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SEMIANNUAL REPORT TO THE CONGRESS

FY 2007 – FIRST HALF

OFFICE OF THE INSPECTOR GENERAL

DENALI COMMISSION

ANCHORAGE, ALASKA



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INSPECTOR GENERAL

May 31, 2007

MEMORANDUM FOR FEDERAL CO-CHAIR CANNELOS

From: Mike Marsh, CPA, MPA, CFE, Esq.
Inspector General

Subject: Semiannual report to agency head and Congress for first half of FY 2007

The discussion below constitutes my report to the agency head and Congress, as required by the Inspector General Act, for the first half of FY 2007. This is the second such report for this function here at the Denali Commission.

BACKGROUND

1. The Denali Commission

The Denali Commission is an independent federal agency with its office in Anchorage, Alaska. Congress created it in 1998 through the Denali Commission Act.¹

The Commission provides rural Alaska with some of the basic local facilities that the rest of the nation has long taken for granted. The agency's "legacy" programs fund the construction of clinics, powerhouses, and fuel tanks in some of the most challenging locations in America.

In these difficult assignments, the agency must reconcile cost control, new technologies, and local preferences. These aspirations are challenged by the logistics of serving tiny, often unincorporated, settlements that are far from any road system. And, given that roughly half of the state's communities have fewer than 300 people, many locations will have an inherently limited capacity to support their own facilities in the years after the Commission has given them the keys.

In the Commission's eight-year lifespan, it has spent around \$800 million to fund over 1,000 projects around the state.

The head of the Denali Commission is the "federal co-chair," who is appointed by the Secretary of Commerce. The enabling statute also provides for a seven-member board of specifically-identified state leaders to serve as the panel of "commissioners."

¹ P.L. 105-277, 42 U.S.C. § 3121.

The enabling statute says little about the purpose of this panel of commissioners, beyond its preparation of an annual “work plan” of projects and priorities that is presented for the agency head’s consideration. The further role of this expert group is evolving in practice.

The Denali Commission exemplifies downsized, contracted-out, reinvented government (today’s “hollow state”). It distributes an annual budget of around \$130 million with less than 20 employees of its own.

However, Congress has given the Commission considerable operating flexibility compared to the traditional bureaucracies. The Commission implements its projects through grants to various state agencies and nonprofits that function as “program partners.” And the Commission supplements its limited staff with innovative details of specialists from other entities under the Intergovernmental Personnel Act.

2. Inspector general function

Both the Denali Commission Act and the Inspector General Act require the Commission to have an inspector general. The Commission is one of the 31 “designated federal entities” that are now statutorily required to have this oversight function.

I am the Commission’s first inspector general that is full-time, in-house, and Alaska-based — and the function’s only employee at this point. This new in-house function still lacks the necessary separate budget, confidential administrative staff, office arrangements, and computer support. The Commission currently spends less than one-tenth of 1% of its annual \$130 million budget on this statutory oversight function.

INSPECTIONS

Congress created the Commission to provide “bush” Alaska with basic local facilities. The Commission’s strategic plan idealistically aspires that “[a]ll Alaska, *no matter how isolated*, will have the physical infrastructure necessary to protect health and safety and to support self-sustaining economic development [emphasis added].”

Rural electrification and local clinics are the focus of the Commission’s “legacy” programs for this infrastructure. The rural electrification projects involve power plants and tank farms that are constructed by two major grantees. Since last fall, I have issued a series of eight public reports concerning my inspection of facilities under construction by one of these grantees (Alaska Energy Authority).²

All of the inspected locations were deep within the very challenged and remote “other Alaska” that most visitors never see. They were off the connected road system and reached via small aircraft. Five of the inspected projects were at sites with a population of less than 100. All eight involved locations with less than 800 people.

² Rural power plants and tank farms located at Buckland, Manokotak, Tenakee Springs, Red Devil, Stony River, Unalakleet, Sterling Landing, and Takotna.

For the projects involved in the eight public reports, my inspections verified that facilities consistent with the Commission's expectations were under construction.

The inspected facilities were funded as part of "lump sum" awards that included numerous other projects around the state. The overall expenditures for these awards were reported on OMB Form 269A and were supported by the Alaska Energy Authority's accounting records. However, the ability to trace from these records down to individual facilities varied considerably. To the extent that the Commission wants to more precisely monitor the cost of an individual facility, a future grant condition would need to specify that requirement.

The eight public reports included a total of 32 recommendations, which can be summarized within the following five themes. The individual recommendations, and management's progress in addressing them, are detailed in the Appendix.

1. Untapped role of commissioners

The Commission's most untapped resource is the commissioners themselves. They're no ordinary board. In the enabling act, Congress has assembled the most esteemed "dream team" of statewide experts since the drafting of the Alaska Constitution.

However, the commissioners' energies have historically been focused upon the routine blessing of grant applications. This narrow role, which has evolved by custom rather than law, is reflected in the authoritative *Catalog of Federal Domestic Assistance* (CFDA) compiled by GSA.³ For the Denali Commission (CFDA no. 90.100), the publication lists the "award procedure" as "*Resolutions through Commissioners.*"

The long-term issue is whether these statutorily-identified commissioners will collectively evolve into Alaska's think tank that brainstorms breakthroughs — the solutions-in-waiting that lie somewhere beyond the classic, federal "just add money." This would necessitate a transition from commissioners who bless to commissioners who inspire.

Management's position: Management indicates that it aspires to greater use of the commissioners' expertise, both as participants on specialized committees and in strategic planning for the Commission as a whole.

2. Need for enhanced staffing

The Denali Commission exemplifies downsized, contracted-out, reinvented government (today's "hollow state"). It distributes an annual budget of around \$130 million with less than 20 employees of its own. However, this aspiration to be a model of leanness can be taken to the point of starvation.

At the time of the inspections, the Commission assigned only one employee to its entire program for rural electrification and only one employee to its entire program for rural health care. This

³ See www.gsa.gov. Per section 5 of OMB Circular A-89: "*The Catalog of Federal Domestic Assistance will be the single, authoritative, Government-wide comprehensive source document of Federal domestic assistance program information produced by the executive branch of the Federal Government.*"

Faustian bargain frustrated exploration of the more creative collaborations that the Commission was designed to inspire.

My inspection reports thus recommend the addition of a variety of specialized personnel to fill gaps in the Commission's performance: director of innovation; rural ombudsman; project screeners; loaned technical experts. The reports note the availability of detailed staff from other entities that could potentially provide some of these skills at no charge to the Commission.

The reports also stress the need to coordinate technical support in the "year of disappointments" after the Commission gives a small settlement the keys to its new facility.

Management's position: Since the inspections, management has added a deputy program manager to its health care program. A program assistant was added to both the rural electrification and health care programs. Management indicates its plans to hire additional subject matter experts.

3. Monitoring of disputes, claims, and litigation

Despite the small size of the facilities and benefiting communities, the eight inspections revealed a surprising spectrum of disputes. Forums as elevated as the congressional delegation and the state supreme court have become involved. The disputes concern such diverse matters as procurement, site access, building codes, in-kind contributions, and environmental regulation.

My reports thus recommend that management develop a grant condition requiring immediate notification of any administrative protests or court cases involving a Commission project. During the annual audit of the Commission's financial statements, it is advisable for management to disclose to the outside auditor any claims or litigation that the Commission's "program partners" (major grantees) are defending in funded projects.⁴

The Commission's management should assess the following: (1) the use of grant funds for a grantee's administrative processing⁵ of protests; (2) the use of grant funds for legal defense; (3) the potential for grant funds to be charged for settlements and money judgments;⁶ (4) the recovery of costs and attorney fees from unsuccessful litigants;⁷ (5) the degree to which a pattern of claims is impeding implementation of the Commission's program.⁸

⁴ Under Financial Accounting Standards Board statement no. 5, the outside auditor assesses the Commission's judgment call as to any claim's probability, remoteness, and materiality in relation to the Commission's financial statements.

⁵ For instance, this might include the time spent by the grantee's procurement manager and hearing officer in writing their decisions.

⁶ For instance, under the OMB restriction on paying "fines and penalties" out of grant funds, a question exists as to whether any settlement in the dispute with the state's environmental regulator would be an allowable charge against Denali's grant. See OMB Circular A-87, attachment B, sec. 16.

⁷ Unlike most states, Alaska law provides for prevailing litigants to recoup their attorney fees and costs from the losing parties.

⁸ For instance, grantee Alaska Energy Authority indicates that one potential vendor has filed a protest over every Denali-funded power plant that the authority has started to construct during the past three years.

Management's position: Management agrees with the need for a condition in future grants that requires immediate notification of any claims or litigation. Management is consulting OMB as to the Commission's authority to impose grant conditions beyond those specified in the OMB circulars. Management has not explored the degree to which Denali grants should be chargeable for the expenses of defending and settling such matters.

4. Strengthened controls over the use of grant funds

During the inspections, I noted a variety of opportunities for the Commission or its grantees to strengthen controls over the use of grant funds.

For instance, grantees must assure that any local commitments for in-kind (non-cash) contributions are honored. In one inspected project, the project recipient promised in writing to contribute "lodging." However, the grantee went on to pay \$18,000 in Denali funds to house itinerant construction workers in quarters *that were directly owned by the recipient of the new facility*. The Commission and the grantee have so far not addressed this in-kind dispute.

In a dispute at another inspected project, a scope change and an inflexible procurement together resulted in the grantee's payment of \$3,600 in Denali funds for beds never slept in.

Surplus materials are an expected by-product of construction, both when a facility is successfully completed and when some factor necessitates a scope reduction or even discontinuation. However, cost and seasonal transportation can negate the feasibility of returning unused materials to origin during a bush demobilization. Options no doubt exist beyond the defaults of waste, nuisance, and possible conversion to personal use. The Commission's management indicates that it plans to implement a grant condition that anticipates this issue.

The basic requirement of federal spending law is that agencies transparently track what happens to money from a specific "appropriation." The ability to track the end use of specific funding is obscured when funds from different appropriations get blended together in an agency's accounting records. This issue has now been resolved at the Commission by limiting individual awards to funding from a single appropriation.

Looking beyond rural electrification, I have more recently urged the Commission to consider selective use of even stronger measures for tracking how some grantees apply their money. Instead of presumed diffusion within "lump sum" awards, some grants should be limited to construction of a single facility ("one award, one project"). Some grants should be structured as a prompt reimbursement of actual purchases, rather than as cash advances that grantees accumulate until eventually needed.

The Commission's operating staff also needs to establish a process that verifies the existence of supporting documentation for the costs claimed on the reports filed by grantees. On the other hand, a decrease in the frequency of reporting (currently done each quarter) may be an appropriate tradeoff for tighter restrictions on grant scope and payments.

The Commission should heed the well-publicized, hard lessons of other agencies that have, by default, left grantees to spend away under an unmonitored “honor system.”⁹ There is no appeal from the court of public opinion.

5. *Missing project partners and contributors*

My inspection reports caution the Commission to be alert for the opportunities it’s leaving behind, that is, contributions to be sought from other entities. Examples of potential players are local school districts, nearby military facilities, and federal environmental cleanups.

The school is often the dominant structure and the dominant employer in rural settlements. My inspection reports emphasize the need to coordinate the Commission’s projects with local school construction. I have suggested that the agency head consider founding an interagency coordinating council for this purpose.

Some Commission projects have a direct relation to the local school, such as generators, fuel tanks, and teacher housing. Other projects, such as community centers and clinics, could potentially be physically joined to the school if properly coordinated. And potential economies of scale can result simply from simultaneous mobilization for separate projects in the same community.

The continued viability of some schools also needs to be considered. When schools fall below 10 students, they lose their lifeblood of state funding and may need to close. The state counted only 11 students in one of the settlements that I visited for inspections. Yet the Commission chose to spend around \$450,000 to provide the local school with a new fuel tank.

Another recurring theme in my inspections has been the assumption that Denali Commission grants involve local *purchases* rather than local *contributions*. Communities have grown to expect that they will get both the facility itself *and* a seasonal cash injection from charging anything available to the grant.

My reports identify a dozen types of in-kind (non-cash) contribution that the Commission could insist upon in deciding which selection of projects will allow it to build the most facilities in the most communities. The Commission’s funding is always quite limited when compared to the “universe of needs” around the state. Without meaningful local contributions, one community’s “harvest,” in effect, translates as another community’s “famine.”

The extent to which the Commission’s projects should be a shared effort—versus just provided—is a sensitive policy decision that currently varies with the type of facility.¹⁰ Nevertheless, long-run national support may be encouraged to the extent that projects are perceived more as innovative partnerships and community “barn raisings”—and less as seasonal cash injections and entitlements.

⁹ See Bernard Wysocki, “Cash Injection: As Universities Get Billions in Grants, Some See Abuses,” *Wall Street Journal*, Aug. 16, 2005, page A1.

¹⁰ For instance, in the Commission’s enabling legislation, Congress directly specified minimum matches for clinics that range from 20% to 50%. See Denali Commission Act, sec. 307(c).

Finally, despite some important exceptions, the Commission's basic technological paradigm has largely assumed a diesel generator and a tank farm in every settlement. The inspected power plants and tank farms are parts of a multimillion dollar solution that perpetuates the paradigm of diesel dependency — with all its escalating personal and social costs.

I have urged the Commission to aggressively discover demonstration projects that challenge this paradigm. And the Commission's latest work plan¹¹ indeed reflects its intent to devote \$5 million during FY 2007 to "alternative and renewable energy" projects.

This, of course, squarely presents the policy issue as to whether the Commission's "legacy" program is innovative rural electrification — or primarily working through longstanding state lists of needed tank farms and diesel generators.

Management's position: Management supports the coordination of Commission projects with any construction scheduled at local schools. However, management asserts the limited capacity of small places to contribute in-kind and notes the commissioners' previous decision to not adopt an overall cost-sharing requirement for energy projects. Management is exploring refinements to the business model that the Commission has traditionally employed in selection of its projects.

TECHNICAL ASSISTANCE

The U.S. Comptroller General recently addressed a coordination meeting between Congress' Government Accountability Office (GAO) and the federal inspector generals. As a key concept in his recommended oversight, he advised that "[a]ccountability organizations should employ a 'constructive engagement' approach while maintaining their independence." He elaborated that "constructive engagement typically involves GAO sharing its considerable knowledge and government-wide perspective, including related methodologies and best practices to help agencies help themselves."¹²

Similarly, a longstanding policy statement by the federal inspector generals notes their aspiration to be "agents of positive change." More specifically, that policy provides:

*The opportunity to facilitate positive change within government is greatest when IGs assist managers by identifying systems deficiencies and making recommendations designed to assure that programs and activities achieve desired results. To this end, we will . . . [o]ffer advice and technical assistance as managers implement IG recommendations and make other changes designed to improve program management and service delivery.*¹³

¹¹ Adopted May 31, 2007.

¹² Comptroller General David Walker's presentation to the IG-GAO coordination meeting held May 8, 2007 in Washington, D.C. (excerpt from slides) (emphasis added).

¹³ PCIE/ECIE, *Inspectors General Vision and Strategies to Apply Our Reinvention Principles* (Jan. 1994) (emphasis added).

Consistent with these aspirations for “constructive engagement” and “positive change,” I have provided the Commission’s management with technical assistance in six significant areas. This technical assistance was provided informally, rather than in the context of a report resulting from an audit, investigation, or inspection.

1. Implementation of a financial management advisory committee

The Commission is a pioneer among small federal agencies in its establishment of a financial management advisory committee.¹⁴ This group will proactively advise the agency head and inspector general on financial controls.

Per tradition, the Commission’s CFO will function as the committee’s coordinator. With the assistance of the inspector general, the CFO has been actively drawing upon the national expertise of those instrumental in establishing these groups at other federal agencies.

The CFO and inspector general have together recommended to the agency head both an optimal membership for the new committee and a few issues that would immediately benefit from the committee’s advice.

2. Public accountability training

A longstanding policy statement by the federal inspector generals notes our aspiration to “[c]ooperate with agency officials in developing integrity awareness training.”¹⁵

Over the past two years, concerns of both internal and external origin¹⁶ have illustrated the need for comprehensive training in various nuances of public accountability. The agency head has readily accepted my recommendations on this subject without the entry of formal findings.

¹⁴ See KPMG, *Financial Management Advisory Committees for Federal Agencies: Suggested Practices* (March 2003); GAO, *Inspectors General: Enhancing Federal Accountability*, GAO-04-117T (Oct. 8, 2003), pages 11-12.

¹⁵ PCIE/ECIE, *Inspectors General Vision and Strategies to Apply Our Reinvention Principles* (Jan. 1994).

¹⁶ For instance, see Liz Ruskin, “Investigator details dubious spending,” *Anchorage Daily News*, July 12, 2005, pages B-1, B-3 (report by Commission’s prior, part-time inspector general from Washington, DC).

EXHIBIT 1

PUBLIC ACCOUNTABILITY TRAINING
AT DENALI COMMISSION

Management training on federal spending restrictions by attorneys at Congress’ Government Accountability Office (GAO) (Washington, DC)

Staff training on federal spending restrictions by a contract trainer (Anchorage)

Staff and grantee training on grant restrictions by OMB technical manager (Anchorage)

Staff training on federal ethics rules by the chief of the Department of Commerce ethics division (Anchorage)

Staff training on federal ethics rules by the U.S. Office of Government Ethics (Anchorage)

Staff training on the Hatch Act by the U.S. Office of Special Counsel (Anchorage)

Commissioner training on federal ethics rules by the U.S. Office of Government Ethics (Juneau)

Observation of a public meeting of commissioners by trainers from the U.S. Office of Government Ethics (Juneau)

Commissioner training on board processes by retired state court judge (Anchorage)

More specifically, I advised the Commission's management of the training resources listed in Exhibit 1. Management promptly arranged for the needed classes in an exemplary response.

The federal support agencies that provided the training are also to be commended for the proactive efforts they made to assign top experts to remedy this small agency's deficiencies. Thanks to their assistance, the Commission has in less than a year gone from a state of troubling deficiency to status as a model in public accountability training.

3. Arrangements for legal services

Of particular concern to the inspector general has been the lack of readily-available legal services for the Commission's management. Previous attempts at long-distance arrangements were frustrated by time zones and the need for an in-person rapport conducive to a confidential attorney-client relationship.

This inspector general is an actively-licensed attorney, and those skills are helpful to me in discharging my responsibilities under the Inspector General Act to evaluate legal compliance and the impact of pertinent laws. However, I obviously cannot function as both the Commission's inspector general and its counsel.

The Commission's enabling statute explicitly provides that "[a]gencies may, upon request by the Commission, make services and personnel available to the Commission to carry out the duties of the Commission."¹⁷ I was thus pleased to be instrumental in finding experienced attorneys at the local office of the FAA who were willing to provide the needed legal services. I then assisted the Commission's management with suggested terms for its MOU under the Economy Act.

The FAA is one of the largest civilian agencies in Alaska, and its assistance to its tiny neighbor down the street has been exemplary. An FAA attorney has served as the Commission's designated agency ethics officer, and she has provided extensive, proactive guidance on a variety of issues to both management and the panel of commissioners.

She has also arranged for assignment to the Commission of a specific "desk officer" at the U.S. Office of Government Ethics in Washington, DC. This assures that local ethics advice will be coordinated with positions of the agency that writes and interprets the ethics regulations that apply across the federal system. In fact, at the suggestion of the FAA's attorney, the desk officer recently traveled to Juneau to meet with commissioners during their quarterly meeting.

The lack of an experienced FOIA officer is yet another deficiency at the Commission that has been remedied through this arrangement. FOIA requests are rare at the Commission given the extensive online public access to its records. However, a FOIA specialist in the FAA's legal office will now serve in this capacity as the need arises.

¹⁷ Denali Commission Act, sec. 305(a).

4. Annual audit of Commission's financial statements

Federal law requires that the Commission arrange an annual independent audit of its financial statements. Given the prior lack of a full-time, in-house inspector general, these audits have in the past been, by default, heavily overseen by the finance staff whose work the auditor is charged with examining.

However, last August, OMB issued an authoritative pronouncement that places responsibility for this audit squarely under the agency's inspector general.¹⁸ While I am actively licensed as a CPA, I have elected not to personally perform the audit due to the current one-person size of my office. I have instead empanelled a blue-ribbon selection committee of six accountants with diverse expertise, who will work together to choose the outside auditor.

To maximize public confidence in the independence of the selection (and any renewals), I have arranged for procurement assistance from another federal agency that does not regularly service the Commission. That agency's contracting officer understands that my relationship to the auditor must legally remain a serious one of informed oversight to protect the public, rather than a mere delegation or ritual.

I anticipate that the value of the annual audit will be enhanced both through the expert selection panel and through post-audit feedback from the Commission's new financial management advisory committee.

5. Review of annual PAR report by expert panel

The audited financial statements are a key component of the annual PAR report submitted to OMB. At my recommendation, the agency head arranged for a "peer review" of last year's PAR under a program offered by an expert panel at the Association of Government Accountants (AGA).

This review produced valuable suggestions for improving the next report, including the need to begin presenting the Commission's financial statements on the accounting basis prescribed by the Federal Accounting Standards Advisory Board. In fact, the review process has resulted in continuing helpful consultations between the Commission's CFO and AGA experts on a variety of financial matters.

The Commission has understandably already submitted its latest PAR for the same review by an AGA panel. At my recommendation, the Commission has also elected to participate in the new OMB pilot program to explore alternative approaches for a PAR report that will be meaningful to the public.¹⁹

¹⁸ *Audit Requirements for Federal Financial Statements*, OMB Bulletin 06-03.

¹⁹ See OMB Memorandum, *FY 2007 Pilot Program for Alternative Approaches to Performance and Accountability Reporting* (May 17, 2007).

6. *Relationship of new statutory transportation board to existing panel of commissioners*

The U.S. Comptroller General recently noted that “[i]t is essential that oversight be balanced and constructive by highlighting what is working well — including best practices — as well as identifying shortcomings to prevent repetition of mistakes.”²⁰ The Commission’s new transportation program is an example of a process that is “working well.”

Congress has amended the Denali Commission’s original enabling legislation to add a Denali Access System Program.²¹ With considerable detail, the amendment creates a new board of experts to recommend specific transportation projects for funding.

The new board is a Commission success story in its rapid development of both transparent selection criteria and a statewide public process.

The agency head requested my assistance in resolving the critical question as to the relationship between the statute’s original panel of “commissioners” and the new statutory board of transportation experts.

While legal opinions are, of course, the province of the agency’s counsel, my guidance was provided under the direction of the Inspector General Act²² to review legislation and policies for economy, efficiency, and effectiveness. For a variety of practical, structural, and interpretative reasons, I concluded that the new board should be treated as the Commission’s sole process for selecting transportation projects.

Whether the Commission will implement this advice for streamlining — or instead employ three tiers of review — remains to be seen.

FINALE

Congress’ authorization for this agency expires in just over a year.²³ A bill is currently pending for reauthorization through 2014.²⁴

The comptroller general recently addressed a coordination meeting between Congress’s Government Accountability Office (GAO) and the federal inspector generals. Within his list of accountability challenges were the following two concerns:

²⁰ Comptroller General David Walker’s presentation to the IG-GAO coordination meeting held May 8, 2007 in Washington, D.C. (excerpt from slides) (emphasis added).

²¹ Added as section 309 of the Denali Commission Act.

²² Sections 2 and 4.

²³ Congress has authorized the Commission through September 2008. See P.L. 108-7, 117 Stat. 158, sec. 504.

²⁴ S. 1368.

The failure to link resources and authorities to results (outcomes).

*Rising expectations for demonstrable results and enhanced responsiveness.*²⁵

By the end of 2007, Congress will have funded its Denali Commission experiment with close to \$1 billion. The omnipresent question thus looms as to what Alaskans have received through this experiment that they would otherwise have gone without. In other words, what outcomes made the Commission more than a ceremonial layer?

Three possibilities have traditionally been assumed, and argued, as the “value added” over the Commission’s short history: (1) synergies from interagency coordination; (2) innovative solutions that would have been left undiscovered by traditional agencies; (3) enhanced mechanisms of accountability to the American public for what was done with what was given.

On the other hand, two commentators on governmental coordination observed over 30 years ago:

*To coordinate is not necessarily to simplify. The innovations that have been introduced over the past decade for purposes of coordination have given us a more complicated federal system — one with five, six, or even seven levels of government where three or four sufficed before. . .*²⁶

The Commission recently retained an Alaskan research firm for just under a quarter of a million dollars. The firm’s upcoming report (expected in July) will hopefully be insightful concerning the benefits that Alaskans would have missed had the “extra” layer of the Commission never existed.

For instance, the Commission has a longstanding goal of a 1,500 square-foot clinic for every settlement with at least 20 people (“no matter how isolated”).²⁷ As the Commission builds away, it would be invaluable to know whether such “infrastructure” has made rural Alaskans any freer of past physical scourges and modern behavioral ones. The third world conditions of the “other Alaska” are still out there in the land beyond the tourism commercials.

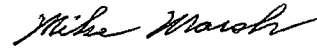
However, the Commission’s top management seems to have begun a gradual transition that suggests a primary goal of marshalling funding in the style of large-scale philanthropic foundations. If this is indeed to be the long-term role for the agency, Congress may wish to

²⁵ Comptroller General David Walker’s presentation to the IG-GAO coordination meeting held May 8, 2007 in Washington, D.C. (excerpt from slides).

²⁶ James L. Sundquist & David W. Davis, *Making Federalism Work: A Study of Program Coordination at the Community Level* (1969), page 242.

²⁷ The Commission’s home page publicly presents its goal to build over 200 clinics around the state. This paradigm of a clinic in every village is based upon a 2000 study by other agencies that assumes a need for settlements from 20 to 100 people to have a 1,500 square-foot clinic, complete with pharmacy and morgue. See Alaska Native Tribal Health Consortium, Alaska Dept. of Health & Social Services, and Indian Health Service, *Alaska Rural Primary Care Facility Needs Assessment Project Final Report*, vol. I (Oct. 2000), pages 10, 23-25.

statutorily convert it to a government corporation or government-sponsored enterprise that will support the necessary financial flexibility.²⁸



Mike Marsh
Inspector General

²⁸ See GAO, *Profiles of Existing Government Corporations*, GAO/GGD-96-14 (Dec. 1995).

APPENDIX

IMPLEMENTATION STATUS OF INSPECTOR GENERAL RECOMMENDATIONS TO THE DENALI COMMISSION'S MANAGEMENT

	INSPECTOR GENERAL'S RECOMMENDATION	POSITION OF COMMISSION'S MANAGEMENT	STATUS OF IMPLEMENTATION
<i>Recommendations related to the role of commissioners:</i>			
	<i>Commissioners:</i> strategically address serviceable size of communities receiving funded facilities	Agree	In process
	<i>Commissioners:</i> participate as mediation team in dispute over \$40,000 access fee billed by project beneficiary	Disagree	Moot
	<i>Commissioners:</i> facilitate coordination of additional project participants and contributors	Agree	Not implemented
<i>Recommendations related to Commission staffing:</i>			
	Coordinate technical support for year after community gets new facility	Unknown	Not implemented
	Add rural ombudsman to Commission staff	Unknown	Not implemented
	Add contractual or in-house talent (e.g., director of innovation) to screen projects for potential participants and contributors	Unknown	Not implemented
	Coordinate loaned expertise from organizations experienced in northern fuel logistics	Unknown	Not implemented
<i>Recommendations related to missing project partners and contributors:</i>			
	Coordinate semiannually with state education dept. re simultaneous construction mobilization	Agree	In process
	Coordinate semiannually with state education dept. re potential collocation of facilities	Agree	In process
	Coordinate semiannually with state education dept. re communities at risk of school closure (< 15 students)	Agree	In process
	Aggressively search for rural energy demonstration projects that use non-diesel technologies	Agree	In process
	Convene semiannual design summits to publicly disseminate lessons learned in bush construction	Partially agree	In process
	Improve negotiation and monitoring of non-cash contributions available in communities	Disagree	Not implemented
<i>Recommendations related to claims, disputes, and litigation:</i>			
	Assess impact on Commission of project-related litigation against major grantee	Agree	Not implemented
	Implement grant condition requiring immediate notice of project-related litigation against grantees	Agree	In process
	Assess potential existence of public easement in lieu of paying \$40,000 access fee to project beneficiary	Moot	Moot
	<i>Federal co-chair:</i> meet with city manager re dispute over \$40,000 access fee billed by project beneficiary	Moot	Moot
	<i>CFO:</i> clarify with federal OMB the allowability of grantee costs related to a regulatory violation (e.g., defense, settlement)	Unknown	Not implemented
	<i>CFO:</i> disclose to independent auditor any claims or litigation defended by major grantees in funded projects	Agree	In process
	Assess potential liability for connecting new facilities to pre-existing conditions	Disagree	Not implemented
	Coordinate salvage of unwanted technology (two devices, ≈ \$6,000 each) at two communities	Unknown	Partially implemented

Appendix continued on next page

APPENDIX (continued)

IMPLEMENTATION STATUS OF INSPECTOR GENERAL RECOMMENDATIONS TO THE DENALI COMMISSION'S MANAGEMENT

INSPECTOR GENERAL'S RECOMMENDATION	POSITION OF COMMISSION'S MANAGEMENT	STATUS OF IMPLEMENTATION
<i>Recommendations related to controls over the use of grant funds:</i>		
CFO: assess lessons learned from grantee's experiment in consolidated expenditures tracking	Agree	Implemented
CFO: refine accounting system's transparency in tracking grants by specific appropriation	Agree	Implemented
CFO: assess potential collaboration with grantee to select improved accounting software for Commission	Unknown	Not implemented
CFO: clarify with federal OMB the Commission's status as the "cognizant agency for audit responsibilities"	Unknown	Not implemented
CFO: resolve \$18,000 payment to project recipient for lodging itinerant construction workers (in-kind dispute)	Unknown	Not implemented
Assess potential for RFID tracking of palletized materials en route to remote construction sites	Unknown	Not implemented
Implement grant condition covering disposition of surplus materials	Agree	In process
Assess grantee's requirement for small communities to arrange annual financial audits of facilities	Agree	Not implemented
<i>Recommendations related to miscellaneous matters:</i>		
Coordinate resolution of clinic's non-operational telemedicine equipment	Unknown	Not implemented
Accompany fuel vendors (river barge, cargo plane) to understand transportation logistics	Agree	Not implemented
Implement grant condition for engineers to do a science career talk at school in project communities	Unknown	Not implemented