

**THE DEPARTMENT OF TRANSPORTATION
CAN IMPROVE OVERSIGHT OF THE
DENALI COMMISSION'S USE OF
FEDERAL TRANSPORTATION FUNDS**

Federal Highway Administration

Report Number: MH-2011-038

Date Issued: February 9, 2011



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **INFORMATION:** The Department of
Transportation Can Improve Oversight of the
Denali Commission's Use of Federal
Transportation Funds
Federal Highway Administration
Report Number MH-2011-038

Date: February 9, 2011

From: Joseph W. Comé 
Assistant Inspector General
for Highway and Transit Audits

Reply to
Attn. of: JA-40

To: Federal Highway Administrator

Alaska's size and the remoteness of its cities and villages present significant transportation challenges. In 2005, Congress created the Denali Access System Program (transportation program) to fund Alaskan road and waterfront development projects that provide economic opportunities and improve residents' quality of life, health, and safety. Since 2006, the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) have transferred more than \$100 million to the Denali Commission (Commission), the independent Federal agency that selects the transportation projects.

To gain a better understanding of how the Commission uses its Federal transportation funds, Senator Christopher S. Bond¹ requested that the Office of Inspector General review the Department of Transportation's (DOT) and the Commission's administration of the program. Specifically, we (1) identified the purpose, funding, and status of the Commission's projects funded through FHWA and FTA, (2) assessed the Commission's project selection process, and (3) examined FHWA's oversight of the Commission's use of DOT funds.

To conduct our work, we interviewed Federal, Alaska, and Commission officials; reviewed applicable laws, regulations, and policies; and analyzed DOT and Commission records in Washington, D.C., and Anchorage, Alaska. We conducted

¹ Ranking Member of the Senate Appropriations Subcommittee on Transportation, Housing, and Urban Development and Related Agencies.

this audit from November 2009 through November 2010 in accordance with generally accepted government auditing standards for performance audits. Additional details of our objectives, scope, and methodology are described in exhibit A.

RESULTS IN BRIEF

From 2006 through 2009,² the Commission approved \$92.7 million in grants for 138 projects intended to enhance access to and facilitate economic growth in rural Alaska, as provided for in the Denali Commission Act.³ According to the financial assistance agreements for a statistical sample of projects, the transportation projects included funds to plan, engineer, and construct roads and develop waterfront ports, landings, and facilities. For example, a \$545,150 grant funded a planning study for an access road in a remote settlement, and a \$520,000 grant funded a boat harbor rehabilitation project. Of the 138 projects approved, 91 were in either the design or the construction phase, with 29 projects completed,⁴ as of June 2010.

While the Denali Commission approved appropriate types of projects, its project selection policy and process were insufficient to ensure that selections were made objectively and were transparent. Although the Commission has project evaluation criteria, selecting officials did not use them for almost 20 percent of project selections that totaled \$5.6 million. In those instances, the Commission used a discussion and consensus method that relied on the professional judgment of the selecting officials. However, documentation, such as detailed meeting minutes or transcripts, that explains the rationale for the selections is lacking. Moreover, the Commission's limited ethics guidance does not ensure that project selection officials appropriately recuse themselves from the selection process. Additionally, selection officials are not required to, and do not, follow Federal conflicts of interest prevention measures, such as attending ethics training, signing ethics agreements, or submitting financial disclosure reports. As a result, the Commission has no mechanisms by which to verify and hold selection officials accountable for appropriately recusing themselves. Nevertheless, we did not find specific instances of conflicts of interest.

Further, Federal oversight of the transportation program was limited and we found shortfalls with required project documentation. FHWA primarily relies on the Commission, which in turn relies on the entities such as the Alaska Department of Transportation and Public Facilities, to maintain and self-report compliance with

² All references are to fiscal years—October 1 through September 30.

³ Public Law 105-277.

⁴ For the purposes of this audit, we defined a complete project as one where all phases of work (planning, design, and construction) have been completed and final inspections have been conducted.

the Denali Commission Act's project development and management requirements. Yet, neither FHWA nor the Commission adequately verified this information to ensure projects met Federal requirements. According to FHWA officials, Commission projects are low risk compared to other agency responsibilities. Further, Commission officials informed us that implementing entities demonstrate compliance with Federal requirements by maintaining detailed project information on-site. However, when we requested such project information from four selected implementing entities, three did not provide evidence of their full compliance with the Denali Commission Act. For example, the U.S. Army Corps of Engineers (USACE) did not provide us the required project plans, specifications, and estimates document for a project that received \$1 million in Commission funds.

We are making a series of recommendations for FHWA to assist the Commission in addressing these concerns. In responding to a draft of this report, FHWA concurred with our recommendations and provided a description of actions taken to address issues related to project selection and oversight. A complete discussion of FHWA's comments to our draft report begins on page 11.

BACKGROUND

In 1998, Congress established the Commission as an independent Federal agency to provide infrastructure, economic development, job training, and utilities in Alaska. The Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2005: A Legacy for Users (SAFETEA-LU)⁵ established the transportation program and, from 2006 through 2009, authorized FHWA and FTA to allocate funds for road and waterfront projects to improve access and provide economic development opportunities for Alaskan communities and villages (see table 1).⁶

⁵ Pub. L. 109-59.

⁶ In a recent appropriations decision, the Comptroller General concluded that FTA does not have an oversight role in administering funds transferred to the Commission. Comptroller General of the United States, B-319189, "Denali Commission—Transfer of Funds Made Available through the Federal Transit Administration's Appropriations," November 12, 2010.

Table 1: Transportation Program Funding by DOT Agency, 2006 through 2009

<i>Projects</i>	<i>Purpose</i>	<i>Agency</i>	<i>Funds Transferred</i>
Road	Planning, designing, engineering, and constructing road, and other surface transportation infrastructure	FHWA	\$15 million annually
Waterfront	Docks, waterfront development projects, and related transportation infrastructure	FTA	\$5 million annually
Waterfront	Docks, waterfront development projects, and related transportation infrastructure	FHWA	\$20 million total

Source: SAFETEA-LU, Pub. L. 109-59

Alaska's size and the remoteness of its communities and villages present significant transportation challenges. The transportation program is designed to address these challenges. For example, the program funds the construction of boardwalks to provide a safe road surface for all-terrain vehicles and lessen the environmental impact on tundra,⁷ which cannot easily support permanent roads. Similarly, the program funds waterfront improvement projects to enhance access to marine services and improve the safety and efficiency of cargo and fuel delivery. Many settlements receive cargo, supplies, and fuel only by air or at small barge landing facilities. Figure 1 shows before and after images of a Commission-funded waterfront development project in Yakutat Borough, Alaska.

Figure 1. Multi-Purpose Dock Project, Yakutat Borough, Alaska



Fall 2008



Spring 2009

Source: Denali Commission

⁷ Tundra is a level or treeless rolling plain that is characteristic of arctic and subarctic regions. Its soil has a permanently frozen subsoil called permafrost. Soil conditions are poor, being marshy or waterlogged.

The Commission relies on the Transportation Advisory Committee (TAC) to select transportation projects. The Commission's Federal Co-Chair approves the project selections for funding. The TAC members include:

- the Federal Co-Chair, who is appointed by the U.S. Secretary of Commerce, and
- eight appointees of the Governor of Alaska—four representatives of regional native corporations, non-profit entities, or tribal governments and four representatives of rural Alaska regions or villages.

The Commission does not directly implement transportation projects. Instead, other entities, including USACE; FHWA's Western Federal Lands Highway Division Office; Alaska Department of Transportation and Public Facilities; and regional, local, and tribal governments, implement Commission projects supported with Federal funds.

COMMISSION PROJECT SELECTIONS ARE CONSISTENT WITH THE DENALI COMMISSION ACT

The Commission selected transportation projects intended to enhance access and facilitate economic growth by improving rural infrastructure in Alaska, as provided for in the Denali Commission Act (exhibit B lists each project, the associated Commission-awarded funds, and the project's status). According to the financial assistance agreements for a statistical sample of 32 of 138 projects, the Commission selected projects to plan, engineer, and construct roads and develop waterfront ports, landings, and facilities that will enhance access and facilitate economic development. Because our review was limited to determining the purpose, status, and funding of the Commission's transportation projects, we did not assess how effectively each implementing entity used the Federal funds on individual projects.

From 2006 through 2009, FHWA and FTA allocated \$97.3 million to the Commission.⁸ After deducting its allowable 5 percent for administrative expenses, the Commission approved \$92.7 million for 75 road and 63 waterfront development projects (see table 2). Of the 138 projects, 91 were in either the design or the construction phase, with 29 projects completed, as of June 2010.

⁸ For 2010, Congress appropriated an additional \$21.3 million to DOT (\$16.3 million to FHWA and \$5 million to FTA) for the Commission's transportation program. These funds were outside our audit scope.

Table 2: Transportation Projects and Federal Funds

<i>Type of Project</i>	<i>Number of Projects</i>	<i>Federal Funds</i>
Road	75	\$58,508,483
Waterfront Development	63	\$34,259,739
Total	138	\$92,768,222

Source: Denali Commission

Commission-funded transportation projects selected from 2006 through 2009 cost from \$15,000 to \$3.5 million each, with an average cost of about \$672,000. Road improvement projects averaged about \$780,000 each, and waterfront development projects averaged about \$544,000 each. Examples of road and waterfront projects with their Commission funding are shown in table 3.

Table 3: Examples of Commission-funded Road and Waterfront Development Projects

<i>Location</i>	<i>Population</i>	<i>Project Purpose</i>	<i>Commission Funds</i>
Stevens Village, Central Alaska	87	Planning study for an access road	\$545,150
City of Bethel, Western Alaska	5,471	Boat harbor rehabilitation	\$520,000
Village of Tatitlek, Southern Alaska	107	Dock design and repair	\$367,000
City of Cordova, Southern Alaska	2,454	Dust control on roads	\$311,000
City of Kodiak, Southern Alaska	6,334	Cargo terminal repair	\$300,000

Source: U.S. Census Bureau and Denali Commission

PROJECT SELECTION PROCESS LACKS OBJECTIVITY AND TRANSPARENCY

While we did not identify specific conflicts of interest, the Commission's policy and process were insufficient to ensure that transportation project selections are objective and transparent. Although the Commission has project evaluation criteria, the TAC did not use them for almost 20 percent of its project selections. In addition, the Commission did not document the basis for these selections. Moreover, the Commission's limited ethics guidance did not ensure that TAC members appropriately recused themselves from the project selection process.

The Commission lacks a policy that defines the circumstances under which the TAC should use one of its two project selection methods—scoring and ranking or discussion and consensus.

- **Scoring and Ranking:** TAC members score proposed projects using the Commission’s evaluation criteria—health and quality of life, safety, public support, and economic value—then rank projects using a weighted average of the members’ scores for each criterion (exhibit C lists the evaluation criteria).
- **Discussion and Consensus:** TAC members rely solely on their professional judgment to select projects.

From 2006 through 2009, the TAC used the scoring and ranking method to select about 80 percent of its projects and used the less objective and transparent discussion and consensus method to select almost 20 percent of the projects (see table 4 for the number, percentage, and funding of projects by selection method). The scoring and ranking method analyzes each project based on a list of characteristics included in Commission guidance for grant applicants and the TAC. Each characteristic is weighted to indicate its importance in the project selection process. The guidance also provides assessment criteria to assist each TAC member in scoring and ranking project applications. The Commission publishes this guidance on its website. In contrast, selections made using the discussion and consensus method are based on subjective input from TAC members, rather than predetermined, published criteria.

Table 4: Commission-funded Road and Waterfront Development Projects, by Selection Method, 2006 through 2009

<i>Selection Method</i>	<i>Number of Projects</i>	<i>Percentage of Projects</i>	<i>Commission Funds</i>
Scoring and Ranking	111	80.4%	\$87.1 million
Discussion and Consensus	27	19.6%	\$5.6 million
Total	138	100.0%	\$92.7 million

Source: OIG analysis of Commission data

Commission officials stated that the TAC uses discussion and consensus primarily to select projects for worthy recipients that lack the capacity to produce a competent project application, as well as for planning and technical services projects. However, we could not verify why the TAC used the discussion and consensus method for 27 projects because the Commission did not document the specific reasons for using this method or the rationale for selecting these projects. For example, meeting minutes did not explain why the TAC selected a

\$1.5 million barge landing system design project in 2009 or make mention of a \$50,000 public dock reconnaissance project selected in 2008. The lack of documentation limits the transparency of how and why the TAC selects projects.

Moreover, the Commission's limited ethics guidance does not ensure that TAC members appropriately recuse themselves from the project selection process. The guidance merely advises TAC members to recuse themselves from voting when they, their employer, or a family member might benefit from a project selection. Commission officials stated that recusals occurred and were documented in TAC meeting minutes. However, our review of TAC meeting minutes covering project selections from 2006 through 2009 found no mention of recusals. Commission officials could not explain why the minutes did not document the recusals.

TAC members are not required to, and do not, follow Federal conflicts of interest prevention measures, such as attending ethics training, signing ethics agreements, or submitting financial disclosure reports. According to the Commission's designated agency ethics official, TAC members are not special government employees,⁹ and therefore, are not required to comply with the Federal measures. We do not contest the ethics official's interpretation. However, without such conflicts of interest prevention measures, the Commission has no mechanisms by which to verify and hold TAC members accountable for appropriately recusing themselves. The Federal requirements represent sound practices that could help the Commission ensure selection decisions are free from conflicts of interest. For example, annual ethics training would ensure that TAC members are advised of their responsibility to avoid the appearance of and actual conflicts of interest in carrying out their duties. Requiring TAC members to certify that conflicts of interest are fully disclosed prior to project selection activities would enable the Commission to hold the TAC accountable for complying with the guidance.

FHWA RELIES ON THE COMMISSION'S LIMITED OVERSIGHT TO ENSURE COMPLIANCE WITH FEDERAL REQUIREMENTS

Neither FHWA nor the Commission adequately verified the implementing entities' compliance with the requirements of the Denali Commission Act through actions such as on-site inspections and review of supporting documentation. Instead, FHWA primarily relies on the Commission, which in turn relies on the entities implementing the projects, to maintain and self-report compliance with Federal project management requirements. The Commission applies the project management requirements included in Federal-aid highway law—Title 23 United States Code (23 U.S.C.)—to all transportation projects. These requirements

⁹ A special government employee is an officer or employee of the Executive or Legislative Branch of the U.S. Government, who can perform, with or without compensation, temporary duties for not more than 130 days during any period of 365 consecutive days.

include the completion of environmental assessments and certifications, project plans, specifications, and cost estimates and the effective management of project construction. For example, developing a right-of-way plan is a required step when constructing a public road on private property.

FHWA performs a limited role in the oversight of transportation projects, relying on the Commission to determine compliance with 23 U.S.C. requirements. However, FHWA still must ensure the Commission's oversight is appropriate and effective. FHWA's limited oversight includes the review of periodic reports from the Commission summarizing project development and construction activities. FHWA staff members also attend TAC meetings, communicate informally with the Commission on project activities, and conduct occasional site visits. Commission officials stated that FHWA acts as an advisor on policy and program development procedures. According to FHWA Alaska Division officials, their oversight of projects is minimal because of the projects' relatively low funding and their placement outside the Division Office's top 10 program risks. For example, the Division Office considers Alaska's \$291 million Federal-aid highway formula funds¹⁰ a higher risk than the \$25 million annual funding for Commission projects.

Currently, the Commission relies primarily on the entities implementing the projects, such as USACE or tribal governments, to maintain and self-report compliance. According to Commission officials, their oversight consists of informal interactions with the implementing entities through telephone conversations, site visits, e-mails, community meetings, and observations of bidding for construction contracts. However, the Commission does not routinely verify the information entities provide. Our review of Commission files for 32 of 138 transportation projects confirmed that the Commission did not routinely verify the information the entities provided, but rather relied on self-reported information. The files consisted mostly of documents provided by the implementing entities. Commission officials told us that the 5 percent cap on Commission administrative expenses constrained their travel to remote sites.

Although Commission officials told us the implementing entities demonstrate their compliance with 23 U.S.C. by maintaining detailed project information on-site, the information we reviewed for four projects from our sample did not fully demonstrate such compliance. Specifically, we requested that the implementing entities for the selected projects¹¹ provide us with the requisite documentation, such as environmental surveys and assessments, project plans, project schedules, structural designs, and safety assessments. In response, each implementing entity

¹⁰ The 2009 obligation limitation distribution pursuant to Division I, Title I, Section 120 of the Omnibus Appropriations Act, 2009, Pub. L. 111-8.

¹¹ We requested information from USACE, Western Federal Lands Highway Division Office, the Alaska Department of Transportation and Public Facilities, and the city of Sitka.

provided varying amounts of documentation—with all four providing environmental surveys and assessments. However, three of the four provided insufficient documentation to fulfill the requirements of 23 U.S.C. (see table 5 for details). For example, when we requested documentation from USACE on the Chignik Small Boat Harbor, USACE did not provide the approved plans; specifications; and costs estimates document, which includes such details as the project design, scope, materials, schedule, and measurements. Without documentation to demonstrate compliance, the Commission cannot ensure that projects are fiscally sound, efficient, and effective.

Table 5: Selected Implementing Entities' Documentation of 23 U.S.C. Compliance

<i>Implementing Entity</i>	<i>Project Name</i>	<i>Commission Funds</i>	<i>Title 23 Compliance Issues</i>
Western Federal Lands Highway Division Office	Coffman Cove Dock	\$1.65 million	Documentation demonstrated compliance
City of Sitka	Old Thomsen Harbor Replacement	\$1.30 million	Plans, specifications, and cost estimates not provided
USACE	Chignik Small Boat Harbor	\$1.00 million	Plans, specifications, and cost estimates not provided
Alaska Department of Transportation and Public Facilities	Gustavus Transient Vessel Mooring Facility	\$0.81 million	Plans, specifications, and cost estimates not provided

Source: OIG analysis

CONCLUSION

Congress directed the Denali Commission to implement a road and waterfront development program using funds allocated from DOT to improve access to vital services in rural Alaska. While FHWA does not have direct oversight of this program, FHWA has a stewardship responsibility, along with the Commission, to ensure that Federal funds are spent wisely. Therefore, FHWA should play a role in ensuring that project selections are objective and transparent, conflicts of interest are disclosed and mitigated, and projects comply with applicable statute. We recognize the need for FHWA to allocate its oversight resources according to risk and that this program is far smaller than some others for which FHWA is responsible. However, targeted advice and assistance to the Commission, based on FHWA's experience overseeing transportation projects, would strengthen its capability to ensure that Federal transportation funds are spent efficiently, effectively, and appropriately.

RECOMMENDATIONS

To ensure that the project selection process is objective and transparent, we recommend that the Federal Highway Administrator advise the Commission to:

1. Eliminate the discussion and consensus method or define limited circumstances in which its use is appropriate.
2. Maintain detailed minutes, such as transcripts, of TAC project selection and funding discussions, including recusals from scoring and voting and the basis for each recusal.

To ensure TAC members' selection decisions are free from conflicts of interest, we recommend that the Federal Highway Administrator collaborate with the Commission to:

3. Establish annual training for TAC members on how to avoid the appearance of or actual conflicts of interest,
4. Develop a requirement for TAC members to certify that the appearance of or actual conflicts of interest are fully disclosed prior to project selection activities, and
5. Design mechanisms for Commission staff to verify that TAC members participate in annual training, fully disclose conflicts of interest, and recuse themselves appropriately.

To ensure that the Commission receives the information and documentation necessary to determine whether transportation projects are constructed in a fiscally sound, efficient, effective, and appropriate manner, we recommend that the Federal Highway Administrator collaborate with the Commission to:

6. Develop an oversight process that specifies the Commission's responsibilities and actions to verify that grantee-supplied information demonstrates compliance with applicable 23 U.S.C. requirements.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided FHWA a draft of this report on November 24, 2010, and received formal, written comments on January 26, 2011. FHWA's comments are included as an appendix to this report. FHWA fully concurred with our recommendations, and provided documentation demonstrating the actions it has taken to assist the

Commission in addressing the project selection and oversight issues raised in this report. Accordingly, we consider all recommendations closed.

Although FHWA has a limited oversight role, it promptly addressed the recommendations in this report. FHWA reported that the Commission is developing a set of provisions that more clearly define the appropriate use of the discussion and consensus method of project selection. FHWA advised the Commission on the importance of maintaining detailed minutes of TAC meetings, including TAC member recusals from scoring and voting and the basis for each recusal. FHWA has also advised the Commission that the Federal model for avoiding conflict of interest represents sound practices that could better assure selection decisions are free from actual or perceived conflicts of interest, and provided relevant training materials for the Commission's review and consideration. The Commission is revising its TAC Roles and Responsibilities to require that members receive annual ethics training and certify when a member has a conflict of interest. According to the Commission, the conflicts of interest certifications will be retained in the record of each TAC proceeding. FHWA states that it will continue to collaborate with the Commission to achieve a strengthened conflict of interest process and ethics training program.

FHWA acknowledges that although the Commission has processes and agreements in place to address compliance with 23 U.S.C., those oversight processes can be strengthened. FHWA provided the Commission FHWA's program and risk analysis standard operating procedures to be used as a framework for improving the Commission's procedures. FHWA has committed to provide continuing technical assistance to help the Commission further strengthen its oversight review and processes.

ACTIONS REQUIRED

Based on actions FHWA has taken, and our review of the documentation provided in response to our draft report, we consider all recommendations resolved. No further actions are required, and we are issuing this final report with all recommendations closed.

We appreciate the courtesies and cooperation of DOT representatives and officials of the Denali Commission during this audit. If you have any questions concerning this report, please call me at (202) 366-5630, or Gary Middleton, Program Director, at (202) 366-0625.

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cc: Federal Transit Administrator
Audit Liaison, OST

EXHIBIT A. OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objective was to review the Department of Transportation's (DOT) and the Denali Commission's (Commission) use of Federal transportation funds. Specifically, we (1) identified the purpose, funding, and status of the Commission's projects funded through FHWA and FTA; (2) assessed the Commission's project selection process; and (3) examined FHWA's oversight of the Commission's use of DOT funds.

To assess the Commission's use of FHWA and FTA funds and DOT's oversight of the Commission, we reviewed Federal laws and regulations pertaining to the Commission's transportation program. We evaluated the Commission's transportation program policies, guidance, procedures, and practices for selecting projects and awarding grants. We interviewed Commission officials in Anchorage, Alaska, as well as officials in FHWA Headquarters and Alaska Division Office in Juneau Alaska; Western Federal Lands Highway Division Office in Vancouver, Washington; FTA Headquarters and Region 10 in Seattle, Washington; the U.S. Army Corps of Engineers at Elmendorf Air Force Base, Alaska; the U.S. Office of Government Ethics; and the Alaska Department of Transportation and Public Facilities in Anchorage, Alaska. We did not assess how effectively each implementing entity was using the Federal funds on individual projects.

With OIG's senior statistician, we selected a statistical sample of 32 of the 138 Commission transportation projects from 2006 through 2009. In reviewing the sample projects' financial assistance agreements, we found that all were consistent with the purposes of the Denali Commission Act. Therefore, we estimate that all the 2006 through 2009 projects are consistent with the purposes of the Act. This estimate has a 5-percent sampling error at the 90-percent confidence level, which means that we are 90 percent certain that the percentage of project funds that is not consistent with the Act is between 0 and 5 percent.

To verify the reliability of the project information in exhibit B, we compared the Commission's list of transportation projects, including each project's status, with source documentation at the Commission's offices and in the Commission's electronic reporting system. We also compared the Commission's funding data with information from FHWA and FTA and found no significant discrepancies.

To assess the Commission's assertion that 23 U.S.C. compliance requirements are supported by detailed records maintained by the implementing entities, we analyzed the records for four projects selected from our statistical sample of 32 projects. We selected the projects in a three-stage process. We first grouped the projects by implementing entity (Western Federal Lands Highways Division, the U.S. Army Corps of Engineers, the Alaska Department of Transportation and

Exhibit A. Objectives, Scope, and Methodology

Public Facilities, and small individual grantees). We then identified the most complete projects within each implementing entity. From the list of most complete projects, we then selected the project with the largest dollar amount from each implementing entity group. Because our review of the implementing entities' records was limited, we are not projecting the results to all Commission projects.

To assess how the Commission addresses ethics issues, we interviewed knowledgeable individuals at the U.S. Office of Government Ethics, the Commission's designated agency ethics official, and OIG's legal advisors. We also evaluated Transportation Advisory Committee meeting minutes and project lists to determine whether the discussion and consensus process and recusals based on conflicts of interest were adequately documented.

We conducted this performance audit from November 2009 through November 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**EXHIBIT B. COMMISSION-FUNDED TRANSPORTATION
PROJECTS BY IMPLEMENTING ENTITY, FISCAL YEARS 2006
THROUGH 2009**

<i>Implementing Entity</i>	<i>Road Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status*</i>	<i>Project Selection Method</i>
Alaska Department of Transportation and Public Facilities	Akutan Marine Link to Airport	\$1,000,000	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	AUTC DOT&PF Dust Control Research	\$239,965	Design	Discussion and consensus
Alaska Department of Transportation and Public Facilities	Cantwell Community Roads	\$664,229	Complete	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Circle/Circle City Community Roads	\$900,000	Construction	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Coffman Cove Road Paving	\$3,000	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Coffman Cove Roads Paving	\$848,280	Construction	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Cold Bay Road Improvements	\$136,455	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Eagle, Eagle Village Community Roads	\$1,182,610	Construction	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Elfin Cove Boardwalk Design, Construction, and Repairs	\$181,940	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Emmonak Community Roads	\$1,819,400	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Fort Yukon Dust Control Design and Construction	\$1,819,400	Construction	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Pelican Board-Road Reconstruction Phase I	\$272,910	Complete	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Pelican Board-Road Reconstruction Phase II	\$267,547	Complete	Scoring and ranking

**Exhibit B. Commission-Funded Transportation Projects by
Implementing Entity, Fiscal Years 2006 through 2009**

<i>Implementing Entity</i>	<i>Road Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status*</i>	<i>Project Selection Method</i>
Alaska Department of Transportation and Public Facilities	Pelican Board-Road Reconstruction Phase III	\$393,886	Construction	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Port Alexander Boardwalk	\$181,940	Complete	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Port Alexander South Cedar Street Boardwalk	\$254,716	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Selawik-Skin Street Barge Landing Road Reconstruction	\$727,760	Complete	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Takotna Gold Creek Bridge Replacement	\$272,910	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Tanana Community Roads Dust Control	\$41,883	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Togiak Main Road Rehabilitation	\$727,760	Cancelled/On Hold	Scoring and ranking
Alaska Native Tribal Health Consortium	Nunam Iqua Board-Road Design	\$354,350	Design	Scoring and ranking
Alaska Native Tribal Health Consortium	Pitka's Point Sanitation Road	\$460,000	Construction	Scoring and ranking
Alaska Village Electric Cooperative	Hooper Bay Access Road Construction	\$199,531	Complete	Scoring and ranking
Alaska Village Electric Cooperative	Hooper Bay Wind Turbine Access Road Construction	\$215,000	Complete	Discussion and consensus
Association of Village Council Presidents	Bethel and Oscarville Road Reconnaissance Engineering	\$150,000	Planning	Discussion and consensus
Association of Village Council Presidents	Nunam Iqua Boardwalk Construction and Extension	\$100,000	Construction	Scoring and ranking
Association of Village Council Presidents	Pilot Station Community Streets Rehabilitation	\$165,000	Design	Scoring and ranking
Association of Village Council Presidents	Regional Roads Planning and Reconnaissance	\$100,000	Construction	Discussion and consensus
Bristol Bay Native Association	Clarks Point- Ekuk Road (Road Recon)	\$50,000	Planning	Scoring and ranking

Exhibit B. Commission-Funded Transportation Projects by Implementing Entity, Fiscal Years 2006 through 2009

<i>Implementing Entity</i>	<i>Road Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status*</i>	<i>Project Selection Method</i>
Bristol Bay Native Association	Pilot Point Dago Creek Road Realignment	\$151,455	Design	Scoring and ranking
Chenega Indian Reorganization Act Village Council	Community Streets Rehabilitation/Harbor Access	\$1,308,360	Complete	Scoring and ranking
City and Borough of Sitka	Indian River Road Rehabilitation	\$750,000	Complete	Scoring and ranking
City of Cordova	Dust Control with Roads Surfacing	\$311,000	Complete	Scoring and ranking
City of Sand Point	School Loop Road Rehabilitation	\$1,500,000	Design	Scoring and ranking
Craig Community Association	Community Streets Rehabilitation	\$1,000,000	Construction	Scoring and ranking
Craig Community Association	Port Saint Nicholas Road Reconstruction	\$1,000,000	Complete	Scoring and ranking
Dept. of Commerce, Community, and Economic Development	Ortho Mapping	\$160,000	Planning	Discussion and consensus
Gulkana Village Council	Gulkana Access Road Reconstruction	\$1,800,000	Design	Scoring and ranking
Igiugig Tradition Council	Igiugig High Ridge Subdivision Road	\$81,000	Construction	Scoring and ranking
Kawerak, Inc.	Brevig Mission Community Streets	\$1,000,000	Construction	Scoring and ranking
Kawerak, Inc.	Gambell Evacuation Road	\$1,000,000	Construction	Scoring and ranking
Kawerak, Inc.	Koyuk Community Streets	\$1,000,000	Complete	Scoring and ranking
Kawerak, Inc.	Shaktoolik Evacuation Road	\$55,000	Planning	Scoring and ranking
Kawerak, Inc.	Unalakleet Community Roads	\$1,700,000	Construction	Scoring and ranking
Kawerak, Inc.	Unalakleet Community Streets Improvements Design	\$144,616	Design	Scoring and ranking
Kodiak Island Borough	Kodiak Island Transportation Study	\$125,000	Planning	Discussion and consensus
Nenana Native Council	9th and K Streets Reconstruction Phase II	\$1,427,425	Construction	Scoring and ranking
North Slope Borough	Anaktuvuk Pass Bridge Design	\$147,431	Design	Scoring and ranking

Exhibit B. Commission-Funded Transportation Projects by Implementing Entity, Fiscal Years 2006 through 2009

<i>Implementing Entity</i>	<i>Road Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status*</i>	<i>Project Selection Method</i>
Selawik	Selawik Boardwalk Reconstruction	\$270,000	Design	Scoring and ranking
Stevens Indian Reorganization Act Village Council	Stevens Village Community Roads	\$1,000,000	Design	Scoring and ranking
U.S. Army Corps of Engineers	Manley Hot Springs Landing Sanitary Facility Replacement	\$50,000	Design	Scoring and ranking
U.S. Army Corps of Engineers	Platinum Public Dock Conceptual Design, Goodnews Bay Road Connection Feasibility	\$300,000	Planning	Scoring and ranking
U.S. Army Corps of Engineers	Statewide Technical Services	\$150,000	Construction	Discussion and consensus
Western Federal Lands Highway Division	Akhiok Tsunami Shelter Road	\$363,000	Construction	Scoring and ranking
Western Federal Lands Highway Division	Akhiok, Chefornak, Hooper Bay and Kwigillingok - Subsistence ATV Road Recon	\$32,925	Design	Discussion and consensus
Western Federal Lands Highway Division	Akiak Roads Rehabilitation	\$3,500,000	Design	Scoring and ranking
Western Federal Lands Highway Division	Atka Roads Rehabilitation	\$1,000,000	Construction	Scoring and ranking
Western Federal Lands Highway Division	Atmautluak, Nunapitchuk Tramway Railroad Renovation	\$1,810,000	Construction	Discussion and consensus
Western Federal Lands Highway Division	Chignik Lagoon Lake IRT Road Survey	\$150,000	Planning	Discussion and consensus
Western Federal Lands Highway Division	Gakona Access Road Rehabilitation	\$2,400,000	Design	Scoring and ranking
Western Federal Lands Highway Division	IRT Chigniks Road Survey	\$150,000	Design	Scoring and ranking
Western Federal Lands Highway Division	Kalskag to Yukon River	\$100,000	Planning	Discussion and consensus
Western Federal Lands Highway Division	King Cove Street Improvement	\$1,893,537	Construction	Scoring and ranking
Western Federal Lands Highway Division	Kivalina Evacuation and Relocation Road Reconnaissance	\$138,668	Planning	Discussion and consensus
Western Federal Lands Highway Division	Kobuk-Snowmobile Bridges	\$927,090	Construction	Scoring and ranking

Exhibit B. Commission-Funded Transportation Projects by Implementing Entity, Fiscal Years 2006 through 2009

<i>Implementing Entity</i>	<i>Road Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status*</i>	<i>Project Selection Method</i>
Western Federal Lands Highway Division	Kwethluk Airport Roads Improvements and Extensions	\$2,500,000	Design	Scoring and ranking
Western Federal Lands Highway Division	Kwigillingok Kuicuaq Slough ATV Trail	\$150,000	Construction	Discussion and consensus
Western Federal Lands Highway Division	Manley Hot Springs Community Streets	\$2,150,000	Design	Scoring and ranking
Western Federal Lands Highway Division	Manokotak Heights Road Reconstruction	\$3,500,000	Design	Scoring and ranking
Western Federal Lands Highway Division	McGrath Road Reconstruction	\$1,986,354	Design	Scoring and ranking
Western Federal Lands Highway Division	Metlakatla Walden Point Road	\$1,050,000	Complete	Scoring and ranking
Western Federal Lands Highway Division	Shaktoolik Evacuation Road	\$1,000,000	Design	Discussion and consensus
Western Federal Lands Highway Division	Statewide Technical Services	\$300,000	Construction	Discussion and consensus
Western Federal Lands Highway Division	Stevens Village Access Road	\$545,150	Design	Scoring and ranking
Western Federal Lands Highway Division	Tununak ATV Geo-Tech Trail	\$2,700,000	Design	Scoring and ranking
			60 scoring and ranking	
Total Road Projects		\$58,508,483		15 discussion and consensus

* Project Status Terms

Planning: Includes investigation of transportation needs, planning and reconnaissance engineering studies, dock and other waterfront development analyses, final mapping, and research.

Design: Includes pre-construction activities, including preliminary engineering; NEPA studies; right-of-way and utilities analysis; plans, specifications, and estimates; and construction contract document development.

Construction: Includes construction contract bidding, selection, award, and execution. Project plans are complete and projects are ready to go or underway.

Complete: All phases of work have been completed and final inspections conducted.

Cancelled/On Hold: The sponsor is unable to execute the selected project; or projects that have not proceeded and might be re-scoped or cancelled.

Source: OIG analysis of Commission data.

Exhibit B. Commission-Funded Transportation Projects by Implementing Entity, Fiscal Years 2006 through 2009

<i>Implementing Entity</i>	<i>Waterfront Development Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status *</i>	<i>Project Selection Method</i>
Alaska Department of Transportation and Public Facilities	Gustavus Small Boat Float Design	\$95,200	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Gustavus Transient Vessel Mooring Facility	\$812,500	Construction	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Naukati Small Boat Float	\$54,582	Design	Scoring and ranking
Alaska Department of Transportation and Public Facilities	Whale Pass Small Boat Float	\$54,582	Design	Scoring and ranking
Alaska Energy Authority	Community and Barge Landing Roads Design	\$71,159	Design	Scoring and ranking
Alaska Energy Authority	Kwethluk Barge Landing and Jay Hammond Road	\$36,584	Design	Scoring and ranking
Alaska Village Electric Cooperative	Mekoryuk Harbor Repairs, Dredging, and Construction	\$571,450	Complete	Scoring and ranking
Aleutians East Borough	False Pass Boat Harbor Rehabilitation and Expansion	\$1,020,000	Complete	Scoring and ranking
Association of Village Council Presidents	Atmautluak Float Dock Replacement	\$15,000	Construction	Scoring and ranking
Association of Village Council Presidents	Kongiganak Barge Landing	\$500,000	Construction	Scoring and ranking
Bristol Bay Borough	Port of Bristol Bay Dock Expansion and Repair	\$1,700,000	Construction	Scoring and ranking
City and Borough of Juneau	Auke Bay Commercial Landing Facility	\$1,000,000	Complete	Scoring and ranking
City and Borough of Sitka	Old Thomsen Harbor Replacement	\$1,300,000	Construction	scoring and ranking
City of Akutan	Port and Ferry Dock Improvement	\$434,000	Design	Scoring and ranking
City of Bethel	Boat Harbor Rehabilitation Port Multi-Facility Improvement and Upgrade	\$520,000	Complete	Scoring and ranking
City of Bethel	Brown's Slough Bank Stabilization	\$570,000	Complete	Scoring and ranking
City of Cordova	Boat Haulout Structures	\$829,000	Construction	Scoring and ranking

Exhibit B. Commission-Funded Transportation Projects by Implementing Entity, Fiscal Years 2006 through 2009

<i>Implementing Entity</i>	<i>Waterfront Development Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status *</i>	<i>Project Selection Method</i>
City of Dillingham	Small Boat Harbor Ramps	\$350,000	Construction	Scoring and ranking
City of Haines	Haines Harbor Floats	\$800,000	Complete	Scoring and ranking
City of Hoonah	Marine Industrial Center Phase II	\$300,000	Complete	Scoring and ranking
City of Ketchikan	Knudson Cove Harbor Rehabilitation	\$413,000	Complete	Scoring and ranking
City of Ketchikan	Waterfront Reconfiguration	\$1,600,000	Complete	Scoring and ranking
City of King Cove	North Old Boat Harbor Reconstruction	\$1,500,000	Construction	Scoring and ranking
City of Kodiak	Pier 3 Cargo Terminal Repair	\$300,000	Complete	Scoring and ranking
City of Nenana	Nenana Tug and Barge Port	\$850,000	Construction	Scoring and ranking
City of Nome	Low-Level Dock Float	\$1,000,000	Complete	Scoring and ranking
City of Old Harbor	Small Boat Harbor Renovations	\$1,200,000	Construction	Scoring and ranking
City of Pelican	Harbor Tee Floats	\$100,000	Complete	Scoring and ranking
City of Seward	East Harbor Reconstruction	\$1,000,000	Construction	Scoring and ranking
City of Skagway	Boat Harbor Wave Attenuator	\$500,000	Complete	Scoring and ranking
City of Thorne Bay	Davidson Landing Harbor Repairs	\$100,000	Complete	scoring and ranking
City of Wrangell	Heritage Harbor Transient Floats	\$1,000,000	Construction	Scoring and ranking
Kawerak, Inc.	Diomedes Island Marine Facilities Preliminary Engineering	\$600,000	Design	Scoring and ranking
Lake and Peninsula Borough	Lake Iliamna Multiple Community Barge Landings	\$300,000	Design	Scoring and ranking
North Pacific Rim Housing Authority	Chenega Bay Small Boat Harbor Rehabilitation	\$1,138,813	Construction	Scoring and ranking
North Pacific Rim Housing Authority	Tatitlek Dock Design Repairs	\$367,000	Complete	Scoring and ranking

Exhibit B. Commission-Funded Transportation Projects by Implementing Entity, Fiscal Years 2006 through 2009

<i>Implementing Entity</i>	<i>Waterfront Development Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status *</i>	<i>Project Selection Method</i>
North Slope Borough	Wainwright Lagoon Boat Ramp, Boat Launch Ramp	\$379,212	Construction	Scoring and ranking
Organized Village of Kake	Multi-Use Dock	\$1,000,000	Construction	Scoring and ranking
U.S. Army Corps of Engineers	Barge Landing Design - Aniak	\$150,000	Design	Discussion and consensus
U.S. Army Corps of Engineers	Barge Landing Design - Chuathbaluk	\$122	Cancelled/On Hold	Discussion and consensus
U.S. Army Corps of Engineers	Barge Landing Design - Kipnuk	\$935	Cancelled/On Hold	Discussion and consensus
U.S. Army Corps of Engineers	Barge Landing Design - Kongiganak	\$16,136	Design	Discussion and consensus
U.S. Army Corps of Engineers	Barge Landing Design - McGrath	\$24,683	Design	Discussion and consensus
U.S. Army Corps of Engineers	Barge Landing System Design - Statewide Design	\$676,105	Construction	Discussion and consensus
U.S. Army Corps of Engineers	Barge Landing System Design - Statewide Mooring Points	\$1,500,000	Construction	Discussion and consensus
U.S. Army Corps of Engineers	Chevak Mooring Points	\$270,000	Construction	Scoring and ranking
U.S. Army Corps of Engineers	Chignik Small Boat Harbor and Harbor Dredging	\$1,000,000	Construction	Scoring and ranking
U.S. Army Corps of Engineers	Cordova Harbor Storm Breakwater	\$116,889	Design	Scoring and ranking
U.S. Army Corps of Engineers	Eek Barge Landing	\$300,000	Design	Scoring and ranking
U.S. Army Corps of Engineers	Elim Barge Landing	\$300,000	Design	Discussion and consensus
U.S. Army Corps of Engineers	Kwinhagak Quinhagak Harbor Entrance Improvements	\$200,000	Planning	Discussion and consensus
U.S. Army Corps of Engineers	Nanwalek Safe Harbor Study	\$140,000	Planning	Discussion and consensus
U.S. Army Corps of Engineers	Nondalton Dock and Launch Ramp	\$150,000	Planning	Scoring and ranking
U.S. Army Corps of Engineers	Pelican Harbor Rehabilitation Construction	\$1,017	Cancelled/On Hold	Scoring and ranking

Exhibit B. Commission-Funded Transportation Projects by Implementing Entity, Fiscal Years 2006 through 2009

<i>Implementing Entity</i>	<i>Waterfront Development Project</i>	<i>Commission Funds</i>	<i>June 2010 Project Status *</i>	<i>Project Selection Method</i>
U.S. Army Corps of Engineers	Perryville Dock Conceptual Design	\$87,604	Design	Scoring and ranking
U.S. Army Corps of Engineers	Port Graham Public Dock Reconnaissance	\$50,000	Planning	Discussion and consensus
U.S. Army Corps of Engineers	Port Lions City Dock and Ferry Terminal Repairs	\$50,000	Planning	Discussion and consensus
U.S. Army Corps of Engineers	Saint Paul Harbor Improvements - Phase III Small Boat Harbor	\$600,000	Design	Scoring and ranking
U.S. Army Corps of Engineers	Seldovia Harbor Improvements	\$200,000	Design	Scoring and ranking
U.S. Army Corps of Engineers	Statewide Construction Inspection Services	\$75,000	Construction	Scoring and ranking
Western Federal Lands Highway Division	Coffman Cove Dock	\$1,650,000	Construction	Scoring and ranking
Western Federal Lands Highway Division	Galena Barge Dock Planning, Design, and Construction	\$1,623,166	Construction	Scoring and ranking
Yakutat Borough	Multi-Purpose Dock Construction – Yakutat	\$696,000	Complete	Scoring and ranking
			51 scoring and ranking	
Total Waterfront Development Projects		\$34,259,739		12 discussion and consensus

* Project Status Terms

Planning: Includes investigation of transportation needs, planning and reconnaissance engineering studies, dock and other waterfront development analyses, final mapping, and research.

Design: Includes pre-construction activities, including preliminary engineering; NEPA studies; right-of-way and utilities analysis; plans, specifications, and estimates; and construction contract document development.

Construction: Includes construction contract bidding, selection, award, and execution. Project plans are complete and projects are ready to go or underway.

Complete: All phases of work have been completed and final inspections conducted.

Cancelled/On Hold: The sponsor is unable to execute the selected project; or projects that have not proceeded and might be re-scoped or cancelled.

Source: OIG analysis of Commission data.

Exhibit B. Commission-Funded Transportation Projects by Implementing Entity, Fiscal Years 2006 through 2009

EXHIBIT C. EVALUATION CRITERIA FOR PROJECT SELECTION SCORING AND RANKING

<i>Evaluation Criteria</i>	<i>Description</i>	<i>Weighted Score</i>
Road Projects		
Health and Quality of Life	Air and water quality, basic infrastructure quality, access to health care, water and sewer facilities, and other basic services	7
Public Support	Community or regional support	4
Project Type	Rehabilitation, reconstruction, or new construction	3
Economic Value	Road repair, reroute, or rehabilitation	3
Project Stage	Project stage-new start, design start, design complete or construction ready	3
Capital Costs	Contributions to capital costs of project	3
Safety	The primary purpose of the project is to improve a demonstrated safety hazard	2
Connectivity	Improves intermodal connections to airport, barge landing, port, or dock or reduces redundant facilities	2
Joint Project	Joint project funding or in-kind services	2
Maintenance	Ability of project to either reduce maintenance costs, or ability of project to allow a road or street to be maintained to standards	2
Total Points for Road Projects		31
Waterfront Development Projects		
Safety	The primary purpose of the project is to improve operational safety	5
Public Support	Community or regional support	5
Connectivity	Improves Intermodal connections to airport, barge landing, port, or dock or reduces redundant facilities	4
Maintenance	Reduce maintenance costs	3
Operations	Project components important to safe and economic operations	3
Service Life	The period of years repaired, rehabilitated, or constructed component will last	3
Economic Value	Improves economic conditions locally or regionally; provides intermodal connections that enhance economic values	2
Harbor Capacity	Increases harbor capacity to meet new subsistence, commercial or charter fleet vessels	2
Project Stage	Project stage-new start, design start, design complete or construction ready	2
Total Points for Waterfront Development Projects		29

Source: Denali Commission

Exhibit C. Evaluation Criteria for Project Selection Scoring and Ranking

EXHIBIT D. MAJOR CONTRIBUTORS TO THIS REPORT

<u>Name</u>	<u>Title</u>
Gary Middleton	Program Director
Brenda James	Program Director
Jay Swartzbaugh	Project Manager
Christopher Minovich	Senior Auditor
Calvin Moore	Analyst
Adam Tabaka	Analyst
Jamila Mammadova	Analyst
Petra Swartzlander	Senior Statistician
Seth Kaufman	Senior Counsel
Karen Sloan	Communications Officer
Harriet Lambert	Writer-Editor

APPENDIX. AGENCY COMMENTS



U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

Subject: **INFORMATION**: Federal Highway Administration
Response to the Office of Inspector General (OIG)
Draft Report on DOT's Oversight of the Denali Commission's
Use of Federal Transportation Funds (10U3004M000)

Date: January 25, 2011

From: Victor M. Mendez
Administrator

Reply to
Attn. of: HDA-AK

To: Calvin L. Scovel III
Inspector General (JA-1)

The Federal Highway Administration (FHWA) is fully committed to carrying out its stewardship and oversight responsibilities to ensure Federal highway funds are spent on prudent transportation investments. Accordingly, FHWA has worked with the Denali Commission (Commission) as established by the Denali Commission Act of 1998 as amended by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The Commission is an independent Federal entity intended, in part, to address some of the unique transportation challenges faced by Alaska's rural residents given the State's size and the remoteness of its communities and villages. Funds for this program have been used for road and resource development projects, including projects to connect rural communities, enhance transportation safety, and provide emergency evacuation routes.

Although neither the statute, nor the 2006 Memorandum of Understanding between FHWA and the Commission, established authority for FHWA oversight of the Commission's transportation project selection process or compliance with Title 23 United States Code (U.S.C.) requirements, FHWA has advised the Commission in establishing processes and procedures to deliver the types of transportation projects envisioned under the Denali Commission Act of 1998. Project selection



responsibility was assigned by SAFETEA-LU, Section 1960 amending the Denali Access System Program, Section 309(b)(4) to establish a Transportation Advisory Committee (TAC) that advises the Commission on transportation needs and coordinates, plans, prioritizes, and facilitates the Commission's transportation work. With the exception of authorizing funding from the Highway Trust Fund, SAFETEA-LU assigns all responsibility for identifying and carrying out projects to the Commission upon the advice of the TAC.

As described in response to the following recommendations, the FHWA will continue within its limited statutory authority to advise the Commission on policy and project development procedures pursuant to effectively addressing its responsibilities for federally funded transportation projects. We continue to be encouraged by the Commission's commitment in working with FHWA to improve its processes and procedures to deliver effective transportation projects.

OIG Recommendations and FHWA Actions

Recommendation 1: To ensure the project selection process is objective and transparent, the OIG recommends that the FHWA advise the Commission to either eliminate the discussion and consensus method or define limited circumstances in which its use is appropriate.

Response: Concur. The Commission uses two main methods to select transportation projects. The project scoring and ranking method requires the Commission to publish in advance on its Web site selection criteria and requirements. The discussion and consensus method is designed to provide for decisionmaking based on professional judgment. Over 80 percent of Commission-funded projects accounting for 94 percent of its use of funds from 2006 through 2009 were selected using the project selection approach, where projects were selected using published criteria.

To help enhance the transparency of the Commission's project selection process, the FHWA has advised the Commission to either eliminate the discussion and consensus method or to explicitly define those circumstances when its use is appropriate. Based on those discussions, the Commission has informed FHWA that work is underway to revise its consensus method process. As it believes the consensus method remains a valuable tool, the Commission is developing a set of provisions that more clearly define the appropriate use of the consensus method during the project selection process and FHWA will continue to advise and collaborate with the Commission to address this effort. As FHWA, in its advisory capacity, has completed the recommended action, it considers this recommendation closed.

Recommendation 2: To ensure the project selection process is objective and transparent, the OIG recommends that the FHWA advise the Commission to maintain detailed minutes, such as transcripts, of TAC project selection and funding discussions, including recusals from scoring and voting and the basis for each recusal.

Response: Concur. While the Commission currently maintains minutes of the TAC meetings, it recognizes records can be improved by including additional detail. The FHWA has advised the Commission, and the Commission agrees, on the importance of more detailed minutes to enhance transparency of the project selection process and funding discussions, including recusals from

scoring and voting and the basis for each recusal. As FHWA, in its advisory capacity, has completed the recommended action, it considers this recommendation closed.

Recommendation 3: To ensure TAC members' selection decisions are free from conflicts of interest, the OIG recommends that the FHWA collaborate with the Commission to establish annual training for TAC members on how to avoid the appearance of or actual conflicts of interest.

Response: Concur. As noted in the OIG draft report, TAC members are not required to follow Federal conflict of interest prevention measures, such as attending ethics training, signing ethics agreements, or submitting financial disclosure statements. The TAC currently operates under guidance which instructs TAC members to recuse themselves from voting when they, their employer, or a family member might benefit from a project selection.

The FHWA has advised the Commission that the Federal model for avoiding conflict of interest represents sound practices that could help the Commission better assure selection decisions are free from actual or perceived conflicts of interest, and we have provided relevant training materials for the Commission's review and consideration. Based on those discussions, the Commission has informed FHWA it plans to revise its TAC Roles and Responsibilities to address the OIG's findings by adding a requirement that TAC members receive annual ethics training and certify their attendance at the training session. The FHWA reviewed the draft revised TAC Roles and Responsibilities and provided comments to the Commission and will continue to collaborate with the Commission to achieve a strengthened conflict of interest process and required ethics training program. As FHWA, in its advisory capacity, has completed the recommended action, it considers this recommendation closed.

Recommendation 4: To ensure TAC members' selection decisions are free from conflicts of interest, the OIG recommends that the FHWA collaborate with the Commission to develop a requirement for TAC members to certify that the appearance of or actual conflicts of interest are fully disclosed prior to project selection activities.

Response: Concur. As noted in response to Recommendation 3, TAC members are not required to follow Federal conflict of interest prevention measures, such as attending ethics training, signing ethics agreements, or submitting financial disclosure statements. The FHWA has advised the Commission of the advisability of taking steps to better assure selection decisions are free from actual or perceived conflicts of interest. Based on those discussions, the Commission has informed FHWA it plans to revise its TAC Roles and Responsibilities to address the OIG's findings and require TAC members certify either verbally or in written form, when a member has a conflict of interest. The certification is required to be retained in the record of the TAC proceedings. As FHWA, in its advisory capacity, has completed the recommended action, it considers this recommendation closed.

Recommendation 5: To ensure TAC members' selection decisions are free from conflicts of interest, the OIG recommends that the FHWA collaborate with the Commission to design mechanisms for Commission staff to verify that TAC members participate in annual training, fully disclose conflicts of interest, and recuse themselves appropriately.

Response: As noted in response to the recommendations above, TAC members are not required to follow Federal conflict of interest prevention measures, such as attending ethics training, signing ethics agreements, or submitting financial disclosure statements. As part of the discussion enumerated in response to the previous recommendations, the FHWA has included information relating to the importance of maintaining records to verify that all TAC participants receive ethics training and disclose any potential conflicts of interest prior to project selection activities and recusal. As FHWA, in its advisory capacity, has completed the recommended action, it considers this recommendation closed.

Recommendation 6: To ensure that the Commission receives the information and documentation necessary to determine whether transportation projects are constructed in a fiscally sound, efficient, effective, and appropriate manner, the OIG recommends that the FHWA collaborate with the Commission to develop an oversight process that specifies the Commission's responsibilities and actions to verify that grantee-supplied information demonstrates compliance with applicable Title 23 U.S.C. requirements.

Response: Concur. While the Commission has processes and agreements in place to address compliance with Title 23 U.S.C., those oversight processes can be strengthened by specifying the Commission's responsibilities and actions to verify that grantee-supplied information demonstrates compliance with applicable Title 23 U.S.C. requirements. These actions can be targeted to enhance the program within the resources available to the Commission. We have provided FHWA's program and risk analysis standard operating procedures as a framework for the Commission's use and will continue to provide technical assistance to help the Commission further strengthen its oversight review and processes. As FHWA, in its advisory capacity, has completed the recommended action, it considers this recommendation closed.

The FHWA appreciates the OIG's efforts throughout the audit. We particularly appreciate the time and effort that the OIG staff has devoted to the report and allowed for this response, which has enabled FHWA staff to ensure that the points were fully and effectively addressed by the Commission. The FHWA is committed to continuing to provide advisory and technical assistance to the Commission. We are also committed to continuing to collaborate with the Commission as it takes additional measures to further implement ethics reforms and steps to strengthen its oversight processes and transparency. If you have any questions or comments regarding this response, please contact David Miller, FHWA Alaska Division Administrator on (907) 586-7180.