



Highlights of [GAO-10-917T](#), a testimony before the Subcommittee on Insular Affairs, Oceans and Wildlife, Committee on Natural Resources, House of Representatives

### Why GAO Did This Study

U.S. insular areas face serious economic and fiscal challenges and rely on federal funding to support their governments and deliver critical services. The Department of the Interior, through its Office of Insular Affairs (OIA), provides about \$70 million in grants annually, including technical assistance grants, to increase insular area self-sufficiency. In the past, GAO and others have raised concerns regarding insular areas' internal control weaknesses, which increase the risk of grant fund mismanagement, fraud, and abuse.

In March 2010, GAO reported on insular area grants ([GAO-10-347](#)); this testimony summarizes that report and focuses on (1) whether previously reported internal control weaknesses have been addressed and, if not, to what extent they are prevalent among OIA grant projects, including technical assistance grant projects, as of March 2010; and (2) the extent to which OIA has taken action to improve the implementation and management grant projects, as of March 2010.

For the March 2010 report, GAO reviewed a random sample of 173 OIA grant project files and interviewed OIA and insular area officials. For this testimony, GAO conducted additional analysis for the 49 technical assistance grant projects included in the sample.

GAO's March 2010 report contained three recommendations. Interior agreed with the recommendations. This testimony statement contains no new recommendations.

View [GAO-10-917T](#) or key components. For more information, contact Anu K. Mittal at (202) 512-3481 or [mittala@gao.gov](mailto:mittala@gao.gov).

## U.S. INSULAR AREAS

### Interior's Management and Oversight of Insular Area Grants

#### What GAO Found

Internal control weaknesses previously reported by GAO and others continue to exist, and about 40 percent of grant projects funded through OIA have these weaknesses, which may increase their susceptibility to mismanagement. These weaknesses can be categorized into three types of activities: grant recipient activities, joint activity between grant recipients and OIA, and OIA's grant management activities. As shown in the table below, for the 49 technical assistance grant projects in GAO's sample, the most prevalent weaknesses were insufficient reporting and record-keeping discrepancies.

**Prevalence of GAO-identified Internal Control Weaknesses for 49 Technical Assistance Grant Projects Included in GAO's Sample of 173 OIA Grant Project Files**

Internal control weaknesses	Number of grant projects with internal control weakness <sup>a</sup>
<b>Grant recipient activities</b>	
Failure to submit required status reports in full and on time	42 out of 49
Failure to submit required final reports on time (closed grants only)	16 out of 30
Projects' expected or actual completion date fall after grant expiration	8 out of 49
Drawing down funds faster than project progress (open grants only)	0 out of 19
<b>Joint activity between grant recipients and OIA</b>	
Redirection of project funds	Not applicable
<b>OIA grant management activities</b>	
Information in grant management database does not match grant file	39 out of 49
Unexpended funds are not deobligated (closed grants only)	0 out of 30
Field representatives perform less than half of all site visits	Not applicable

Source: GAO analysis of OIA documents.

<sup>a</sup>Results based on GAO's independent review of 49 technical assistance grant project files.

Over the past 5 years, OIA has taken steps to improve project implementation and management. Most notably, OIA established incentives for financial management improvements and project completion by tying a portion of each insular area's annual allocation to the insular governments' efforts in these areas—such as their efforts to submit financial and status reports on time. In addition, OIA established expiration dates for grants to encourage expeditious use of the funds. Despite these and other efforts, some insular areas are still not completing their projects in a timely and effective manner, and OIA faces key obstacles in compelling them to do so. Specifically, (1) current OIA grant procedures provide few sanctions for delayed or inefficient projects, and the office is not clear on its authorities to modify its policies; (2) resource constraints impede effective project completion and proactive monitoring and oversight; (3) inconsistent and insufficiently documented project redirection policies do little to discourage insular areas from redirecting grant funds in ways that hinder project completion; and (4) OIA's current data system for tracking grants is limited and lacks specific features that could allow for more efficient grant management.