

GAO
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Highlights

Highlights of [GAO-07-119](#), a report to Committee on Energy and Natural Resources, U.S. Senate

Why GAO Did This Study

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. GAO was requested to identify and report on the (1) economic challenges facing each government, including the effect of changing tax and trade laws on their economies; (2) fiscal condition of each government; and (3) financial accountability of each government, including compliance with the Single Audit Act, which applies to nonfederal entities that receive \$500,000 or more a year in federal funding.

What GAO Recommends

The Secretary of the Interior should direct the Deputy Assistant Secretary for Insular Affairs to (1) coordinate with other federal grant-making agencies on issues related to the insular area governments; (2) conduct periodic evaluations of the Department of the Interior's Office of Insular Affairs conferences and business-opportunities missions; (3) develop a framework for conducting site visits to help ensure objectives are achieved, information is shared, and monitoring is more efficient and effective; and (4) implement procedures for evaluation of progress made by the insular areas in resolving audit findings and set a time frame for achieving clean audit opinions. DOI agreed with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-119.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jeanette Franzel at (202) 512-9471 or franzelj@gao.gov.

U.S. INSULAR AREAS

Economic, Fiscal, and Financial Accountability Challenges

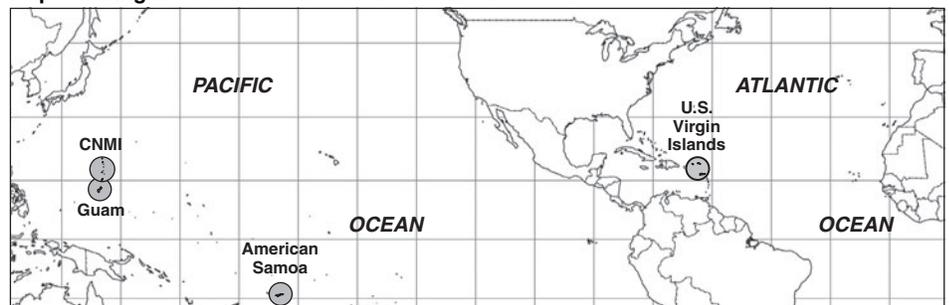
What GAO Found

The governments of the U.S. insular areas of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands face serious 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.

Map Showing Location of Four U.S. Insular Areas



Source: GAO and MapArt (map).