
Denali Commission Office of Inspector General

Fiscal Year 2027 Top Management and Performance Challenges





INSPECTOR GENERAL

**DENALI COMMISSION
OFFICE OF INSPECTOR GENERAL
ANCHORAGE, ALASKA 99501**

DATE: October 15, 2026

TO: Julie Kitka
Federal Co-Chair, Denali Commission

FROM: **RODERICK
FILLINGER** Digitally signed by
RODERICK FILLINGER
Date: 2026.10.14 20:54:24
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Roderick H. Fillinger
Inspector General

SUBJECT: *Fiscal Year 2027 Top Management and Performance Challenges (Report No. 2027-MGL-002)*

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 four management and performance challenges: (1) improving and updating grant accounting and administration; (2) improving grant performance management; (3) succession planning; and (4) continued focus on cyber security. These challenges were identified based on audit work, a non-audit risk assessment and review performed by the Office of Inspector General, a review conducted by the General Accountability Office, input from Commission management and staff, 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 align with the most important risks and priorities of the Commission. I remain committed to keeping you and the Commission's other decisionmakers 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
Jocelyn Fenton, Director of Programs

Challenge 1: Improving and Updating Grant Accounting and Administration

The Denali Commission faces significant management challenges in grant accounting and administration due to weaknesses in documentation, internal controls, and standardized processes. A risk assessment conducted identified unresolved variances between grantee general ledgers and Commission drawdown records, as well as missing ledgers, absent invoices, unsupported personnel charges, and noncompliance with 2 CFR Part 200 requirements. These issues are compounded by the absence of updated, comprehensive standard operating procedures, inconsistent oversight by program managers, inadequate segregation of duties, and heavy caseloads that limit thorough review. Collectively, these weaknesses lead to inconsistent grant monitoring, inability to verify allowability of costs, elevated financial management and compliance risks, and an overall lack of defensible grant administration practices.

The Commission has recognized this challenge, and the Federal Co-Chair is undertaking a structured effort to strengthen governance and grant administration by requesting comparative assessments, initiating risk surveys, and prioritizing the development of comprehensive, updated standard operating procedures for grants management. These steps also include enhancing internal controls through improved segregation of duties, formalizing competitive review procedures, expanding stakeholder engagement processes, and advancing a performance management framework with measurable outcomes.

Challenge 2: Improving Grant Performance Management and Demonstrating Long-term Benefits

The Commission lacks guidance and procedures for collecting and validating standardized, measurable performance information across its grants, limiting its ability to assess program outcomes and communicate results effectively. Unlike other regional commissions with mature performance frameworks, Denali does not systematically gather quantifiable data that measures the positive benefits of infrastructure projects. It also does not validate performance information beyond basic project completion checks. These deficiencies hinder the Commission's ability to demonstrate mission impact, support strategic planning, and meet heightened federal expectations for accountability and transparency.

Improving the monitoring of grant performance management will also aid in quantifying and reporting on the long-term benefit of grants. The Commission currently does not have a systematic or 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.

The Commission recognizes this challenge and the Federal Co-Chair is addressing the challenge by initiating efforts to strengthen performance management and improve the Commission’s ability to collect and validate measurable grant outcomes. The Federal Co-Chair is committed to undertaking comparative assessments and risk surveys to identify deficiencies, including the lack of standardized performance measures, and is advancing actions such as developing comprehensive grant management procedures, enhancing internal controls, and improving the Commission’s ability to track and report quantifiable results. The Commission is working to establish formal guidance and procedures for collecting and validating standardized performance information across grants, positioning the agency to better demonstrate impact, support strategic planning, and meet federal accountability expectations.

Challenge 3: Succession Planning

Several personnel changes, including the departure of key personnel, have occurred over this past fiscal year. 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.

At the beginning of fiscal year 2026 there were only two members of the Finance group. The prior management challenges report noted that 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. This happened and resulted in segregation of duties issues that could leave the Commission more susceptible to accounting errors or misappropriation of assets (both internal and external). While management addressed the issue using external resources, the situation created challenges in complying with the Office of Management and Budget and General Accountability Office requirements. 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.). This is particularly acute in the number of active grants that some of the program managers oversee.

Management is aware of the need for, and is working to establish, documentation and development of succession planning as part of its long-term strategic planning. Efforts have been undertaken to fill critical need positions that are currently vacant.

Challenge 4: Continued Focus on Cyber Security

The Commission has made significant and measurable improvements to meet the requirements of the Federal Information Security Modernization Act (FISMA) requirements. Phishing schemes and cyber-attacks for the theft of data and ransomware demands have become more prevalent. While the Commission has been successful in avoiding cyber security incidents through proactive efforts, 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, increasing technological sophistication and complexity that will allow for periodically testing the policies and procedures in place and identify weaknesses to allow such items to be addressed prior to an actual cybersecurity incident occurring.



Denali Commission Office of Inspector General
550 W 7th Avenue, Suite 1230
Anchorage, AK 99501

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