

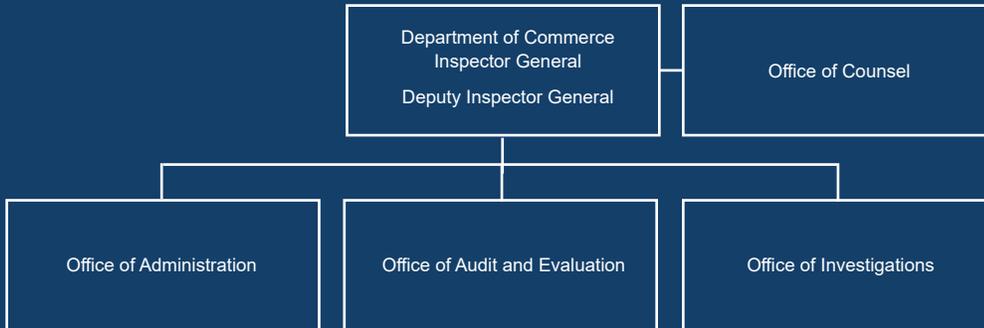
Denali Commission

OFFICE OF INSPECTOR GENERAL
SEMIANNUAL REPORT TO CONGRESS



September 2018

Office of Inspector General



The Department of Commerce Office of the 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 three program areas: **Energy, Village Infrastructure Protection, and Special Projects and Initiatives.**

Completed Works

During the semiannual reporting period, we completed an audit of the Commission's government travel program.

IMPROVEMENTS ARE NEEDED IN THE DENALI COMMISSION GOVERNMENT TRAVEL PROGRAM

On September 28, 2018, we issued our report, *Improvements Are Needed in the Denali Commission Government Travel Program*. We conducted an audit of the Commission's government travel program to determine whether the Commission has adequate internal control over its travel program to ensure that federal funds are being appropriately managed. We did not identify any instances of significant misuse of the travel card; however, it was determined that the Commission could improve its compliance with the Federal Travel Regulation.

We made one recommendation to improve the Commission's government travel program. Specifically, we recommended the interim Federal Co-Chair of the Commission direct Commission travel oversight officials to ensure that non-contract carrier and chartered air service travel are properly justified and approved in accordance with the Federal Travel Regulation. The Commission concurred with the finding and recommendation in the report.

Work in Progress

AUDIT OF THE DENALI COMMISSION'S FISCAL YEAR (FY) 2018 FINANCIAL STATEMENTS

SB & Company (SBC), an independent public accounting firm, 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 Office of Management and Budget (OMB) Bulletin 17-03, *Audit Requirements for Federal Financial Statements*.

AUDIT OF THE DENALI COMMISSION'S FISCAL YEAR (FY) 2018 FINANCIAL STATEMENTS

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

REVIEW OF THE DENALI COMMISSION'S COMPLIANCE WITH FY 2017 IMPROPER PAYMENTS REQUIREMENTS

In April 2018, we began our review of the Commission's compliance with FY 2017 improper payments requirements. Our objective is to evaluate the accuracy and completeness of the Commission's reporting in the *Denali Commission FY 2017 Agency Financial Report* and, if applicable, its performance in reducing and recapturing improper payments.

DENALI COMMISSION'S FY 2019 TOP MANAGEMENT AND PERFORMANCE CHALLENGES

In September 2018, we began our assessment of the top management and performance challenges facing the Commission in FY 2019. The Commission has made progress toward developing strategies to fulfill its statutory purpose by implementing a strategic plan for FY 2018–2022 and awarding more grants that focus on maintenance and facilitation. However, due to the current budget environment, the Commission needs to continue implementing the strategies identified in its strategic plan of focusing on facilitation and maintenance of existing infrastructure in order to fulfill its statutory purpose with significantly decreased funding.

Oversight Areas

ENERGY

Recognizing the critical role energy plays in the quality of life and economic development of Alaska's rural communities, the Commission has made energy its primary infrastructure theme since it was created in 1998.

The Energy Program funds the design and construction of replacement bulk fuel storage facilities, upgrades to community power-generation and distribution systems (including interties), and energy efficiency related initiatives. The Commission primarily works with the Alaska Energy Authority, Alaska Village Electric Cooperative, and Alaska Native Tribal Health Consortium to prioritize projects based on need. Other key partners include the U.S. Department of Energy – Office of Indian Energy, U.S. Department of Agriculture – Rural Utilities Service, State of Alaska Department of Commerce, Community and Economic Development, and Rural Alaska Fuel Services.

VILLAGE INFRASTRUCTURE PROTECTION

In 2015, the White House directed the Commission to establish a Village Infrastructure Protection (VIP) Program to assist rural Alaskan communities that are threatened by erosion, flooding, and permafrost degradation. The goal of the VIP program is to mitigate the impact of these threats with respect to safety, health, and the protection of infrastructure.

The basis for the program is Government Accountability Office (GAO) Report 09-551 that was published in 2009. The report identified 31 rural Alaska communities that face significant damage to infrastructure, and/or relocation due to these threats. The state of Alaska has also done significant research on this problem through an Immediate Action Workgroup established by Governor Sarah Palin in 2007.

One of the villages imminently threatened is Newtok, where permafrost degradation acting in combination with Ninglick River currents has resulted in a river bank erosion rate of 70 feet per year. Numerous homes, the school, and the airport will be destroyed within the next 2 to 4 years. Relocating the community to safer ground is the only alternative.

The Commission has received no new recurring appropriations for the VIP program. However, in FY 2016, FY 2017, and FY 2018, the agency invested a total of \$34 million of its discretionary program funds for VIP-related initiatives—primarily in support of the four most vulnerable communities identified in GAO Report 09-551 (Newtok, Kivalina, Shaktoolik, and Shismaref).

The Commission's primary program partners are the following:

- Alaska Native Tribal Health Consortium, which is providing overall project management services for the Newtok Relocation Program;
- U.S. Army Corp of Engineers and University of Alaska Fairbanks, which are developing an overall Statewide Threat Assessment; and
- Several agencies within the state of Alaska, such as the Alaska Energy Authority and the Division of Community and Regional Affairs.

SPECIAL PROJECTS AND INITIATIVES

In 2012, a provision was added to the Commission's authorizing statute that allows other federal agencies to transfer funds to the Commission whereupon the funds, regardless of source, become no-year funds available until expended. In recent years, the Commission has used this tool to assist other agencies to implement projects and initiatives in rural Alaska that are complementary to the Commission's mission. Examples include funds from the Centers for Disease Control and Prevention for rural Alaska health and drinking water related studies.

The Commission's approved FY 2018 and FY 2019 work plans included up to \$250,000 of discretionary funds for health care, housing, and/or work force development projects. In 2018, \$220,000 of these funds was used to support the construction of a new wellness center in Nome, and \$30,000 was used for hospital/clinic integration planning in Cordova.

Statistical Data

OFFICE OF INVESTIGATIONS STATISTICAL HIGHLIGHTS FOR THIS PERIOD

Investigative activities covers investigations opened and closed by the Office of Inspector General (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 were handled by OIG’s Complaint Intake Unit. No allegations were processed during this reporting period.

TABLE 1. INVESTIGATIONS, CRIMINAL PROSECUTIONS, AND CRIMINAL INDICTMENTS

Type	Number of Incidents
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 (April 1, 2018) for which no management decision had been made by the end of the period (September 30, 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 (April 1, 2018)	0
New Management Decisions Required	1
New Management Decisions Submitted	1
Management Decisions Accepted by OIG	1
Actions pending (September 30, 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 government travel program; 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 to 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	1	3-A
Financial Statement Audits	0	N/A
Evaluations and Inspections	0	N/A
Total	1	

TABLE 3-A. PERFORMANCE AUDITS

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
Improvements are Needed in the Denali Commission Government Travel Program	DCOIG-18-004-A	9.28.2018	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 performance audit with a total of 1 unimplemented recommendation that was issued September 28, 2018. There is no potential monetary benefit of the unimplemented recommendation associated with this report.

Unresolved reports include reports with no approved action plan as of September 30, 2018, and reports for which the action plans are not due until after the reporting period ending on September 30, 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
9.28.2018	DCOIG-18-004-A <i>Improvements Are Needed in the Denali Commission Travel Program</i>	1	1	1	\$0

Objective(s)

Our objective was to determine whether the Commission has adequate internal control over its travel program to ensure that federal funds are being appropriately managed.

Summary

We did not identify any instances of significant misuse of the travel card; however, it was determined that the Commission could improve its compliance with the Federal Travel Regulation.

Unimplemented Recommendations

We recommended that the interim Federal Co-Chair of the Commission direct the Commission travel oversight officials to ensure that non-contract carrier and chartered air service travel are properly justified and approved in accordance with the Federal Travel Regulation.

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

**Reference Completed Works, page 2, and table 3-A, page 8.*

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.

SECTION 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 1 unimplemented recommendation, 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 were no significant revised management decisions during 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

These sections require 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 inspections, evaluations, and audits that were not disclosed to the public, or investigations involving senior government employees that were not disclosed to the public.

REPORT

FRAUD & WASTE ABUSE



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