weaknesses to allow such items to be addressed prior to an actual cybersecurity incident occurring.

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