

GAO Highlights

Highlights of [GAO-14-243T](#), a testimony before the Subcommittee on Fisheries, Wildlife, Oceans and Insular Affairs, Committee on Natural Resources, House of Representatives

Why GAO Did This Study

In 2003, the U.S. government approved amended Compacts of Free Association with the FSM and the RMI, providing for a total of \$3.6 billion in assistance over 20 years. This testimony draws from GAO's September 2013 report on the use and accountability of these funds to review (1) the FSM's and RMI's use of compact funds in the education and health sectors; (2) the extent to which the FSM and RMI have made progress toward stated goals in education and health; and (3) the extent to which oversight activities by the FSM, RMI, and U.S. governments ensure accountability for compact funding. Like the report, this testimony also provides information on infrastructure spending in the education and health sectors. GAO reviewed relevant documents and data, including single audit reports; interviewed officials from Interior, other U.S. agencies, and the FSM and RMI; assessed data reliability for subsets of both countries' education and health indicators; and visited compact-funded education and health facilities in both countries.

What GAO Recommends

GAO is not making new recommendations. In its September 2013 report, GAO recommended that, among other actions, Interior should (1) take all necessary steps to ensure the reliability of FSM and RMI indicators in education and health, (2) assess whether to designate each country as high risk, and (3) take actions to correct its disproportionate staffing shortage related to compact grant implementation and oversight. Interior generally agreed with the recommendations and identified actions taken, ongoing, and planned.

View [GAO-14-243T](#). For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

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COMPACTS OF FREE ASSOCIATION

Actions Needed to Improve Oversight and Accountability of U.S. Assistance to Micronesia and the Marshall Islands

What GAO Found

In fiscal years 2007 through 2011, the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI) spent at least half their compact sector funds in the education and health sectors. Because both countries spent significant amounts of compact funds on personnel in those sectors, the U.S.–FSM and U.S.–RMI joint management and accountability committees capped budgets for personnel in those sectors at fiscal year 2011 levels due to concerns about the sustainability of sector budgets as compact funding continues to decline through fiscal year 2023. As required by the committees, the FSM states completed plans to address annual decreases in compact funding; however, as of August 2013, the FSM National Government and the RMI had not submitted plans to address the annual decreases. Without such plans, the countries may not be able to sustain essential services in the education and health sectors.

Data reliability issues hindered GAO's assessment of each country's progress in the education and health sectors for fiscal years 2007 through 2011. Although both countries tracked annual indicators in these sectors during this period, GAO determined that many of these data were not sufficiently reliable for the purpose of measuring progress for the compacts as a whole over the time frame. In education, GAO found 3 of 14 indicators in the subsets of indicators it reviewed for both countries to be sufficiently reliable. GAO found a variety of education data reliability problems; for example, the four FSM states did not use common definitions for some indicators, resulting in inconsistent data for those indicators, and in the RMI some indicators lacked data from the outer islands. In the health sector, GAO determined that data for all 5 of the subset of indicators it reviewed in the FSM were not sufficiently reliable, and in the RMI, 1 health indicator was sufficiently reliable, 2 were not sufficiently reliable, and for 2 others, GAO had no basis to judge due to insufficient information. The joint management and accountability committees have raised concerns about the reliability of FSM's education and health data and RMI's health data and required each country to obtain an independent assessment and verification of these data; both countries have yet to meet that requirement. Without reliable data, the countries cannot assess progress toward their goals in the education and health sectors.

The single audit reports GAO reviewed indicated challenges to ensuring accountability of U.S. funds in the FSM and RMI. For example, the governments' single audits showed repeat findings and persistent problems in noncompliance with U.S. program requirements, such as accounting for equipment. The Department of the Interior (Interior) has taken steps regarding accountability of compact funds, such as establishing a financial control commission in one FSM state, but Interior has not coordinated with other U.S. agencies about the risk status of the FSM and RMI and whether to designate either country as a high-risk grantee. Furthermore, the FSM, RMI, and U.S. offices responsible for compact administration faced limitations hindering their ability to conduct compact oversight. For example, Interior's Office of Insular Affairs (OIA) experienced a staffing shortage that disproportionately affected compact grant oversight compared to other OIA activities, leaving 6 of 11 planned positions for compact oversight unfilled as of 2012 and 5 of 11 still unfilled as of 2013.