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Federal inquiry targets Alaska Native corporations

Jill Burke | Oct 18, 2011

A congressional watchdog will probe the finances of Alaska Native corporations and how closely they're monitored.

Alaska's 13 Native regional corporations and the regulatory framework that governs their financial reporting will be at the center of an inquiry requested by the House Natural Resources Committee, said Anu Mittal, director of Government Accountability Office's Natural Resources and Environment Team. Rep. Don Young, R-Alaska, serves on the committee.

"The focus of this study is on financial reporting requirements and what kind of information the regional corporations are providing their shareholders," Mittal said Monday.

Among the questions the GAO will examine: state financial reporting requirements, similarity to federal regulations, who's responsible for monitoring and enforcement, and whether shareholders are getting what they need.

Because the project is in what Mittal called the "design phase," her team is looking to amass as much information as possible about the regional Alaska Native corporations. Then the GAO will narrow its focus.

"At this point," Mittal said, "we haven't ruled anything out."

The GAO investigates how federal tax dollars are spent, and has in the past looked into the special contracting preferences uniquely available to Native corporations. Those preferences -- known as 8 (a) contracts in reference to the section of the **Small Business Act** under which they are covered -- have in recent years come under intense scrutiny.

Advocates of the contracting perks have claimed the scrutiny is unfair and that Native-run companies are being targeted solely because of their rising success. Yet fraud and abuse has taken place. Earlier this month, charges were filed in an alleged fraud scandal involving an executive from an Alaska Native corporation-run business called Eyak Technology and procurement officers with the U.S. Army Corps of Engineers. In announcing four arrests connected to their investigation, Justice Department officials called the **\$20 million scheme** "one of the most brazen corruption schemes in the history of federal contracting."

In response to the high-profile bust, which centered on federal contracts being improperly steered, U.S. Rep. Ed Markey, D-Mass., has asked the Department of Homeland Security to hand over e-mails, contracting records and other documents as part of an expansive congressional probe, according to the **Washington Post**.

Markey is also the driving force behind the GAO investigation. Markey made the request in June as part of his duties as ranking member on the House Natural Resources Committee, which has jurisdiction over Indian and Alaska Native affairs, according to a spokesperson from his Washington D.C. office. That spokesperson said the request preceded and is unrelated to the inquiry into the EyakTek scandal.

Shareholders frustrated with their corporations are likely to give the GAO an earful about the inadequacy of the oversight of Alaska Native corporations. Unhappy shareholders of the ailing 13th Regional Corp. -- Alaska's only landless corporation, shareholders of which largely live out of state -- have long complained they can't seem to get answers about or help with the troubled corporation or

its board members, who shareholders have said routinely dodge demands for transparency and adherence to state financial reporting laws.

The corporation's unknown status -- created by its lack of communication to shareholders and presumed dire financial condition -- is a maddening phenomena for shareholders who believe board members of the 13th have played fast and loose with what money may still exist and who have failed, as required by law, to be transparent about the corporation's affairs and fiscal status. They have nagged state agencies to do something -- anything -- to get the attention of board members and force some kind of helpful action.

And they have called on Alaska's congressional delegation, too. Alaska Native corporations owe their very existence to federal mandates that not only gave birth to them but also endow them with special access to government contracts and instill in them **significant responsibility to use earnings** to improve the lives of shareholders.

Historically, Alaska's federal delegation -- to whom shareholders of 13th have in the past gone for assistance -- **haven't exactly jumped at the chance to insert themselves in the controversy.**

Several of the state's 12 other regional corporations have done incredibly well, with many boasting multimillion and multibillion dollar operations that ultimately are required to provide for their shareholders. There is constant debate about whether the corporations are doing enough, or the right things, to follow through on that mandate.

Although the GAO is still tailoring the focus of its probe, there's already an email box for comments: **ANCfeedback@GAO.gov**. The group expects to make a formal announcement about its inquiry into Alaska Native corporations at an upcoming conference in Portland, Ore.

Contact Jill Burke at **jill(at)alaskadispatch.com**



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