

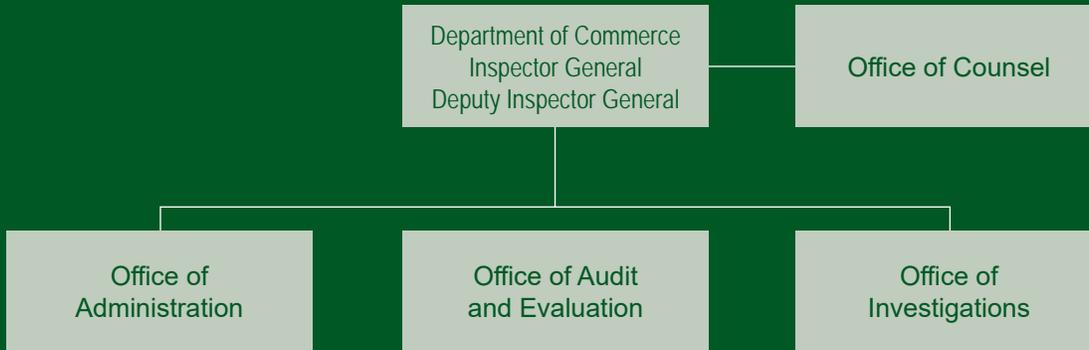
Denali Commission

OFFICE OF INSPECTOR GENERAL
SEMIANNUAL REPORT TO CONGRESS



March 2018

Office of Inspector General



The Department of Commerce Office of Inspector General provides oversight services to the Denali Commission through a Memorandum of Understanding.

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COVER: View of Denali, the highest peak in North America.



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DENALI COMMISSION

The Denali Commission Act of 1998 (Denali Commission Act) established the Denali Commission (Commission) to deliver a wide range of services to Alaska in the most cost-effective manner by reducing administrative and overhead costs. As part of the Denali Commission Act, the Commission provides job training and other economic development services in rural communities, with a focus on promoting development in rural Alaska and on providing key infrastructure, such as power generation and transition facilities, modern communication systems, and water and sewer systems.

Since its enactment, the Denali Commission Act has been updated several times, expanding the Commission's mission to include the planning and construction of health care facilities and the establishment of the Denali Access System Program to support surface transportation infrastructure and waterfront transportation projects.

The Commission oversees five program areas: **Energy, Transportation, Government Coordination, Health Facilities, and Training**. The Commission's current priorities relate primarily to its energy and government coordination programs.

Completed Works

During the semiannual reporting period, we completed an assessment of the Commission's fiscal year (FY) 2018 top management and performance challenges, a review of the Commission's compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act) requirements, an audit of the Commission's FY 2017 financial statements, and a response to the Office of Management and Budget (OMB) related to the Government Charge Card Abuse Prevention Act of 2012.

TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DENALI COMMISSION IN FY 2018

On November 14, 2017, we issued our report on the top management and performance challenges facing the Commission in FY 2018. According to a study by the U. S. Government Accountability Office (GAO), the Commission faces several challenges in fulfilling its statutory purpose of providing, among other things, infrastructure and economic development services to rural Alaskan villages. The Commission's role, combined with continued budget reductions, poses a substantial challenge for the agency. In addition, the vacancy in the federal co-chair position presents a new challenge that has not been encountered since FY 2014.

We removed two challenges that were identified in our November 2016 *Top Management and Performance Challenges* report: (1) identifying a strategic vision and plan in a period of funding uncertainty and (2) engaging commissioners in light of ethics concerns and funding realities. The Commission's federal and state co-chairs signed the *Denali Commission Strategic Plan FY 2018–2022* into effect on October 4, 2017. In addition, the Water Infrastructure Improvements for the Nation

Act,¹ was signed into law on December 16, 2016, and contained provisions regarding conflicts of interest that should generally ease ethical concerns related to the commissioners. We modified one challenge, addressing evolving role in the environmentally threatened communities initiative, to broadly address the Commission's role in light of significant funding decreases.

Challenge 1: Fulfilling Denali's Statutory Purpose with Significant Decreases in Funding

In 1998, the Denali Commission Act established the Denali 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 communication systems,
- water and sewer systems, and
- other infrastructure needs.

However, the Commission faces challenges in its current approach as primarily a grant-making agency based on the current budget environment. Significant decreases in funding levels cannot support grant making on the scale and pace the Commission has done in the past while still fulfilling its statutory purpose.

Since 1998, 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; however, funding has significantly decreased in recent fiscal years. Specifically, in FY 2006, the Commission received about \$141 million, including

¹ Pub. L. No. 114-322.

more than \$90 million contributed from six outside federal and state entities. In FY 2017, its total funding was \$16.7 million—a decrease of nearly 90 percent—with only \$1.7 million contributed from one outside entity.

In March 2015, GAO identified several strategies that the Commission could take on how to approach fulfilling its statutory purpose in the future while facing significantly-limited budgetary resources.² Among the recommended strategies include limiting grants, focusing on facilitation, and maintaining existing infrastructure. The Commission has recently begun to address these GAO recommendations by stating that it will pivot away from its traditional grant-making role to more of a maintenance and facilitator role. In light of the current budget environment, the Commission needs to continue developing new strategies in order to fulfill its statutory purpose with significantly decreased funding.

Challenge 2: Continuity of Operations Through a Possible Federal Co-chair Vacancy

The Denali Commission Act establishes that the Commission will be composed of seven members appointed by the Secretary of Commerce, including the federal co-chair of the Denali Commission. The federal co-chair is the only member of the Commission that is authorized for several critical actions necessary for daily operations. The current federal co-chair's term ends April 20, 2018, and, absent an appointed term or interim federal co-chair, the position will be vacant.³

The federal co-chair is the only person authorized to approve new contracts, and grants and cooperative agreements to fulfill the mission of the Commission. In addition, the federal co-chair is the only person authorized to appoint permanent, temporary, and intermittent personnel, as well as establish personnel pay rates. In contrast to many other agencies, the co-chair is not

authorized to delegate statutory responsibilities or to remain beyond a term's expiration. Additionally, this potential vacancy would occur during a critical time of the operating year—on average, more than 80 percent of the Commission's funds are obligated during the second half of the fiscal year. A vacancy during this time would have a significant and adverse impact on the Commission's daily operations.

Such vacancies have occurred in the past. For example, in FY 2014, the federal co-chair position was vacant from January 4 to April 20, 2014, during which time there was no authority to approve new contract actions, award grants and cooperative agreements, or take personnel actions. Because only the co-chair is authorized to take critical actions—such as approving new grants—no one was authorized to sign \$7 million in new grants in time to take advantage of Alaska's short construction season. To date, there have not been any nominations submitted or actions taken to appoint a new federal co-chair. Having a vacancy in the federal co-chair position would significantly impact the Denali Commission's ability to fulfill its mission.

DENALI COMMISSION COMPLIANCE WITH DATA ACT REQUIREMENTS (DCOIG-18-001)

SB & Company, LLC (SBC), an independent public accounting firm, performed a review of the Commission's compliance with the Digital Accountability and Transparency Act (DATA Act). SBC planned and performed the examination to obtain reasonable assurance about (1) completeness, timeliness, quality, and accuracy of the FY 2017 second quarter financial and award data submitted for publication on USASpending.gov and (2) the Commission's implementation and use of the government-wide financial data standards established by OMB and

² U.S. General Accountability Office, March 25, 2015. *Options Exist to Address Management Challenges*, GAO-15-72. Washington, DC: GAO.

³ As of April 20, 2018, the Federal Co-chair position is vacant.

U.S. Department of the Treasury. In SBC's opinion, the Denali Commission's second quarter submission for FY 2017 is presented in accordance with the provisions of the DATA Act, in all material respects.

DENALI COMMISSION FY 2017 FINANCIAL STATEMENTS AUDIT (DCOIG-18-002-A)

SBC performed an audit of the Commission's FY 2017 financial statements in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 17-03, *Audit Requirements for Federal Financial Statements*. In its audit of the Commission, SBC (1) identified no instances of deficiency or material weakness in internal control over financial reporting, (2) identified no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or OMB audit guidance, and (3) determined that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles.

RESPONSE TO THE OFFICE OF MANAGEMENT AND BUDGET REGARDING THE GOVERNMENT CHARGE CARD ABUSE PREVENTION ACT OF 2012

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act)⁴ and OMB's implementing guidance⁵ require each OIG to perform periodic risk assessments of agency purchase card and travel card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments. When

⁴ Pub. L. No. 111-194.

⁵ Office of Management and Budget, September 6, 2013. *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, M-13-21, Washington, DC: OMB.

annual travel card spending for an agency exceeds \$10 million, the Charge Card Act and OMB M-13-21 require semiannual reports of employee purchase or integrated card violations and disposition of these violations, including disciplinary actions taken. OIGs are also required to conduct periodic audits or reviews of the agency's purchase cards, combined integrated card programs, and travel card programs, and must submit an annual purchase and travel card audit recommendation status report to OMB. Below is a summary of the actions we have taken during FY 2017 to fulfill these requirements, as well as additional information on our related work. We conducted a risk assessment of the Commission's purchase and travel card program to assess the risks of illegal, improper, or erroneous purchases and payments associated with the Commission's purchase and travel card program. We reviewed the annual amount of purchase and travel card spending during FY 2017, the number of cardholders, internal control processes and procedures, and the results of prior reviews and audits.

For FY 2017, the Commission reported there were two purchase cardholders with expenditures totaling \$88,183, and 14 travel cardholders with expenditures totaling \$130,330. The Commission did not meet the threshold of \$10 million in purchase card spending and, consequently, we were not required to submit semiannual reports to OMB regarding purchase card violations. Further, because travel card expenditures for FY 2017 were significantly less than the \$10 million threshold, an audit of the travel card program is not required. We completed an audit of the Commission's purchase card program and issued our report in September 2016, in which we made four recommendations to strengthen internal control in the Commission's purchase card program.

During FY 2017, the Commission implemented and closed

the four recommendations. As of the end of FY 2017, the Commission has no unimplemented or unresolved recommendations related to purchase and travel cards; therefore, an audit recommendation status report to OMB is not required. Based on the audit work completed in FY 2017, implementation of recommendations, and relatively low volume of purchases and low number of cardholders, we concluded that the risk of illegal, improper, or erroneous purchases and payments through the Commission's purchase and travel card programs during FY 2017 was low. Nevertheless, in an effort to provide routine oversight of administrative operation, we initiated an audit of the Commission's use of government travel cards in March 2017. Work related to that government travel card audit is still ongoing. However, we believe that additional reviews or audits of the Commission's use of the government purchase card during FY 2018 are not warranted.

Work in Progress

AUDIT OF THE DENALI COMMISSION GOVERNMENT TRAVEL PROGRAM

On March 30, 2017, we initiated an audit of the Denali Commission's government travel card program. Our objective is to determine whether the Commission has sufficient controls over travel card transactions to ensure federal funds are being appropriately managed.

AUDIT OF THE DENALI COMMISSION'S FY 2018 FINANCIAL STATEMENTS

SBC is currently performing an audit of the Commission's FY 2018 financial statements in accordance with the Government Accountability Office's Government Auditing Standards and OMB Bulletin 17-03, *Audit Requirements for Federal Financial Statements*.

AUDIT OF THE DENALI COMMISSION'S FY 2018 COMPLIANCE WITH FISMA

SBC is currently performing an audit of the Commission's FY 2018 compliance with the Federal Information Security Management Act (FISMA) in accordance with OMB Memorandum 18-02, *Fiscal Year 2017-2018 Guidance on Federal Information Security and Privacy Management Requirements*.

Oversight Areas

ENERGY

Recognizing the critical role energy plays in the quality of life and economic development of Alaska's communities, the Commission has made energy its primary infrastructure theme since 1999.

The Energy Program funds the design and construction of replacement bulk-fuel storage facilities, upgrades to community power-generation and distribution systems, energy efficiency measures, and alternative energy projects. The Commission primarily works with the Alaska Energy Authority and Alaska Village Electric Cooperative to meet rural communities' fuel storage and power generation needs.

TRANSPORTATION

The Transportation Program was created in 2005 as part of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and accompanying amendments to the Denali Commission Act. The program focuses primarily on two areas: rural roads and waterfront development.

The roads portion focuses on planning, design, and construction to address basic road improvement needs, including projects that connect rural communities to one another and to the state highway system, and opportunities to enhance rural economic development. Eligible project types include board roads (boardwalk-like systems) for all-terrain vehicles, local community road and street improvements, and roads and board roads to access subsistence-use sites (specifically designated locations used by Alaska Natives and rural community members to gather food).

The waterfront portion addresses planning, design, and construction of port, harbor, and other rural waterfront needs. Eligible project types include regional ports, barge landings, and docking facilities. In addition, legislation was passed on December 18, 2015, that allowed the use of Trans-Alaska Pipeline Liability funds for the repair of barge mooring points and barge landing sites to facilitate pumping fuel from fuel transport barges into bulk fuel storage tanks.⁶

SAFETEA-LU expired in 2009 and operated under continuing resolutions from June 2009 through June 2012. In June 2012, Congress passed a 2-year transportation bill, the Moving Ahead for Progress in the 21st Century Act, which did not include authorization or funding for the Commission's Transportation Program.

⁶ Energy and Water Development and Related Agencies Appropriations Act, 2016, Pub. L. No. 114-113, Title IV, Division D, § 403 (Dec. 18, 2015).

TRANSPORTATION

The Commission's Transportation Program is still functioning with funding appropriated several years ago, but is winding down as projects are completed.

Commission staff continues to administer the program in coordination with members of the Transportation Advisory Committee, which rates and ranks project submissions, recommends projects to the Commission's federal co-chair, and advises the Commission on rural surface transportation needs in Alaska.

The Commission works with these recipients and program partners: U.S. Federal Highway Administration, Western Federal Lands Highway Division and Alaska Division; Alaska Department of Transportation and Public Facilities; U.S. Army Corps of Engineers, Alaska District; regional, local, and tribal governments; and regional tribal nonprofits.

GOVERNMENT COORDINATION

The Commission—charged with the role of increasing government effectiveness—acts as a catalyst and strategic partner for many federal and state programs in Alaska. The Commission joined others in a memorandum of understanding (MOU) that outlines the roles of agencies in coordinating resources and efforts in areas such as community planning, sustainability, data sharing, and coordination of pre-construction activities. This MOU served as the basis for creating several multi-agency workgroups and cooperative projects that have increased overall government effectiveness. The MOU, amended in 2003 with increased participation from both state and federal partners, was renewed once again in 2008. This renewed effort focuses on improving the channels of communication among the heads of all federal and state agencies with an emphasis on critical issues that affect the entire state of Alaska: the high cost of energy, outmigration, and coordination of efforts among all government agencies. Government coordination has become a mainstay of the efforts of the Denali Commission in improving communities in rural Alaska.

HEALTH FACILITIES

Congress amended the Denali Commission Act in 1999 to provide for the planning, design, construction, and equipping of healthcare facilities. The Health Facilities Program collaborates with numerous organizations, including the Alaska Native Regional Health Corporations, from which the program receives support. The Commission has invested in regional networks of primary care clinics across Alaska and, in response to Congressional direction in 2003, initiated efforts to fund additional program areas addressing other health and social service-related facility needs. Further, the Health Facilities Program incorporated behavioral health, dental care, and other components into its clinic design. Over the years, the program has expanded to include annual initiatives to support domestic violence facilities, elder housing, primary care in hospitals, emergency medical services equipment, and hospital designs.

During the past decade, the program used a universe-of-need model for primary care and an annual selection process via a Health Steering Committee for other program areas. In 2000, the program created a deficiency list for primary care clinics and found 288 communities statewide in need of clinic replacement, expansion, and/or renovation. That list was last updated in 2008. In the past, projects were recommended for funding if they demonstrated project readiness. However, the Health Facilities Program was last funded by Congress in FY 2010.

TRAINING

As the Commission funded projects for new clinics, roads, and tank farms, it also provided sustainability for these projects by including training for local residents to maintain and operate new facilities.

The Commission has administered the training program through numerous program partnerships. Each program partner has provided a high level of training opportunities that support Commission investments in rural Alaska by providing training for careers related to Commission programs such as Energy, Transportation, and Health Facilities. Types of training funded have included allied health professions, construction trades, facility operations and maintenance, administration of public infrastructure, and youth initiatives. However, the training program was last funded in 2009, and applications for new training initiatives are no longer being accepted.

Statistical Data

OFFICE OF INVESTIGATIONS STATISTICAL HIGHLIGHTS FOR THIS PERIOD

Investigative activities covers investigations opened and closed by OIG; arrests by OIG agents; indictments and other criminal charges filed against individuals or entities as a result of OIG investigations; convictions secured at trial or by guilty plea as a result of OIG investigations; and fines, restitution, and all other forms of financial recoveries achieved by OIG as a result of investigative action. No investigative activities occurred during this reporting period.

Allegations processed presents the number of complaints from employees, stakeholders, and the general public that we were able to identify from the limited records maintained by the previous inspector general. No allegations were processed during this reporting period.

TABLE 1. INVESTIGATIONS, CRIMINAL PROSECUTIONS, AND CRIMINAL INDICTMENTS

Type	Number of Reports
Investigative Reports Issued	0
Persons Referred to the Department of Justice for Criminal Prosecution	0
Number of Persons Referred to State and Local Authorities for Criminal Prosecution	0
Criminal Indictments and Information Resulting from Prior Referrals to Prospective Authorities	0

AUDIT RESOLUTION AND FOLLOW-UP

The Inspector General Act of 1978, as amended, requires us to present in this report audits issued before the beginning of the reporting period (October 1, 2017) for which no management decision had been made by the end of the period (March 31, 2018).

Audit resolution is the process by which the Commission reaches an effective management decision in response to audit reports.

Management decision refers to the Commission’s evaluation of the findings and recommendations included in the audit report and the issuance of a final decision by Commission management concerning its response.

TABLE 2. MANAGEMENT DECISIONS

Report Category	Recommendations
Management Decisions Pending (October 1, 2017)	0
New Management Decisions Required	0
New Management Decisions Submitted	0
Management Decisions Accepted by OIG	0
Actions Pending (March 31, 2018)	0

AUDIT, EVALUATION, AND INSPECTION STATISTICAL HIGHLIGHTS FOR THIS PERIOD

Audits of federal establishments, organizations, programs, activities, and functions must comply with standards established by the Comptroller General of the United States. Evaluations and inspections include reviews that do not constitute an audit or a criminal investigation. We completed an audit of the Commission's FY 2017 financial statements and a review of the Commission's compliance with DATA Act requirements; however, we found neither questioned costs nor funds that could have been put to better use.

Questioned cost refers to a cost that is questioned by OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that an expenditure of funds for the intended purpose is unnecessary or unreasonable.

Value of audit recommendations that funds be put to better use results from an OIG recommendation that funds could be used more efficiently if Commission management took action to implement and complete the recommendation. Such actions may include (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the Commission, a contractor, or a grantee; (5) avoidance of unnecessary expenditures identified in pre-award reviews of contracts or grant agreements; or (6) any other savings specifically identified.

REPORT TYPES FOR THIS PERIOD

Performance audits are engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Financial statement audits provide reasonable assurance through an opinion (or disclaimer of an opinion) about whether an entity's financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles, or with a comprehensive basis of accounting other than these principles.

Evaluations and inspections include evaluations, inquiries, and similar types of reviews that do not constitute an audit or investigation. An inspection is defined as a process that evaluates, reviews, studies, or analyzes the programs and activities of a department or agency to provide information to managers for decision making; make recommendations for improvements to programs, policies, or procedures; and identify where administrative action may be necessary.

TABLE 3. REPORT TYPES FOR THIS PERIOD

Type	Number of Reports	Table Number
Performance Audits	0	N/A
Financial Statement Audits	1	3-A
Evaluations and Inspections	1	3-B
Total	2	

TABLE 3-A. FINANCIAL STATEMENT AUDITS

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
Denali Commission's Compliance with FY 2017 Financial Statements Audit	DCOIG-18-002-A	11.14.2017	0	0	0

TABLE 3-B. EVALUATIONS AND INSPECTIONS

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
Denali Commission Compliance with DATA Act Requirements	DCOIG-18-001	11.08.2017	0	0	0

TABLE 4. UNIMPLEMENTED RECOMMENDATIONS

Resolved reports are reports for which (a) the Commission agreed to OIG recommendations and (b) OIG approved the action plan submitted by the Commission. Table 4 lists 1 resolved evaluation report with a total of 2 unimplemented recommendations that was issued May 15, 2015. There is no potential monetary benefit of unimplemented recommendations associated with this report.

Unresolved reports include reports with no approved action plan as of March 31, 2018, and reports for which the action plans are not due until after the reporting period ending on March 31, 2018. Currently, there are no unresolved reports.

Date Report Issued	OIG Report No. and Title	Total Recommendations Made	Recommendations Agreed to by Management	Unimplemented Recommendations	Potential Monetary Benefits of Unimplemented Recommendations
05.15.2015	DCOIG-17-007-I <i>FY 2014 Compliance with Improper Payments Requirements</i>	2	2	2	\$0

Objective(s)

Our objective was to evaluate the accuracy and completeness of the Commission’s reporting and, if applicable, its performance in reducing and recapturing improper payments.

Summary

We found that, while the Commission’s reporting on improper payments appeared accurate, it could be incomplete due to areas omitted from the risk assessment. The Commission did not perform the required risk assessment prior to publishing the FY 2014 *Agency Financial Report*. In addition, the assessment completed in March 2015 did not include all of the required risk factors, including payments to employees and whether grant payments were made for eligible services.

Unimplemented Recommendations

We recommended that the Commission strengthen its risk assessment process by:

1. Performing a risk assessment prior to completing its FY 2017 *Agency Financial Report*.
2. Adding assessment areas to include (a) payments to employees and (b) grant payments made for eligible services, thus assuring consideration of all of OMB’s required risk factors.

Reporting Requirements

The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages of this report.

Section	Topic	Page
4(a)(2)	Review of Legislation and Regulations	15
5(a)(1)	Significant Problems, Abuses, and Deficiencies	15
5(a)(2)	Resulting Recommendations for Corrective Action	15
5(a)(3)	Prior Significant Recommendations Unimplemented	15
5(a)(4)	Matters Referred to Prosecutorial Authorities	15
5(a)(5) and 6(c)(2)	Information or Assistance Refused	15
5(a)(6)	Listing of Audit Reports	2, 12 ^a
5(a)(7)	Summary of Significant Reports	2, 12 ^a
5(a)(8)	Audit Reports—Questioned Costs	2, 12 ^a
5(a)(9)	Audit Reports—Funds to Be Put to Better Use	2, 12 ^a
5(a)(10)	Prior Audit Reports Unresolved	16
5(a)(11)	Significant Revised Management Decisions	16
5(a)(12)	Significant Management Decisions with Which OIG Disagreed	16
5(a)(13)	Noncompliance with Federal Financial Management Systems	16
5(a)(14) and 5(a)(15)	Results of Peer Review Received by OIG	17
5(a)(16)	Results of Peer Review Conducted by OIG	17
5(a)(17) and 5(a)(18)	Investigations, Criminal Prosecutions, and Criminal Indictments	10, 17
5(a)(19)	Substantiated Investigations of Senior Government Employees	17
5(a)(20)	Instances of Whistleblower Retaliation	17
5(a)(21)	Interference with OIG Independence	18
5(a)(22)	Closed OIG Matters Not Publicly Disclosed	18

^a Reference Completed Works, page 2, and Tables 3-A and 3-B, page 12.

The following section includes information that is required under the Inspector General Act that is not otherwise addressed in this report, along with supplemental information on select reporting topics.

SECTION 4(A)(2): REVIEW OF LEGISLATION AND REGULATIONS

This section requires the Inspector General of each agency to review existing and proposed legislation and regulations relating to that agency's programs and operations. Based on this review, the Inspector General is required to make recommendations in the semiannual report concerning the impact of such legislation or regulations on (1) the economy and efficiency of the management of programs and operations administered or financed by the agency or (2) the prevention and detection of fraud and abuse in those programs and operations. There were no existing and proposed legislation and regulations relating to the Commission's programs and operations.

SECTION 5(A)(1) AND 5(A)(2): SIGNIFICANT PROBLEMS, ABUSES, AND DEFICIENCIES, AND RESULTING RECOMMENDATIONS FOR CORRECTIVE ACTION

These sections require a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations disclosed during the reporting period and the resulting recommendations for corrective action. There were no significant problems, abuses, or deficiencies found during the reporting period, and no resulting recommendations for corrective action were issued.

SECTIONS 5(A)(3): PRIOR SIGNIFICANT RECOMMENDATIONS UNIMPLEMENTED

This section requires identification of each significant recommendation described in previous semiannual reports for which corrective action has not been completed. Section 5(b) requires that the Commission transmit to Congress statistical tables showing the number and value of audit reports for which no final action has been taken, as well as an explanation of why recommended action has not occurred, except when the management decision was made within the preceding year. We have no prior significant unimplemented recommendations.

SECTION 5(A)(4): MATTERS REFERRED TO PROSECUTORIAL AUTHORITIES

This section requires a summary of matters referred to prosecutorial authorities and the resulting prosecutions and convictions. There were no matters referred to prosecutorial authorities.

SECTION 5(A)(5) AND 6(C)(2): INFORMATION OR ASSISTANCE REFUSED

These sections require a summary of each report to the Commissioners when access, information, or assistance has been unreasonably refused or not provided. We were not refused access, information, or assistance.

SECTION 5(A)(10): PRIOR AUDIT REPORTS UNRESOLVED

This section requires: a summary of each audit report, inspection report, and evaluation report issued before commencement of the reporting period (A) for which no management decision has been made by the end of the reporting period, an explanation of why a decision has not been made, and a statement concerning the desired timetable for delivering a decision on each such report; (B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations. There are no reports for which no management decision was made by the end of the reporting period or for which no establishment comment was returned within 60 days of providing the report to the establishment. There is currently 1 report, with 2 unimplemented recommendations, that does not have any associated potential cost savings (see table 4).

SECTION 5(A)(11): SIGNIFICANT REVISED MANAGEMENT DECISIONS

This section requires an explanation of the reasons for any significant revision to a management decision made during the reporting period. There are no appeals pending at the end of this period.

SECTION 5(A)(12): SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH OIG DISAGREED

This section requires information concerning any significant management decision with which the inspector general disagrees. There were no significant management decisions with which OIG disagreed.

SECTION 5(A)(13): NONCOMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEMS

Agencies are required to implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. If an agency does not comply with federal financial systems, it is required to establish a remediation plan. This section requires the reporting of instances and reasons when an agency has not met target dates established in the remediation plan. There were no instances of noncompliance with Federal financial management systems.

SECTION 5(A)(14) AND 5(A)(15): RESULTS OF PEER REVIEW RECEIVED BY OIG

These sections require an appendix containing the results of any peer review conducted by another OIG during the reporting period and a list of outstanding recommendations. As of this reporting period, the Denali Commission OIG has not been peer reviewed and there are no outstanding recommendations.

SECTION 5(A)(16): RESULTS OF PEER REVIEW CONDUCTED BY OIG

This section requires a list of any peer reviews conducted of another OIG during the reporting period, including a list of any outstanding recommendations made from any previous peer reviews. As of this reporting period, the Denali Commission OIG has not conducted a peer review and there are no outstanding recommendations.

SECTIONS 5(A)(17) AND 5(A)(18): INVESTIGATIONS, CRIMINAL PROSECUTIONS, AND CRIMINAL INDICTMENTS AND METRICS USED TO DEVELOP STATISTICAL DATA OF INVESTIGATIONS, CRIMINAL PROSECUTIONS, AND CRIMINAL INDICTMENTS

This section requires a statistical table and a description of the metrics used to develop the data related to (1) the number of investigative reports issued, (2) number of persons referred to the Department of Justice for criminal prosecution, (3) number of persons referred to state and local authorities for criminal prosecution, and (4) number of criminal indictments and criminal information resulting from any prior referrals to prospective authorities. There were no investigations, criminal prosecutions, or criminal indictments.

SECTION 5(A)(19): SUBSTANTIATED INVESTIGATIONS OF SENIOR GOVERNMENT EMPLOYEES

This section requires a detailed description of each investigation involving a senior government employee where allegations of misconduct were substantiated, including a detailed description of (1) the facts and circumstances of the investigations and (2) the status and disposition of the matter—including, if referred to or declined by the Department of Justice, the date of referral or declination. There were no investigations involving senior government employees.

SECTION 5(A)(20): INSTANCES OF WHISTLEBLOWER RETALIATION

This section requires a detailed description of any instance of whistleblower retaliation, including (1) information about the official found to have engaged in retaliation and (2) the consequences the agency imposed to hold the official accountable. There were no instances of whistleblower retaliation.

SECTION 5(A)(21): INTERFERENCE WITH OIG INDEPENDENCE

This section requires a detailed description of any attempt by the Commission to interfere with the independence of OIG, including (1) budget constraints designed to limit OIG capabilities and (2) incidents where the establishment has resisted OIG oversight or delayed OIG access to information, including the justification of the establishment for such action. There were no instances of the Commission attempting to interfere with the independence of the OIG.

SECTION 5(A)(22): CLOSED OIG MATTERS NOT PUBLICLY DISCLOSED

This section requires a detailed description of the particular circumstances of each (1) inspection, evaluation, and audit conducted by OIG that is closed and was not publicly disclosed and (2) investigation conducted by OIG involving a senior government employee that is closed and was not disclosed to the public. There were no instances of investigations involving senior government employees that were not disclosed to the public.

There was one instance of an audit conducted by OIG that is closed and was not publicly disclosed. SBC performed an audit of the Commission's FY 2017 compliance with FISMA in accordance with OMB Memorandum 17-05, *Fiscal Year 2016–2017 Guidance on Federal Information Security and Privacy Management Requirements*. Upon completion of audit work, OIG issued its overall assessment of the Commission's information security program directly to OMB through the CyberScope reporting portal. Our assessment found that because the Commission uses the United States Treasury Shared Services systems, it does not collect personally identifiable information and systems collecting private data are not housed at the Commission. The Commission is a relatively small agency that relies upon the shared services provider, Bureau of Fiscal Services, to provide much of their information technology security. In past years, due to the small size of the agency, much of the NIST Information Security Framework was not applicable to the Commission because the information was not kept within its network. The Commission's information security program does not have fully documented and sufficient policies and procedures as recommended by the NIST Information Security Framework. Although the information security program could use improvement, the Commission is still at a relatively low risk of encountering cyber-attacks due to the amount and type of information stored within its network.

REPORT

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