

U.S. Department of the Interior
OFFICE OF INSULAR AFFAIRS OVERVIEW
Prepared for the Briefing Book of the 2014 IGIA

The Office of Insular Affairs (OIA) carries out the Secretary's responsibilities with respect to U.S.-affiliated insular areas. The office is organized into three divisions:

- 1.) The Policy Division: performs general program, political, and economic analysis. It monitors and tracks Federal programs extended to the insular areas and handles legislative affairs, other than those related to the appropriations process. The Division coordinates and manages the Secretary's responsibilities in her role as Co-Chair of the Interagency Group on Insular Areas with White House Intergovernmental Affairs and coordinates communications and relations with other federal partners with programmatic responsibilities regarding the U.S. territories and the freely associated states (FAS). The Division is also responsible for the Compact Trust Funds and the Bikini and Rongelap Resettlement Trust Funds. The Division maintains a field presence in the U.S. Virgin Islands and American Samoa.
- 2.) The Technical Assistance Division: manages technical assistance grants and the budget for cooperative agreements for compelling needs in the U.S. territories. Activities often include, but are not limited to, building institutional capacity in the following critical areas: health care, education, public safety, data collection and analysis, fiscal accountability, energy, transportation, economic development and communication. The division also manages the Brown Tree Snake and Maintenance Assistance programs as well as payments to the U.S. Virgin Islands (rum excise taxes) and Guam (Section 30 income taxes).
- 3.) The Budget and Grants Management Division: is responsible for budget formulation and presentation, chief financial officer activities, and performance planning. It manages financial assistance under the three compacts of free association, operations and capital improvement grants for U.S. territories, Compact impact grants, and infrastructure-related assistance. The division monitors accountability issues and tracks insular area audit resolution, including Single Audits. The Division maintains an office in Hawaii for Compact oversight in the FSM and the RMI and also has a field presence in the same.

OIA is headed by the Assistant Secretary for Insular Areas, who is a political appointee and provides overall policy and budgetary direction for the Office on behalf of the Secretary. The Director of Insular Affairs is a career SES official who oversees the activities of all three OIA divisions. The Director acts on behalf of the Assistant Secretary when the latter is absent.

OIA continues to pursue the Department's program of empowering insular communities through activities that improve quality of life, create economic opportunity, and promote efficient and effective governance. Improvements to quality of life and economic opportunity are achieved in a variety of ways, including funding critical infrastructure such as schools, hospitals, roads, and environmental facilities. OIA also provides assistance to help the islands identify reforms to improve their business climates and become better stewards of Federal funds. A number of grants are now awarded according to criteria that reward good financial management.

Accountability and Audits in the U.S. Insular Areas
Internal Controls and the Administration of Federal Grant Programs
Briefing for the Interagency Group on Insular Areas, February 2014

The Office of Insular Affairs (OIA) helps insular governments improve general operations through more effective management processes and procedures (internal controls) particularly in the use of Federal funds. To support this mission, OIA provides: 1) direct financial assistance for projects identified as a priority by insular Government leadership, 2) training and workshops to help increase the capacity of the local workforce, and 3) technical advice and discussions with other Federal agencies to help address systemic issues. OIA also performs monitoring and oversight responsibilities, as required, for all reviews related to the Insular Areas.

The primary tools used to pinpoint weaknesses in internal controls are reviews of the insular government's use of Federal program grant funds. These reviews include program evaluations by Federal grantor agencies, annual financial and compliance audits completed under the Federal Single Audit Act of 1984 and its amendments, and reports (audits, evaluations, inspections and investigations) issued by Federal Offices of Inspector General (OIG) and the United States Government Accountability Office (GAO). The insular governments must prioritize full resolution of longstanding systemic problems or face possible restriction in Federal grant opportunities and reductions/repayment of Federal grant funds.

Federal Program Reviews - High Risk Designations and Special Conditions

When a Federal grantor agency has material concerns about an insular government's ability to properly account for Federal grants, the Federal agency may impose conditions for continued funding. In extreme situations, the Federal agency may declare the grant recipient "high risk". A "high risk" designation or the identification of material concerns allows a Federal grantor agency to impose special conditions that may include additional reporting requirements, verifications by review of documentation, and the requirement for improved internal controls. Additionally, a specific plan is developed to remove the "high risk" designation and the special conditions.

Several Federal agencies have ongoing material concerns with respect to insular governments' financial management practices and compliance with Federal grant requirements. Their concerns have resulted in the following designations:

Declarations of "High Risk" with Special Conditions:

- DOI-OIA:
 - Government of American Samoa (primarily Office of the Treasurer)
- USDOE:
 - Government of American Samoa (Offices of the Treasurer, Procurement, Property Management, and Budget and the Department of Education),
 - Guam Department of Education
 - U.S. Virgin Islands Department of Education

Programs Under Special Conditions:

- DHS – FEMA: American Samoa Department of Homeland Security
- USEPA: Projects in Guam and the U.S. Virgin Islands
- HHS – CMS: Hospitals in the Northern Mariana Islands, Guam and St. Croix, U.S. Virgin Islands
- USDA – FNS: Government of the Northern Mariana Islands

Single Audits

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, insular governments undergo annual audits of their fiscal year financial statements and compliance with Federal grant program requirements. These annual audits are completed by independent certified public accounting firms contracted by the insular governments and result in Single Audit reports. As part of this process the independent auditors provide opinions of the reliability of the financial data presented and identify instances of noncompliance with Federal grant program requirements.

OIA reviews the Single Audit reports and the insular governments' financial statements to help determine the financial position of the government and the actions taken to correct any identified noncompliance with Federal grant programs, i.e. the corrective action plan. This 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.

OIA uses 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. Although all of the insular areas have shown marked improvements in the reliability of their financial data, only the Government of Guam has consistently received an unqualified ("clean") audit opinion from its independent auditors.

To date, three of the four insular governments (American Samoa, Guam and the U.S. Virgin Islands) are current with required single audits (i.e., through Fiscal Year 2012). The Government of the Northern Mariana Islands is expected to have its audit of FY 2012 completed by February 28, 2014. Each of the insular governments has longstanding systemic problems in their administration of Federal grant programs. Common problem areas include:

- Procurements - selection and documentation of appropriate procurement method thereby helping to ensure against fraud, waste and abuse of Federal funds;
- Equipment and Property Management - managing/accounting for equipment and other fixed assets purchased with Federal funding;
- Cash Management – processes to minimize the time elapsing between the receipt and disbursement (bank clearance) of Federal funds; and
- Documentation - retention of documentation to support expenditures, particularly invoices, receiving reports, and payroll certifications.

Single Audit reports are widely distributed throughout the Executive and Legislative branches of the Federal government, and the reports are relied upon for purposes of determining allocations of Federal resources. Additionally, Federal grantor agencies have used Single Audit reports to justify declarations of "high risk" and to restrict and recoup Federal grant funds. OIA is frequently requested by other Federal agencies and the U.S. Congress to provide updates on the insular governments' progress to resolve single audit findings and obtain a clean opinion from the respective CPA firms.

OIG Reviews

OIG reviews are undertaken as planned by the OIG, requested by the associated Federal department, and through notification of public concerns. Additionally, the OIG may work in partnership with other Federal agencies such as the Department of Justice (DOJ) and the Federal Bureau of Investigation (FBI). The Department of the Interior's OIG issues its reports to the Secretary of Interior and insular area

governors. OIA performs monitoring and follow-up activities related to the insular governments' responses to resolve recommendations made by Interior's OIG. Additionally, OIA may assist with the resolutions of recommendations made by other Federal OIGs. It is imperative that insular governments resolve OIG recommendations to help ensure continued Federal funding and prevent "high risk" designations and special conditions.

GAO Reviews

GAO reviews are undertaken as required by Federal law and at the request of the U.S. Congress. These reports are issued directly to members of the U.S. Congress and senior officials of the Federal Executive Branch such as the Director of the U.S. Office of Management and Budget and the Secretary of Interior. GAO reports impact the formation of laws and budget appropriations thereby affecting total funding made available to insular areas. OIA performs monitoring and follow-up activities related to the insular governments' responses to resolve recommendations made by GAO, and OIA provides updates on the progress to GAO.

Any questions related to the information provided, should be addressed to Marina Tinitali, Accountability Policy & Audit Liaison Officer for the Department of the Interior's Office of Insular Affairs at (202) 208-5920 or email marina_tinitali@ios.doi.gov.

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HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE AWARDS TO AMERICAN SAMOA IN FY 2013

**Prepared for the Senior Plenary Session of the Interagency Group on Insular Areas
February 2014**

The Office of Insular Affairs provided a substantial amount of financial assistance in fiscal year 2013 to assist American Samoa in a variety of areas ranging from infrastructure improvements to individual technical assistance projects.

HIGHLIGHTS:

- **CAPITAL IMPROVEMENT GRANTS:** A total of \$10 million in CIP funding was awarded to American Samoa to address a variety of infrastructure needs.
 - \$5.2 million to design and build a new ferry boat for the Manu'a Islands;
 - \$1 million to purchase a CAT Scan machine for the LBJ Tropical Medical Center; and
 - \$1.3 million for a construction of a new building at the Tafuna Correctional Facility.

- **EMPOWERING INSULAR COMMUNITIES GRANTS:**
 - The American Samoa Power Authority was awarded \$640,000 in Empowering Insular Community funding for the investigation of the feasibility of geothermal power development and \$225,000 for the development of a wind study using wind data collected from anemometers located throughout the territory.

- **TECHNICAL ASSISTANCE GRANTS:** A total of \$801,600 was provided to American Samoa Government from the Technical Assistance Program including the following grant awards:
 - \$100,000 awarded for the Governor's Economic Development Implementation Plan.
 - \$350,000 awarded for the Pago Pago Inner Harbor Development Plan.
 - \$100,000 awarded to the American Samoa Government for the Planned Use Development Project. The purpose of this project is to create ordinances, policies, and work with the Office of Samoan Affairs and the villages to create a community plan.
 - \$200,000 awarded to the American Samoa Government for demolition of the Rainmaker Hotel.

HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE AWARDS TO CNMI IN FY 2013

**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 2013 to assist the Commonwealth of the Northern Mariana Islands in a variety of areas ranging from infrastructure improvements to individual technical assistance projects.

HIGHLIGHTS:

- **CAPITAL IMPROVEMENT GRANTS** - A total of \$13,771,000 in new and redirected funding was provided including the following grants:
 - \$4,958,000 awarded to the Commonwealth Healthcare Corporation to replace the HVAC, sprinkler and fire alarm systems in the hospital.
 - \$2,175,000 awarded to the Water Task Force to attain CNMI's goal of 24-hour water for the island of Saipan.
 - \$2,100,000 awarded to the Commonwealth Utilities Corporation to address the U.S. District Court's Stipulated Order requirements.
 - \$1,792,000 awarded for the purchase landfill equipment for the islands of Rota and Tinian.
 - \$1,072,000 awarded for improvements to Tinian Harbor.
 - \$800,000 awarded for improvements to Tinian Health Center.
 - \$874,000 awarded for infrastructure maintenance and CIP program administration.

- **EMPOWERING INSULAR COMMUNITIES GRANTS** -
 - The Commonwealth Utilities Corporation was awarded \$500,000 in Empowering Insular Community funding for the development of an Integrated Resource Plan and \$622,000 for the purchase and installation of pre-paid meters in residential homes and government buildings.

- **TECHNICAL ASSISTANCE GRANTS** – A total of \$1,028,500 was provided including the following grants and reimbursable agreements:
 - \$140,000 awarded to The Commonwealth Healthcare Corporation to hire a qualified individual or team to evaluate and improve the revenue cycle.
 - \$388,500 provided to partner with The U.S. Department of Health and Human Services to cover the costs of HHS staff travel related to HHS staff being deployed to the CNMI to address critical deficiencies at the Commonwealth Health Center.
 - \$500,000 provided to partner with the U.S. Department of Health and Human Services-Centers for Disease Control and Prevention to fund CDC to continue addressing critical deficiencies at the Commonwealth Health Center including funding to cover the cost of HHS staff 1) Laboratory Manager, 2) CMC Compliance Officer and 3) Facilities Engineer.

- BROWN TREESNAKE GRANTS – A total of \$403,734 was provided including the following grants:
 - \$371,484 awarded to the CNMI Department of Lands and Natural Resources, Division of Fish and Wildlife (DLNR-DFW) for the Brown Treesnake (BTS) Interdiction Program.
 - An additional \$32,250 awarded to DLNR-DFW for the renovation of the Customs canine facility at the airport on the island of Saipan, which will now be used for the BTS program.

HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE AWARDS TO GUAM IN FY 2013

**Prepared for the Senior Plenary Session of the Interagency Group on Insular Areas
February 2014**

The Office of Insular Affairs provided a substantial amount of financial assistance in fiscal year 2013 to assist Guam in a variety of areas ranging from infrastructure improvements to individual technical assistance projects.

HIGHLIGHTS:

- **CAPITAL IMPROVEMENT GRANTS** – A total of \$6,128,000 was provided including the following grants:
 - \$2,063,000 awarded to Department of Public Works for the purchase and preventive maintenance of school buses.
 - \$2,000,000 awarded to Department of Public Works for the purchase and preventive maintenance of heavy equipment.
 - \$1,000,000 awarded to Department of Parks and Recreation for island-wide restroom repairs and upgrades.
 - \$ 520,000 awarded for Mayors' Council of Guam community facility renovations and repairs.
 - \$ 545,000 awarded to Department of Public Works for additional infrastructure maintenance projects.

- **TECHNICAL ASSISTANCE GRANTS** – A total of \$632,046 was provided including the following grants:
 - \$55,000 awarded to local non-profits to:
 - Upgrade existing storage and display equipment used by local fishermen. Upgrades will help promote local fishing businesses and enhance capacity to properly store and sell products.
 - To increase computer literacy skills for global awareness and cultural understanding among runaway and homeless youth between the ages of 12 and 21.
 - To enroll veterans into existing craft training programs.
 - \$95,027 awarded to the Guam Office of the Attorney General (OAG) for White Collar Crime Investigative Training and for a Network and Database Enhancement Project.
 - \$277,750 awarded to Guam Community College (GCC) to fund the Architectural and Engineering portion of the renovation of building 100 on the GCC campus.
 - \$93,000 awarded to the University of Guam for the Green Initiative project, in which the University creates several projects to make the campus and students more 'green.'

- **BROWN TREESNAKE GRANTS** – A total of \$200,000 was provided including the following grant:

- \$200,000 was awarded to the Guam Division of Aquatic and Wildlife Resources for the Ko'ko' for Cocos Biosecurity Project. This project is part of the Brown Treesnake Control Program and is dedicated to Early Detection and Monitoring of Brown Treesnakes and their Prey in Support of Guam's Native Species Recovery.

- MAINTENANCE ASSISTANCE GRANT
 - \$200,000 awarded to the Government of Guam to effectively manage a fleet of over 300 vehicles ranging from passenger vehicles to semi heavy and heavy equipment including buses for the entire government of Guam. The automated system will capture maintenance history and establish a more efficient process in management of preventative maintenance; consequently promoting the longevity of vehicular property of the government.

HIGHLIGHTS OF OIA FINANCIAL ASSISTANCE AWARDS TO THE U.S. VIRGIN ISLANDS IN FY 2013

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The Office of Insular Affairs provided a substantial amount of financial assistance in fiscal year 2013 to assist the U.S. Virgin Islands in a variety of areas ranging from infrastructure improvements to individual technical assistance projects.

HIGHLIGHTS:

- **CAPITAL IMPROVEMENT GRANTS** - A total of \$2.9 million in CIP funding was awarded to the U.S. Virgin Islands to address a variety of infrastructure needs including:
 - \$1.5 million for the enhancement of Main Street in Charlotte Amalie;
 - \$536,000 for the renovation of Fort Christian on St. Thomas;
 - \$480,000 for the Guam Power Authority to install more intelligent Distribution Automation switches to improve system operation and reliability; and
 - \$400,000 to construct a new Control Center for the Golden Grove Adult Correctional Facility.

- **TECHNICAL ASSISTANCE GRANTS** – A total of \$1,139,500 was provided including the following grants:
 - \$187,500 to the Government of the Virgin Islands' University of the Virgin Islands for the installation of twenty-eight (28) air conditioning control systems in buildings on the Albert A. Sheen campus. These systems will be electronically controlled with on-line access for the scheduling of occupied and unoccupied temperatures. This will result in a dramatic reduction of energy consumption in these facilities.

 - \$550,000 awarded to the St. Thomas East End Medical Center to upgrade its Information Technology systems. These improvements are necessary to meet the requirements of the Affordable Care Act regarding Health Information Technology, including electronic medical records.

 - \$90,000 awarded to the Virgin Islands Public Television System to purchase the Media-Gateway/Archive-Library Server, and its subcomponents to facilitate the technical integration to archive historical and cultural preservation of early films.

 - \$55,250 to the Government of the Virgin Islands' Department of Health to provide training and purchase fifteen (15) Automated External Defibrillators.

- \$50,000 to the Government of the Virgin Islands' University of the Virgin Islands' library to preserve special collections by making adjustments to the Heating, Ventilating, and Air-conditioning (HVAC) systems.
- \$12,000 awarded to the Organization of Black Aerospace Professionals (OBAP) to establish educational training services for the United States Virgin Islands' youth. This training will increase their exposure and education in the aviation/aerospace industry using science, technology, engineering and math skills-based activities so they are better prepared for making critical career choices in the aviation/aerospace industry.
- \$105,000 awarded to the Government of the Virgin Islands for the continuation of the analysis of a parcel of land on the island of St. John for the construction of a public school facility.

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