Denali Commission
Agency Financial Report (AFR)
Fiscal Year 2020

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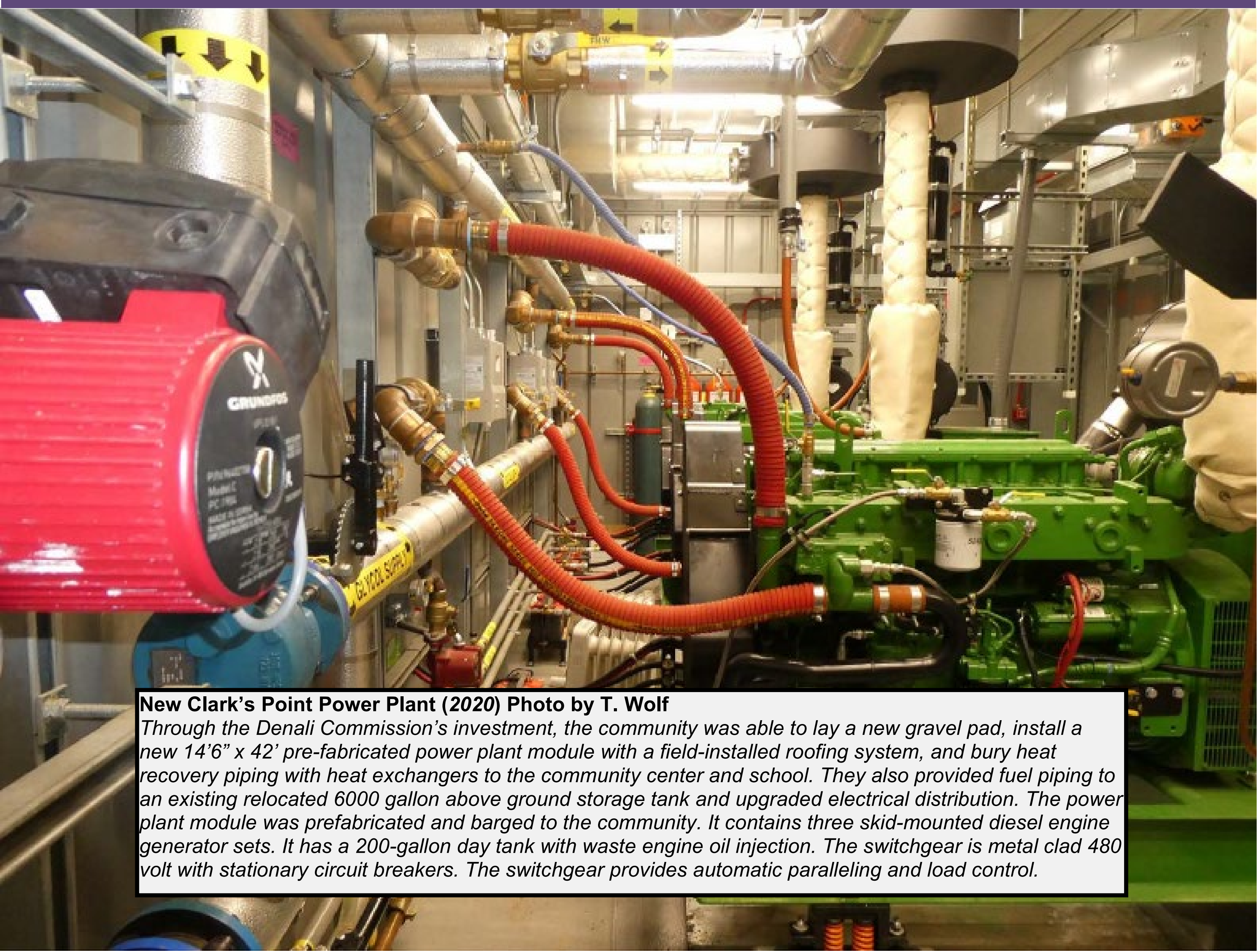

New Clark's Point Power Plant (*2020*) Photo by T. Wolf
Through the Denali Commission's investment, the community was able to lay a new gravel pad, install a new 14'6" x 42' pre-fabricated power plant module with a field-installed roofing system, and bury heat recovery piping with heat exchangers to the community center and school. They also provided fuel piping to an existing relocated 6000 gallon above ground storage tank and upgraded electrical distribution. The power plant module was prefabricated and barged to the community. It contains three skid-mounted diesel engine generator sets. It has a 200-gallon day tank with waste engine oil injection. The switchgear is metal clad 480 volt with stationary circuit breakers. The switchgear provides automatic paralleling and load control.

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:

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Table of Contents

Management's Discussion & Analysis

Analysis of Systems, Controls and Legal Compliance

Financial Section

Other Accompanying Information

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 at https://www.denali.gov/wp-content/uploads/2018/02/Denali-Commission-Act-of-1998-updated-2017.pdf.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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

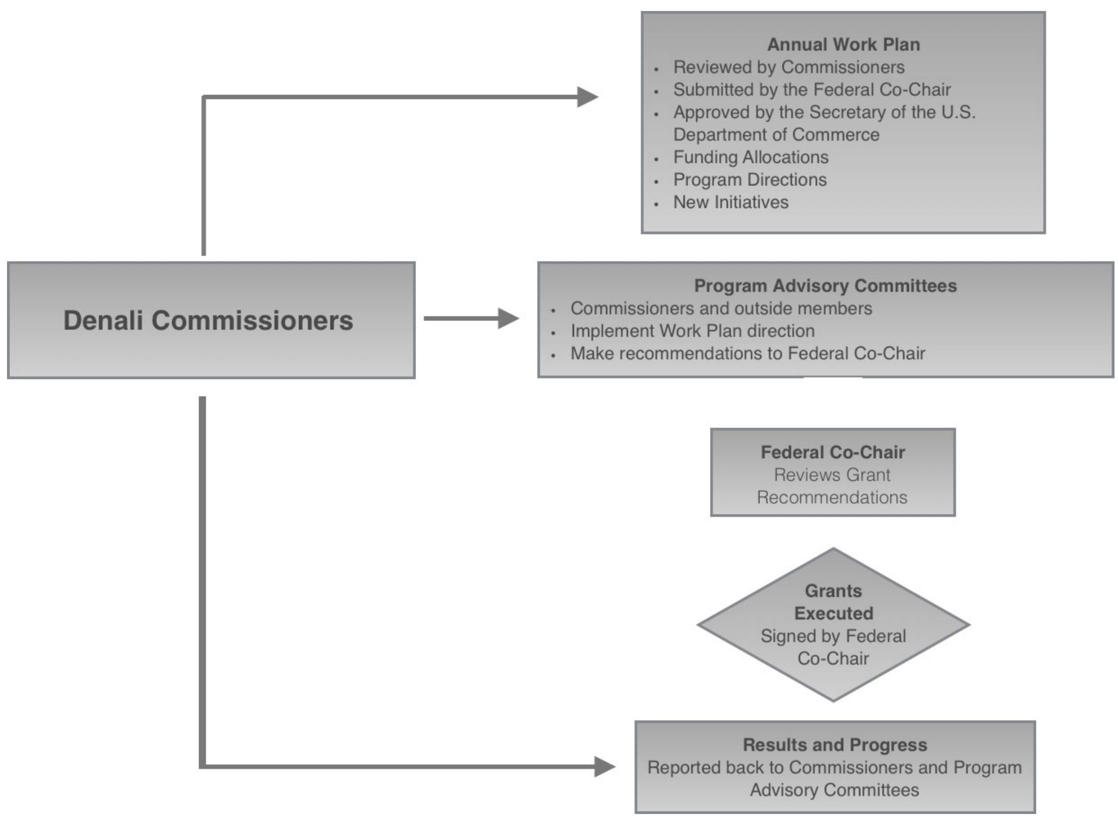
Denali Commissioners

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 Commissioner of Labor.



Management Discussion and Analysis

Work Plan

Commissioners identified general program funding levels for the FY2020 Work Plan during a meeting on July 9, 2019. Funding levels were based on anticipated “Base” appropriations and an estimate of the 2019 allocations from the Trans-Alaska Pipeline Liability Fund (TAPL). On February 13, 2019, the Agency held a public hearing to receive verbal comments on the draft Work Plan. Written comments were accepted up to February 28. In total, six comments were received. Commissioners approved the draft Work Plan on July 9, 2019. They made no changes to the draft Work Plan based on public comments. The draft FY2020 work plan was then published in the Federal Register on August 7,2020. The comment period was through September 6, 2020, during which no comments were received. On September 13, 2019, the draft FY2020 Work Plan was submitted to the Department of Commerce. The Department formally approved the Work Plan on October 2, 2019.

The approved FY2020 Work Plan included $6.5M for the Energy Program, $2.2M for the Bulk Fuel Program, and $1.0M for the Village Infrastructure Protection Program. This work plan also reincorporated some of the Commission’s legacy programs as work plan items. The added categories were: Housing, $500k, Healthcare Facilities, $1.0M, Transportation $1.0M, Economic/Workforce Development $2.1M, Broadband, $1.0M, and Sanitation $2.0M. The full FY2020 Work Plan can be found in the Other Accompanying Information section of this document.

Program Resources

In FY2020, no project specific funds were provided in any appropriations to the Commission. The final FY2020 Energy and Water Appropriations Bill included $15M of “Base” funding for the Commission. $11M of this amount was made available for program related activities/projects. This amount was consistent with the assumed Base funding in the Work Plan. During FY2019 approximately $2.4M of additional prior year Base funding was made available for program activities/projects via transfers from administrative reserves.

In FY2020 a total of $3,276,288 of TAPL funding was transferred to the Commission. All of this amount was made available for bulk fuel program related activities/projects. This amount was approximately $500K higher than the assumed TAPL allocation in the Work Plan.

During FY2020, the Commission also received approximately $1.66M from other agencies for program activities/projects.

Base, TAPL and other funds transferred to the Commission remain available for use until expended.

Management Discussion and Analysis

Functional Uses of FY2020 Budgetary Resources

The FY2020 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 of Newtok, Kivalina, Shishmaref, and Shaktoolik
- Other Projects and Activities for Communities Identified in GAO Report 09-551
- November 2019 Statewide Threat Assessment
- General Program Development and Support Activities

Transportation Program

- Road and/or waterfront transportation maintenance, improvement, or expansion projects

Sanitation Program

- Water Source Development
- Water Treatment and Distribution System Improvements
- Wastewater Treatment and Collection System Improvements

Healthcare Facilities Program

- Construction of community healthcare facilities
- Enhancement of rural health clinics

Housing Program

- Construction of rural schoolteacher housing complex
- Enhancement of rural law enforcement housing options

Economic and Workforce Development Program

- Various Funding for Regional Economic Development Organizations
- Technical Assistance Funding for State Aquaculture Enhancement
- Technical Training Resources Provided for Vocational Organizations

Broadband Program

- Coordination on Alaska Native Broadband Spectrum Leases
- Technical Assistance on updating State Broadband Plan
- Community Assistance on Broadband Enhancement

Management Discussion and Analysis

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 FY2019 and FY2020 appears below, followed by a summary of all the program investments/obligations made during the same period.

Program Resource Summary[a]			
Year	**Base**	**TAPL**	**Other[c]**
FY2019	$17,074,934	$7,509,015	$5,758,475
FY2020	$19,210,440	$3,500,733	$9,236,700
Subtotals	**$36,285,374**	**$11,009,748**	**$14,995,175**
Total	**$62,290,297**		

a. All allocations for Program activities and projects, including deobligations from completed projects
b. Includes prior year unobligated funds
c. DOA/RUS, DOT, State, DHHS/CDC, EPA, DOE

Management Discussion and Analysis

Program Obligations
October 2018 thru September 2020

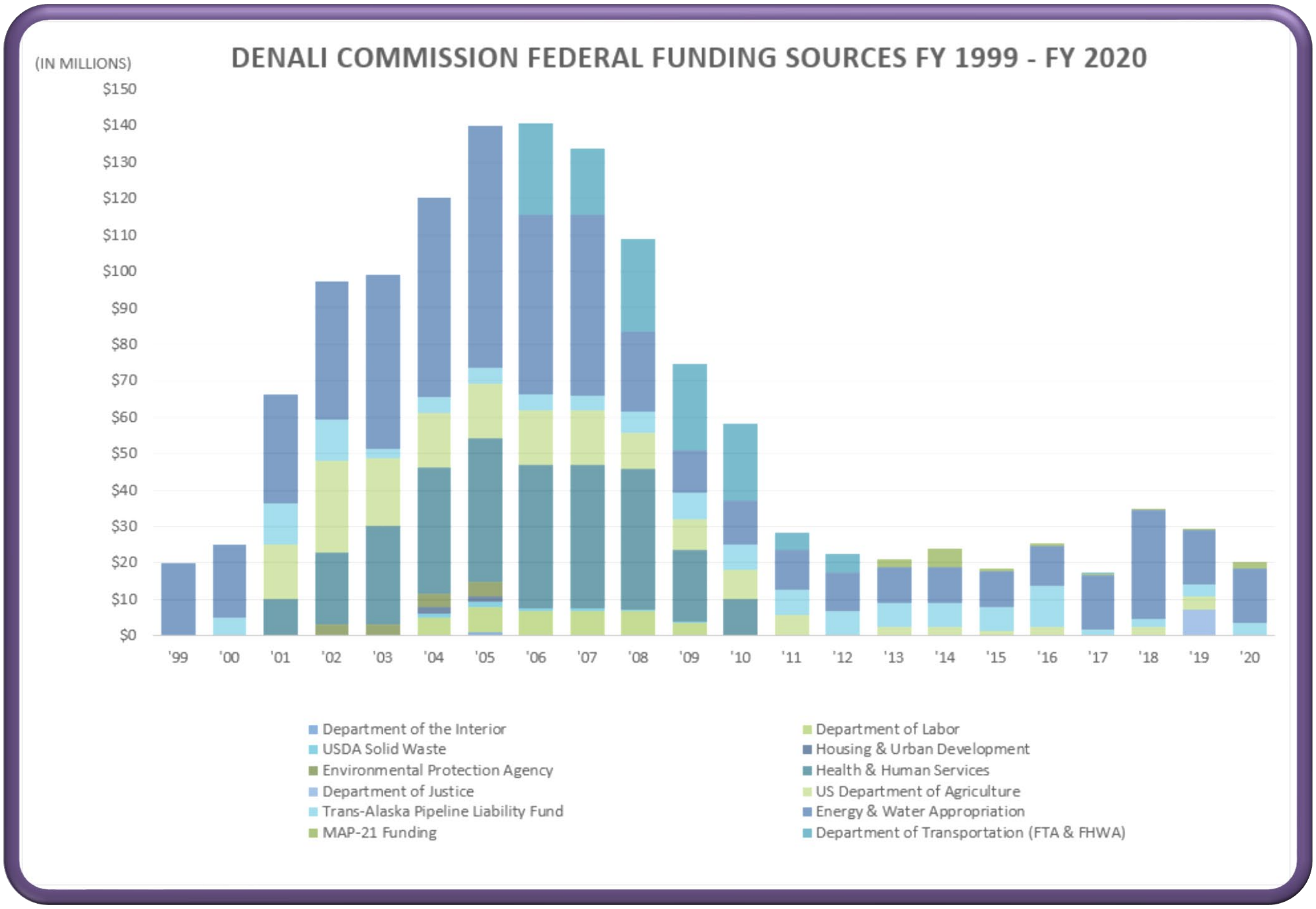
Program	Amount
Energy / Bulk Fuel[d]	**$27,956,015**
Transportation	**$2,059,321**
Village Infrastructure Protection	**$10,099,509**
Healthcare Facilities	**$1,842,360**
Housing	**$500,000**
Sanitation	**$2,137,867**
Economic and Workforce Development	**$1,500,000**
Broadband	**$1,000,000**
Special Projects[e,f]	**$14,287,429**
Total	**$61,209,638**
% of Available Resources	**98.5%**

d. Including $4,080,000 committed for the Roadbelt Intertie and Chitna Hydro projects on 25 September 2019
e. Including $466,860 committed for the EPA Backhaul Alaska project on 18 September 2018 and 25 September 2019
f. Including $250,094 committed for DOE/OIE Technical Assistance on 25 September 2019

Management Discussion and Analysis

Financial Performance Overview

As of September 30, 2020, 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.



Management Discussion and Analysis

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.

MAP-21 granted authority to accept funding from both federal and non-federal sources to carry out the purposes of the Denali Commission Act.

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 2020, $3.45 million was transferred to the Commission to assist in efforts to make bulk fuel tanks in Alaska code compliant.

Budget Authority	FY 2020
Appropriations Received	$15,000,000
Appropriations Transferred In	-
Non-expenditure Transfers	3,448,693
Offsetting Collections	4,786,100
Donations and Forfeitures of Cash and Cash Equivalents	-
Total Budget Authority	**$23,234,793**

In FY 2020, Denali Commission's total budgetary resources were $38.05 million, which includes $0.59 million in unobligated balances brought forward.

Uses of Funds by Function

The Denali Commission incurred obligations of $36.88 million in FY 2020 for program and administration operations. Unobligated funds in the amount of $1.17 million were carried forward, for obligation in FY 2021.

Management Discussion and Analysis

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 $64.40 million as of September 30, 2020. This is a decrease of $21.94 million from the end of FY 2019. The Commission's largest asset, Fund Balance with Treasury, decreased due to an increase in grant disbursements to recipients. The assets reported on the Commission's balance sheet are summarized in the accompanying table.

Assets Summary	FY 2020	FY 2019	FY 2018
Fund Balance with Treasury	$64,397,678	$86,340,452	$82,855,642
Other Intragovernmental Assets	-	-	-
Accounts Receivable, Public	-	74	-
Other Accounts Receivable, Public	-	-	-
Total Assets	**$64,397,678**	**$86,340,526**	**$82,855,642**

Management Discussion and Analysis

Financial Statement Highlights

Liabilities

The Denali Commission's liabilities were $7.99 million as of September 30, 2020, a decrease of $5.83 million from the end of FY 2019. The liabilities reported on the Commission's balance sheet are summarized in the accompanying table.

Liabilities Summary	FY 2020	FY 2019	FY 2018
Accounts Payable, Intragovernmental	$761,614	$218,153	$50,000
Other Intragovernmental Liabilities	272,013	266,019	263,835
Accounts Payable, Public	92,532	29,582	6,369
Other Liabilities, Public	6,867,186	13,800,064	3,272,517
Total Liabilities	**$7,993,345**	**$14,313,818**	**$3,592,721**

Net Position

The difference between total assets and total liabilities, net position, was $56.40 million as of September 30, 2020. This is a decrease of $15.62 million from the FY 2019 year-end balance. The net position reported on the Denali Commission's balance sheet is summarized in the accompanying table.

Net Position Summary	FY 2020	FY 2019	FY 2018
Unexpended Appropriations	$3,333,149	$17,587,502	$22,631,959
Cumulative Results of Operations	53,071,184	54,439,206	56,630,962
Total Net Position	**$56,404,333**	**$72,026,708**	**$79,262,921**

Management Discussion and Analysis

Financial Statement Highlights

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 2020 and FY 2019.

Net Cost	FY 2020	FY 2019	FY 2018
Program Costs	$38,933,599	$42,111,684	$32,476,008
Less: Earned Revenue	-	-	-
Total Net Costs of Operations	**$38,933,599**	**$42,111,684**	**$32,476,008**

Statement of Changes in Net Position

The net position for the year ended September 30, 2020 was $56.40 million, a decrease of $15.62 million from FY 2019.

The net position for the year ended September 30, 2019 was $72.63 million, a decrease of $6.63 million from FY 2018.

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 $38.05 million in total budgetary resources for FY 2020 – comprised of direct appropriations, non-expenditure transfers from other federal agencies, and an unobligated balance available from FY 2019. During the fiscal year, $36.88 million was obligated for program and administrative functions; $1.17 million in funds were carried forward and will be available for obligation in FY 2021. Net outlays in FY 2020 amounted to $40.21 million.

The Commission had $40.74 million in total budgetary resources for FY 2019 – comprised of direct appropriations, non-expenditure transfers from other federal agencies, and an unobligated balance available from FY 2018. During the fiscal year, $33.05 million was obligated for program and administrative functions; $0.59 million in funds were carried forward and will be available for obligation in FY 2020. Net outlays in FY 2019 amounted to $21.39 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 are in compliance with 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, 2020, 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, 2020.

Analysis of Systems, Controls and Legal Compliance

Federal Financial Management Improvement Act (FFMIA)

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.

John Torgerson
Interim Federal Co-Chair

Financial Section

Inspector General Transmittal Letter

INSPECTOR GENERAL

MEMORANDUM

DATE: November 2, 2020

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

FROM: Roderick H. Fillinger
Inspector General

SUBJECT: *FY 2020 Financial Statements Audit*
Final Report No. 2020.11.2

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 2020 financial statements. SBC performed the audit in accordance with U.S. generally accepted government auditing standards. In its audit of the Denali Commission, SBC

- Identified no instances of noncompliance with provisions of applicable law, regulations, contracts, and grant agreements; and

- Determined that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles.

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, 2020, 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

Financial Section

Report of Independent Public Accountants

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Office of the Inspector General and the Denali Commission

In our audits of the fiscal years 2020 and 2019 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, 2020 and 2019, are 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, 2020; and
- no reportable noncompliance for fiscal year 2020 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 the description of the material weakness in internal controls over financial reporting and 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

We have audited the Commission's financial statements. The Commission's financial statements comprise the balance sheets as of September 30, 2020 and 2019; 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.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

<u>Management's Responsibility</u>

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 documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Financial Section

Report of Independent Public Accountants

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Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits.

U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, the Commission's financial statements present fairly, in all material respects, the Commission's financial position as of September 30, 2020 and 2019, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

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. Although the RSI is not a part of the financial statements, FASAB considers this information 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.

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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. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on the Commission's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Other Matter

During the year ended September 30, 2019, the former interim inspector general began an investigation into certain members of senior management of the Commission. See note 14 to the financial statements for more information. Our opinion is not modified with respect to this matter.

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

Management's Responsibility

The Commission's management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of 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 Responsibility

In planning and performing our audit of the Commission's financial statements as of and for the year ended September 30, 2020, in accordance with U.S. generally accepted government auditing standards, we considered the Commission's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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.

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Financial Section

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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.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

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 financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

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

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Financial Section

Report of Independent Public Accountants

SB & COMPANY, LLC
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Auditor's Responsibility

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 perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Commission.

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 2020 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.

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.

SB & Company, LLC

Owings Mills, Maryland
November 2, 2020

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Financial Section

Financial Statements

DENALI COMMISSION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019

Financial Section

Financial Statements

DENALI COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

TABLE OF CONTENTS

Financial Section

Financial Statements

DENALI COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2020 AND 2019
(In Dollars)

	2020	2019
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 3)	$ 64,397,678	$ 86,340,452
Total Intragovernmental	64,397,678	86,340,452
Accounts Receivable, Net (Note 4)	-	74
Total Assets	$ 64,397,678	$ 86,340,526
Liabilities:		
Intragovernmental		
Accounts Payable	$ 761,614	$ 218,153
Other (Note 6)	272,013	266,019
Total Intragovernmental	1,033,627	484,172
Accounts Payable	92,532	29,582
Other (Note 6)	6,867,186	13,800,064
Total Liabilities (Note 5)	7,993,345	14,313,818
Net Position:		
Unexpended Appropriations - All Other Funds	3,333,149	17,587,502
Cumulative Results of Operations - Funds from Dedicated Collections (Note 8)	11,612,467	13,176,894
Cumulative Results of Operations - All Other Funds	41,458,717	41,262,312
Total Net Position	56,404,333	72,026,708
Total Liabilities and Net Position	$ 64,397,678	$ 86,340,526

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

Financial Section

Financial Statements

DENALI COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In Dollars)

	2020	2019
Gross Program Costs (Note 13):		
Gross Costs	$ 38,933,599	$ 42,111,684
Net Cost of Operations	$ 38,933,599	$ 42,111,684

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

2

Financial Section

Financial Statements

STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In Dollars)

	2020 Funds from Dedicated Colle	2020 All Other Funds	2020 Consolidated Totals	2019 from Dedicated Colle	2019 All Other Funds	2019 Consolidated Total
Unexpended Appropriations:						
Beginning Balances	$ -	$ 17,587,502	$ 17,587,502	$ -	$ 22,631,959	$ 22,631,959
Budgetary Financing Sources:						
Appropriations Received	-	15,000,000	15,000,000	-	15,000,000	15,000,000
Appropriations Transferred In/Out	-	-	-	-	7,000,000	7,000,000
Appropriations Used	-	(29,254,353)	(29,254,353)	-	(27,044,457)	(27,044,457)
Total Budgetary Financing Sources	-	(14,254,353)	(14,254,353)	-	(5,044,457)	(5,044,457)
Total Unexpended Appropriations	$ -	$ 3,333,149	$ 3,333,149	$ -	$ 17,587,502	$ 17,587,502
Cumulative Results of Operations:						
Beginning Balances	$ 13,176,894	$ 41,262,312	$ 54,439,206	$ 14,484,022	$ 42,146,940	$ 56,630,962
Budgetary Financing Sources:						
Appropriations Used	-	29,254,353	29,254,353	-	27,044,457	27,044,457
Donations and Forfeitures of Cash and Cash Equivalents	-	-	-	-	101,181	101,181
Transfers In/Out Without Reimbursement (Note 8)	3,448,693	4,786,100	8,234,793	2,993,069	9,669,312	12,662,381
Other Financing Sources (Non-Exchange):						
Imputed Financing (Note 9)	-	76,431	76,431	-	111,909	111,909
Total Financing Sources (Note 8)	3,448,693	34,116,884	37,565,577	2,993,069	36,926,859	39,919,928
Net Cost of Operations (Note 8)	(5,013,120)	(33,920,479)	(38,933,599)	(4,300,197)	(37,811,487)	(42,111,684)
Net Change (Note 8)	(1,564,427)	196,405	(1,368,022)	(1,307,128)	(884,628)	(2,191,756)
Cumulative Results of Operations (Note 8)	11,612,467	41,458,717	53,071,184	13,176,894	41,262,312	54,439,206
Net Position (Note 8)	$ 11,612,467	$ 44,791,866	$ 56,404,333	$ 13,176,894	$ 58,849,814	$ 72,026,708

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

3

Financial Section

Financial Statements

DENALI COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In Dollars)

	2020	2019
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 14,819,055	$ 5,972,062
Appropriations	18,448,693	24,993,070
Spending authority from offsetting collections	4,786,100	9,770,492
Total Budgetary Resources	$ 38,053,848	$ 40,735,624
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 36,879,993	$ 33,046,000
Unobligated balance, end of year:		
Apportioned, unexpired account	1,173,855	588,443
Unapportioned, unexpired accounts	-	7,101,181
Unobligated balance, end of year (total)	1,173,855	7,689,624
Total Budgetary Resources	$ 38,053,848	$ 40,735,624
Outlays, Net and Disbursements, Net:		
Outlays, net (total)	$ 40,391,466	$ 21,385,493
Distributed Offsetting Receipts	(183,030)	-
Agency outlays, net	$ 40,208,436	$ 21,385,493

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

Financial Section

Financial Statements

DENALI COMMISSION
NOTES TO THE 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 and the Government Management Reform Act of 1994. 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 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 compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

FBWT 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 FBWT 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 With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public 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, actuarial FECA, 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 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. Other Post-Employment Benefits

The Denali Commission 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.

K. 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.

L. 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 $446,104 as of September 30, 2020 and 2019.

Financial Statements

NOTE 3. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2020 and 2019, were as follows:

	2020	2019
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 1,173,854	$ 588,443
Unavailable	-	7,101,181
Obligated Balance Not Yet Disbursed	62,440,217	77,867,221
Temporary Sequestration-TAPL	337,503	337,503
Non-Budgetary FBWT	446,104	446,104
Total	$ 64,397,678	$ 86,340,452

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

Accounts receivable balances as of September 30, 2020 and 2019, were as follows:

	2020	2019
With the Public		
Accounts Receivable	$ -	$ 74
Total Public Accounts Receivable	$ -	$ 74
Total Accounts Receivable	$ -	$ 74

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2020 and 2019.

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the Denali Commission as of September 30, 2020 and 2019, 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.

Financial Statements

	2020	2019
Intragovernmental – FECA	$ 1,355	$ 1,355
Unfunded Leave	167,324	111,781
Total Liabilities Not Covered by Budgetary Resources	$ 168,679	$ 113,136
Total Liabilities Covered by Budgetary Resources	7,824,666	14,200,682
Total Liabilities	$ 7,993,345	$ 14,313,818

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, 2020 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ -	$ 1,355	$ 1,355
Payroll Taxes Payable	24,142	-	24,142
Other Accrued Liabilities	246,516	-	246,516
Total Intragovernmental Other Liabilities	$ 270,658	$ 1,355	$ 272,013
With the Public			
Payroll Taxes Payable	$ 3,993	$ -	$ 3,993
Accrued Funded Payroll and Leave	89,396	-	89,396
Unfunded Leave	167,324	-	167,324
Other Accrued Liabilities Grants	6,160,369	-	6,160,369
Deposit Fund Liability (State of Alaska)	446,104	-	446,104
Total Public Other Liabilities	$ 6,867,186	$ -	$ 6,867,186

Other liabilities account balances as of September 30, 2019 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ -	$ 1,355	$ 1,355
Payroll Taxes Payable	18,148	-	18,148
Other Accrued Liabilities	246,516	-	246,516
Total Intragovernmental Other Liabilities	$ 264,664	$ 1,355	$ 266,019
With the Public			
Payroll Taxes Payable	$ 2,941	$ -	$ 2,941
Accrued Funded Payroll and Leave	278,140	-	278,140
Unfunded Leave	111,781	-	111,781
Other Accrued Liabilities Grants	12,615,477	345,621	12,961,098
Deposit Fund Liability (State of Alaska)	446,104	-	446,104
Total Public Other Liabilities	$ 13,454,443	$ 345,621	$ 13,800,064

NOTE 7. LEASES

Operating Leases

Denali Commission occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on June 1, 2013 and expires on October 1, 2021. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2020 and 2019 were $384,434 and $423,913, respectively. Below is a schedule of future payments for the term of the lease.

	Asset Category	Totals	
Fiscal Year	Building	Federal	Non-Federal
2021	$ 436,196	$ 436,196	$ -
Total Future Payments	$ 436,196	$ 436,196	$ -

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.

Schedule of Funds from Dedicated Collections as of September 30, 2020 and 2019.

	2020	2019
Balance Sheet		
ASSETS		
Fund Balance with Treasury	$ 12,868,409	$ 13,444,582
Total Assets	$ 12,868,409	$ 13,444,582
LIABILITIES AND NET POSITION		
Accounts Payable	$ 45,474	$ 52,752
Other	1,210,467	214,936
Cumulative Results of Operations	11,612,467	13,176,894
Total Liabilities and Net Position	$ 12,868,409	$ 13,444,582
Statement of Net Cost		
Program Costs	$ 5,013,120	$ 4,300,197
Net Cost of Operations	$ 5,013,120	$ 4,300,197
Statement of Changes in Net Position		
Net Position Beginning of Period	$ 13,176,894	$ 14,484,022
Net Cost of Operations	(5,013,120)	(4,300,197)
Other Revenue	3,448,693	2,993,069
Change in Net Position	(1,564,427)	(1,307,128)
Net Position End of Period	$ 11,612,467	$ 13,176,894

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 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 periods ended September 30, 2020 and 2019, respectively, inter-entity costs were as follows:

	2020	2019
Office of Personnel Management	$ 76,431	$ 111,909
Total Imputed Financing Sources	$ 76,431	$ 111,909

NOTE 10. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2020, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 2,755,704	$ 52,552,465	$ 55,308,169
Total Undelivered Orders	$ 2,755,704	$ 52,552,465	$ 55,308,169

As of September 30, 2019, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 8,443,886	$ 55,915,271	$ 64,359,157
Total Undelivered Orders	$ 8,443,886	$ 55,915,271	$ 64,359,157

NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2020 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2021 and can be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2021 Budget of the United States Government, with the "Actual" column completed for 2019, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

	Budgetary Resources	New Obligations & Upward Adjustments	Net Outlays
Combined Statement of Budgetary Resources	$ 41	$ 33	$ 21
Budget of the U.S. Government	$ 41	$ 33	$ 21

Financial Statements

NOTE 12. CUSTODIAL ACTIVITY

The Commission custodial collection primarily consists of grant monies returned from cancelled funds. While these collections are considered custodial, they are neither primary to the mission of the Commission nor material to the overall financial statements. The Commission's total custodial collections are $183,030 and $0 for the years ended September 30, 2020, and 2019, respectively.

NOTE 13. RECONCILIATION OF NET COST TO NET 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.

Reconciliation of Net Cost to Net Outlays as of September 30, 2020:

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 6,359,280	$ 32,574,319	$ 38,933,599
(Increase)/Decrease in assets not affecting Budget Outlays:			
Accounts receivable	-	(74)	(74)
(Increase)/Decrease in liabilities not affecting Budget Outlays:			
Accounts payable	(543,461)	(62,950)	(606,411)
Salaries and benefits	(5,994)	187,692	181,698
Other liabilities	-	6,745,185	6,745,185
Other financing sources:			
Imputed federal employee retirement benefit costs	(76,431)	-	(76,431)
Transfers out (in) without reimbursement	(4,786,100)	-	(4,786,100)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (5,411,986)	$ 6,869,853	$ 1,457,867
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Other	183,030	(183,030)	-
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ 183,030	$ (183,030)	$ -
Net Outlays (Calculated Total)	$ 1,130,324	$ 39,261,142	$ 40,391,466
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			40,391,466
Distributed offsetting receipts (SBR 4200)			(183,030)
Agency Outlays, Net (SBR 4210)			$ 40,208,436

13

Financial Section

Financial Statements

Reconciliation of Net Cost to Net Outlays as of September 30, 2019:

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 7,607,000	$ 34,504,684	$ 42,111,684
(Increase)/Decrease in assets not affecting Budget Outlays:			
Accounts receivable	-	74	74
(Increase)/Decrease in liabilities not affecting Budget Outlays:			
Accounts payable	(168,153)	(23,213)	(191,366)
Salaries and benefits	(2,184)	(218,209)	(220,393)
Other liabilities	-	(10,432,104)	(10,432,104)
Other financing sources:			
Imputed federal employee retirement benefit costs	(111,909)	-	(111,909)
Transfers out (in) without reimbursement	(9,669,311)	-	(9,669,311)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (9,951,557)	$ (10,673,452)	$ (20,625,009)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	-	-	-
Acquisition of inventory	-	-	-
Acquisition of other assets	-	-	-
Debt and equity securities	-	-	-
Other	-	(101,182)	(101,182)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ (101,182)	$ (101,182)
Net Outlays (Calculated Total)	$ (2,344,557)	$ 23,730,050	$ 21,385,493
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			21,385,493
Distributed offsetting receipts (SBR 4200)			-
Agency Outlays, Net (SBR 4210)			$ 21,385,493

NOTE 14. CONTINGENCIES

Denali Commission is currently under an on-going investigation related to the former chief financial officer and current management of the Commission has not been made aware of any findings or other reportable items to date. However, upon completion of the investigation there may be findings or reportable items related to this investigation.

14

Other Accompanying Information

Denali Commission FY 2020 Work Plan

DENALI COMMISSION

Improving Lives Through Cost Effective, Sustainable Infrastructure Development

FY 2020 WORK PLAN

Approved By Department of Commerce on 2 October 2019

line	PROGRAM and TYPE of INVESTMENT	FY2020 FUNDING SOURCES		
		Base[a]	TAPL[b]	Total
1		*$14,500,000*	*$2,800,000*	*$17,300,000*
2	**ENERGY RELIABILITY and SECURITY**			
3	Diesel Power Plants	$3,800,000		$3,800,000
4	Interties			
5	Wind, Hydro, Biomass & Other Proven Renewables	$1,000,000		$1,000,000
6	Emerging Technologies			
7	Audits, TA, & Community Energy Efficiency Improvements	$500,000		$500,000
8	RPSU Maintenance & Improvement Projects[c]	$1,200,000		$1,200,000
9	**Subtotal**	**$6,500,000**		**$6,500,000**
10	**BULK FUEL SAFETY and SECURITY**			
11	New/Refurbished Facilities[d]		$1,500,000	$1,500,000
12	Maintenance & Improvement Projects		$700,000	$700,000
13	**Subtotal**	**$0**	**$2,200,000**	**$2,200,000**
14	**VILLAGE INFRASTRUCTURE PROTECTION**			
15	Mertarvik[e]	$150,000		$150,000
16	Shishmaref[e]	$150,000		$150,000
17	Shaktoolik[e]	$150,000		$150,000
18	Kivalina[e]	$150,000		$150,000
19	Other Vulnerable Communities	$0		$0
20	Program Support[f]	$400,000		$400,000
21	**Subtotal**	**$1,000,000**		**$1,000,000**
22	**Transportation**			
23		$1,000,000		$1,000,000
24	**Subtotal**	**$1,000,000**		**$1,000,000**
25	**Sanitation**			
26	Village Water & Wastewater	$2,000,000		$2,000,000
27	Solid Waste			
28	**Subtotal**	**$2,000,000**		**$2,000,000**
29	**Health Facilities**			
30		$1,000,000		$1,000,000
31	**Subtotal**	**$1,000,000**		**$1,000,000**
32	**Housing**			
33		$500,000		$500,000
34	**Subtotal**	**$500,000**		**$500,000**
35	**Broadband**			
36		$1,000,000		$1,000,000
37	**Subtotal**	**$1,000,000**		**$1,000,000**
38	**Workforce and Economic Development**			
39	Energy and Bulk Fuel	$500,000	$600,000	$1,100,000
40	Other	$1,000,000		$1,000,000
41	**Subtotal**	**$1,500,000**	**$600,000**	**$2,100,000**
42	**TOTALS**	**$14,500,000**	**$2,800,000**	**$17,300,000**

Notes:

a. Program funds available from the assumed overall FY2020 Energy & Water appropriation + prior year unobligated funds + anticipated recoveries.

b. Assumed FY2020 principal and interest allocation + anticipated recoveries.

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

d. Some priority given to projects on existing priority lists that are in environmentally threatened communities.

e. Local coordinator, administrative support, match/gap funding.

f. Grant Center of Excellence and other misc. activities/initiatives.

g. All investment amounts shown for funds directly managed by the Commission are Not To Exceed amounts, i.e., "Up To" amounts.

h. Any current year or prior year Base, TAPL or other amounts that are not fully expended, or additional funds that 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.

Other Accompanying Information

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 of 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 2020, 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 and for the fiscal years ended September 30, 2020 and 2019, 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, 2020; and no reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements that were tested.

For FY 2019, 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 and for the fiscal years ended September 30, 2019 and 2018, 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 not effective for the fiscal year ended September 30, 2019; and no reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements that were tested.

Other Accompanying Information

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 of 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 amount of improper payments in programs and activities for those programs that are identified as susceptible to significant improper payment.

  Denali Commission has assessed all of 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 amount of improper payments in programs and activities and progress in reducing them.

  The Commission is not required to report on this component.

John Torgerson
Interim Federal Co-Chair

Other Accompanying Information

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

DENALI COMMISSION
OFFICE OF INSPECTOR GENERAL
ANCHORAGE, ALASKA 99501

INSPECTOR GENERAL

MEMORANDUM

DATE: November 6, 2020

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

Roderick H. Fillinger Digitally signed by Roderick H. Fillinger Date: 2020.11.06 14:35:00 -05'00'

FROM: Roderick H. Fillinger
Inspector General

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

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

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

Other Accompanying Information

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

Challenge 1: Management through the COVID-19 Pandemic

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

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

Challenge 2: Compliance with Records Management

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

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

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

Other Accompanying Information

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

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

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

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

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

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

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

Other Accompanying Information

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

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

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

Challenge 4: Strategic Human Capital Management

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

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

Other Accompanying Information

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

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

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

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

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

Federal Co-Chair Response to Inspector General's Perspectives on Management and Performance Challenges Facing the Denali Commission, November 2020

DENALI COMMISSION

Memorandum

November 12, 2020

To: Roderick H. Fillinger, Inspector General

From: John Torgerson, Interim Federal Co-Chair

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

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

COVID-19 Impacts:

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

Records Management:

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

Implementation of the Strategic Plan:

1

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Federal Co-Chair Response to Inspector General's Perspectives on Management and Performance Challenges Facing the Denali Commission, November 2020

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

Workforce Development:

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

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

Sincerely,

John Torgerson

John Torgerson
Interim Federal Co-Chair
Denali Commission

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