

GAO Highlights

Highlights of [GAO-15-72](#), a report to congressional requesters

Why GAO Did This Study

Since establishment in 1998 by statute, the Denali Commission has awarded over \$1 billion in federal grants to help develop Alaska's remote communities. The Commission has a Federal Cochair and six other commissioners.

GAO was asked to review the management of the Commission. This report examines (1) challenges the Commission has faced in fulfilling its statutory purpose and options to address them; (2) challenges that hindered the Commission's daily operations; and (3) the Commission's policies and procedures for managing grants and the extent of compliance with them. GAO reviewed key laws and policies; interviewed former and current commissioners and such stakeholders as state agencies that received grants; and analyzed a random sample of 100 projects funded by Commission grants for fiscal years 1999 through 2013.

What GAO Recommends

Congress should consider amending the Denali Commission Act to, among other things, restructure the Commission to better leverage the commissioners' expertise, and create a delegation of authority or holdover provision for the Federal Cochair position. GAO recommends, among other things, that the Commission consider options for fulfilling its statutory purpose and finalize its approach in a new strategic plan; obtain a full-time attorney; and issue grants management policies. The Denali Commission, including its commissioners, agreed with GAO's conclusions and recommendations.

View [GAO-15-72](#). For more information, contact Anne-Marie Fennell at (202) 512-3841 or fennella@gao.gov.

March 2015

DENALI COMMISSION

Options Exist to Address Management Challenges

What GAO Found

The Denali Commission has faced two key challenges in fulfilling its statutory purpose of providing, among other things, infrastructure and economic development services to rural communities; but options exist to address them. First, a 90 percent decrease in Commission funding from its peak in fiscal year 2007 has raised concerns about whether the Commission can sustain its current approach as primarily a grant-making agency. Given its funding challenge, stakeholders GAO interviewed identified several options for how the Commission could approach fulfilling its statutory purpose in the future, such as shifting its focus to facilitating economic development projects or maintaining existing infrastructure rather than funding new projects. Even though the Commission has taken some steps to reassess its long-term approach, such as conducting statewide listening sessions on how best to assist rural Alaskans in the future, it has not finalized such an approach in a new multiyear strategic plan. Second, the Department of Justice's 2006 determination on the applicability of the principal federal conflict-of-interest law has resulted in a Commission that is, at times, deprived of the expertise of its six commissioners. Concerns about possible criminal prosecution for conflicts of interest have resulted in commissioners regularly recusing themselves from Commission decision-making activities. Based on various sources, GAO identified four options for restructuring the Commission so that it can better leverage the expertise of its commissioners in light of the 2006 determination. Each of the options would require changes to the Denali Commission Act, which established the Commission.

The Commission has faced several challenges that have hindered its daily operations, including having periodic vacancies in the Federal Cochair position and not having an attorney. Having a vacancy in the Federal Cochair position has twice stymied the Commission because only the Federal Cochair is authorized to take certain critical actions, such as approving new grants. The Denali Commission Act does not provide for an acting Federal Cochair and does not allow the Federal Cochair to delegate authority to another person or to remain in office beyond the expiration of his or her 4-year term (holdover). In addition, even in the face of numerous complex legal questions, such as the applicability of the principal federal conflict-of-interest law, the Commission has never had a full-time attorney to provide it with legal advice and support on a routine and consistent basis. Without an attorney to help the Commission identify and navigate risks consistent with federal standards for internal control, the Commission is at increased risk for making legal mistakes.

The Commission has some key procedures in place for administering its grants, but GAO found several shortcomings in how the Commission has managed its grants. Both the Commission's internal checklists and its online grants database meet established criteria for good grant management and oversight. However, the Commission does not have documented grant-making policies in place, leading to inconsistencies in how it awards and manages grants. For example, the Commission's awarding of grants has not always been open or competitive, and its monitoring of grant and project recipients has been inconsistent. Unless it issues grant management policies, the Commission may not be setting clear expectations for grantees, making it difficult to hold them accountable for fulfilling the terms of grant agreements.