The U.S. insular areas of American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, and the U.S. Virgin Islands (USVI), face long-standing economic, fiscal, and financial accountability challenges. The economic challenges stem from dependence on a few key industries, scarce natural resources, small domestic markets, limited infrastructure, shortages of skilled labor, and reliance on federal grants to fund basic services. To help diversify and strengthen their economies, OIA sponsors conferences and missions to the areas to attract U.S. businesses; however, there has been little formal evaluation of these efforts.

After fiscal year 2001, government spending in the CNMI, Guam, and USVI exceeded revenues through fiscal year 2004 (the most recent year for which there is complete data on all four areas). As a result, their fiscal conditions weakened further during this period. CNMI and USVI ended fiscal year 2004 with negative net government assets. For American Samoa the picture was mixed, with more stability than the other areas in the period 2001 through 2003, but a downturn in the balance of governmental funds by the end of fiscal year 2004.

Efforts to meet formidable fiscal challenges and build strong economies are hindered by delayed and incomplete financial reporting that does not provide timely and complete information to management and oversight officials for decision making. The insular area governments have had long-standing financial accountability problems, including the late submission of required single audits, the receipt of disclaimer or qualified audit opinions, and the reporting of many serious internal control weaknesses. These problems have resulted in numerous federal agencies designating these governments as “high-risk” grantees. The Department of the Interior and the federal agencies are working to help these governments improve their financial accountability, but greater coordination among the agencies would increase the effectiveness of their efforts.