

Reviews of Financial Statements and Compliance with Federal Grant Program Requirements

The Department of the Interior's Office of Insular Affairs (OIA) continues to work with each insular government to help develop and implement processes designed to result in reliable financial data and improvements in the administration of Federal grant programs, many that provide funding for critical public services in the insular areas. A prime tool for identifying weaknesses in governmental processes are the Single Audit Reports completed by independent certified public accounting firms contracted by insular governments in compliance with the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156 as implemented under OMB Circular A-133. The Single Audit Reports provide assurances of the reliability of the data presented by the insular governments in their annual financial statements and also identify instances of the insular governments' noncompliance with Federal grant program requirements.

OIA reviews the Single Audit Reports and the insular governments' annual financial statements to help determine the financial position of the insular government and the actions taken to correct any identified noncompliance with Federal grant programs, i.e. the corrective action plan. The information is considered by OIA when determining levels of OIA funding to be awarded; the extent to which OIA may aid in the resolution of financial statement qualifications and Federal award audit findings; and OIA audit follow-up activities required to comply with Federal regulations and departmental policies. Additionally, OIA is communicating with Region IX's Federal Regional Council's Outer Pacific Committee to help establish a working group of Federal program managers and analysts. The objective of the working group is to develop procedures and coordinate training for those responsible for resolving systemic issues related to the insular government's administration of Federal grant programs.

OIA selected the Single Audits of 2004 as a base year for comparison in order to help monitor and evaluate the progress of each of the island governments to resolve audit findings and audit opinion qualifications. By tracking the progress, OIA is able to identify specific areas in which assistance such as technical advice, training, communication with Federal partners and outside expertise is needed.

All of the insular areas have shown marked improvements in the reliability of their financial data and in the administration of Federal grant programs. To date, 9 of the 11 insular governments (territories of Guam and the Northern Mariana Islands, and the Freely Associated States of the Republic of Palau, the Republic of the Marshall Islands, and the governments of the Federated States of Micronesia's, i.e. the National Government and the respective state governments of Chuuk, Kosrae, Pohnpei and Yap) have consistently received unqualified (clean) opinions from their respective independent auditors who review their financial statements. Moreover, with each passing year, the 11 insular governments have reduced the number of material audit findings and the amount of questioned costs related to Federal grant programs. Also, due to the increased accountability and accuracy of the financial data, Federal reviewers have been more successful in assisting the insular program managers to improve processes and, in some cases, the reviewers have been able to more successfully identify and investigate fraud, waste and abuse of Federal funds.

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HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE AWARDS TO AMERICAN SAMOA IN FY 2011

**Prepared for the Senior Plenary Session of the Interagency Group on Insular Areas
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The Office of Insular Affairs provided a substantial amount of financial assistance in fiscal year 2011 to assist American Samoa in a variety of areas ranging from infrastructure improvements to health care services.

HIGHLIGHTS:

- A total of \$10.5 million in CIP funding was awarded to American Samoa to address a variety of infrastructure needs including \$2.6 million to renovate and expand the Dialysis Unit at the LBJ Tropical Medical Center; \$1.6 million to continue building classroom buildings at elementary schools; and \$380,000 to complete the Petesa Happy Valley Village Road project.
- The American Samoa Power Authority was awarded \$596,000 in Empowering Insular Community funding for energy efficiency and conservation projects including a program to provide florescent bulbs to Manu'a residents and a recycling rebate project.
- \$600,000 was awarded to fund the American Samoa Air Transport Market Study through the Technical Assistance Program (TAP). The study will be to quantify and document the market demand for expanded air cargo and passenger transportation services at the territory's Pago Pago International Airport.
- \$400,000 was awarded to fund Lyndon B. Johnson Hospital for Practitioner training. The funds will be used to train LBJ practitioners, by 4 board-certified physicians, in order to improve healthcare services.

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HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE AWARDS TO GUAM IN FY 2011

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The Office of Insular Affairs provided a substantial amount of financial assistance in fiscal year 2011 to assist Guam in a variety of areas ranging from infrastructure improvements to case management system implementation.

HIGHLIGHTS:

- A total of \$5.26 million in CIP funding was awarded to address a variety of infrastructure needs including \$1.586 million for improvements the Nieves M. Flores Library in Hagatna; \$440,000 to continue the Gregorio D. Perez Marina Renovations project; and \$3 million
- \$16.8 million in Compact Impact grant funding was awarded for a number of projects including \$2.5 million for the Guam Memorial Hospital to purchase medical equipment, \$3.77 million for the Judiciary of Guam to implement a case management system, and \$500,000 for the Guam Department of Corrections to purchase standby generators.
- The Guam Waterworks Authority was awarded \$525,200 to replace two sets of pumps and motors at the Barrigada Sewer Pump Station in Barrigada, Guam. The Pump Station, a critical part of Guam's wastewater system, transports sewage from neighboring communities to the Hagatna Sewer Treatment Plant. The existing pumps had failed and the Authority lacked the resources to purchase replacements. Instead, salvaged parts were being used as a temporary fix but those parts were an imperfect fit and their use increased the risk of additional mechanical failure.
- The Guam Department of Agriculture received \$665,000 in Brown Treesnake (BTS) to conduct a public awareness campaign in preparation for planned landscape suppression activities as well to continue its BTS Control Program.
- The University of Guam received \$900,000 in Empowering Insular Communities funding to install wind turbines and rooftop solar arrays to reduce the University's reliance on fossil fuels by 2-5%.
- \$401,218.00 in Technical Assistance Program (TAP) funding was awarded to support the University of Guam (UOG) and the Micronesia Center for a Sustainable Future (MCSF) in specific categories, including Organizational Development, Office Set-Up, Development of an Information Portal, Demographic Data, Center for Island Sustainability, Career and Education,

Women's Organizations, and Regional Strategic Framework. The MCSF was established to create an islands-based model of renewable, sustainable and appropriate technologies to meet the needs of the island communities in the broader areas of environment, economy, society, and education. The UOG will assist the MCSF in its organizational development, program delivery and in building a regional strategic framework to ensure that representation, participation and collaboration of the Freely Associated States, Commonwealth of the Northern Mariana Islands, and the Guam communities and leadership occur as both the MCSF and UOG move forward in addressing sustainability issues facing their region.

- \$331,870.00 in TAP funding was awarded to the Guam Community College (GCC) to provide “green furniture and equipment for the Foundation Center at the GCC to promote its Green Initiative program. The Green Initiative Program is concerned with improving the knowledge base of the Guam communities regarding energy conservation issues.
- \$500,000 in TAP funding was awarded to the Guam Fire Department, for the purchase of three (3) new ambulances, one (1) ambulance will receive a replacement engine and all three new ambulances will have a 5-year maintenance contract. The Guam Fire Department was deploying an average of two and four and sometimes, one – ambulances for the entire daily. The lack of available ambulances was insufficient on many levels, which included:
 - The ambulance-to-population ratio;
 - The preferred emergency response time; and
 - The ability to respond to multiple requests simultaneously and throughout the island.

HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE AWARDS TO THE NORTHERN MARIANA ISLANDS IN FY 2011

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The Office of Insular Affairs provided a substantial amount of financial assistance in fiscal year 2011 to assist the Commonwealth of the Northern Mariana Islands (CNMI) in a variety of areas ranging from infrastructure improvements to invasive species control programs.

HIGHLIGHTS:

- A total of 10 million in CIP funding was awarded to the CNMI to address a variety of infrastructure needs including \$3.78 million for the Commonwealth Utilities Corporation to continue power generation improvement as well as to address Stipulated Order requirements, \$1.26 million to continue geothermal exploration activities on Saipan, and \$3.87 million for the construction of landfills on the islands of Rota and Tinian.
- The CNMI's Commonwealth Utilities Corporation was awarded \$265,800 in Water and Wastewater funding to acquire additional professional services; including an electrical engineer and two engineering technicians, to assist the Utility comply with U.S. EPA water and wastewater standards and improve its water and wastewater programs.
- The Department of Lands and Natural Resources received \$306,000 to continue the operation of its Brown Treesnake Interdiction Program intended to prevent the introduction of this harmful invasive species to the CNMI.
- The CNMI's Commonwealth Utilities Corporation was awarded \$500,000 in Empowering Insular Communities funding to conduct geophysical surveys in parallel with the geothermal exploration activities on Saipan.
- \$220,000 was awarded to the Commonwealth of the Northern Mariana Islands Department of Public Health. The funding will be used to enhance the Financial Management of the Department of Public Health by purchasing an archiving/digitizing system.
- A Total of \$1,000,000 was awarded to the CNMI based on recommendations contained in the Forum on Economic and Labor Development (FELD) report. The funding consists of the two following components:
 1. \$700,000- CNMI Department of Commerce will utilize the available funding for granting to eligible and qualified applicants including registered non-profit organizations to implement economic and labor enhancement programs in the CNMI. This includes programs to develop and enhance the areas of tourism, labor training programs to enhance professional skills to the CNMI's Labor workforce.
 2. \$300,000- The CNMI government will utilize the services of an Economic Advisor to develop CNMI Economic and Labor Enhancement Programs in the following areas: Tourism, Labor: Training & Vocational Skills, Agriculture & Aquaculture.

HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE AWARDS TO THE U.S. VIRGIN ISLANDS IN FY 2011

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The Office of Insular Affairs provided a substantial amount of financial assistance in fiscal year 2011 to assist the U.S. Virgin Islands in a variety of areas ranging from infrastructure improvements to system upgrades.

HIGHLIGHTS:

- A total of \$2.2 million in CIP funding was awarded to address landfill compliance and closure for the Anguilla and Bovoni Landfills. Of the \$2.2 million, \$1.3 million was awarded for the engineering, design, and construction costs associated with the closure of the Anguilla Landfill and \$834,000 will be used to close sections of the Bovoni Landfill in full compliance with all applicable EPA and other governmental regulations.
- \$1,125.00 to the Government of the United States Virgin Islands Bureau of Internal Revenue (BIR) for the BIR to purchase new technical equipment, hire new consultants and increase additional senior management staff. the new tools purchased with this funding will increase efficiency, provide greater transparency, and reduce fraud.
- \$594,820.00 awarded to the Virgin Islands Water and Power Authority (WAPA) to provide funding for the formation of the Energy Service Business Unit, which will help WAPA customers implement energy efficiency and renewable projects.
- \$500,000 awarded to the Government of the Virgin Islands to purchase two (2) new ambulances, non ambulance vehicles and medical equipment, immobilization/transport equipment, stretchers, and other medical items for the ambulances.
- \$170,577.00 additional funding (previous amount awarded in fiscal year 2010 - \$350,000.00) to the Government of the Virgin Islands Bureau of Internal Revenue for upgrade to the AS400 mainframe and the programming services to include the excise tax processing into the main AS400 tax processing system.

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**HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE
MAINTENANCE ASSISTANCE AWARDS (MAP)
TO THE U.S. INSULAR AREAS IN FY 2011**

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Maintenance Assistance Program (MAP) funding was awarded for the Pacific Lineman Training Program (PLT) which hones the skills of Pacific island power employees. OIA awarded \$305,000 for the PLT program in 2011 to provide 38 weeks of professional linemen training. Training includes the Basic Lineman Training Course as well as advanced training courses in Hot Line Work. The linemen will continue working towards U.S. Department of Labor Certification.

OIA engaged the Army Corps of Engineers, and its contractor Helber Hastert & Fee, to create a brief inventory and general assessment of the schools in the territories. The report is entitled *U.S. Insular Areas Education Facility Inventory and Condition Assessment Study (Phase I)*, and is available upon request. The Phase I report estimates that there are approximately 1,561 school buildings at 125 campuses. Of particular interest, the report states that the average age of these school buildings is in the range of 40 years and identifies common problems involving moisture penetration, structural problems, inadequate electrical systems, failing on-site infrastructure and functional obsolescence due to the age of the facilities.

- MAP awarded \$2.7 million in 2011, to begin *Phase 11A, Insular Schools: Assessment of Buildings and Classrooms (Insular A, B, C's)* Initiative. This project will be a partnership between the territories and OIA to conduct a thorough baseline inventory and assessment of all elementary, middle and high school buildings over 14 months. The baseline assessment will be updated annually through the reassessment of one third of total school facilities (Phase IIB). To maximize capacity building, the assessment teams will pair OIA contracted subject matter experts with local school facility maintenance personnel.
- The *Insular A, B, C's* Initiative will produce valuable insights for leadership decision-making including the overall physical condition of all school facilities; an accounting of deferred maintenance and replacement values to assist in capital investment decisions; and, indentifying trends in maintenance practices and requirements to pinpoint opportunities for efficiencies.

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