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U.S. INSULAR AREAS

Interior's Management and Oversight of Insular Area Grants

Statement of Anu K. Mittal, Director
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Madam Chairwoman and Members of the Subcommittee:

I am pleased to be here today to participate in your hearing to discuss technical assistance grants to the U.S. insular areas. U.S. insular areas—which include American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, the U.S. Virgin Islands (USVI), and three Freely Associated States (the Federated States of Micronesia, Palau, and the Republic of the Marshall Islands)—face serious economic and fiscal challenges. Consequently, these insular areas, some of which are under U.S. sovereignty, and some of which are independent nations that have signed Compacts of Free Association with the United States, rely on federal funding to support their governments and deliver critical services. The Department of the Interior, through its Office of Insular Affairs (OIA), provides approximately \$400 million annually in financial assistance to insular area governments—roughly \$70 million of which is awarded annually as grants to insular areas for capital improvement projects, operations and maintenance improvement projects, technical assistance, and other purposes, to increase the self-sufficiency of the insular areas. For example, technical assistance grants are used to conduct feasibility studies or train government staff.

Although OIA grants are essential in supporting insular areas' economies, we and others—including Interior's Office of Inspector General—have had long-standing concerns with insular area governments' internal control weaknesses, which increase the risk of fraud, waste, abuse, and mismanagement.¹ These internal control weaknesses have been documented in several reports between 2000 and 2009. Internal control is an integral component of an organization's management that provides reasonable assurance that operations are effective and efficient, financial reporting is reliable, and applicable laws and regulations are complied with. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Under the federal standards for internal control, federal agencies are to employ internal control activities—the policies, procedures, techniques, and mechanisms that enforce management's directives—that are integral to the accountability for stewardship of government resources and achieving effective results, and help

¹GAO, *U.S. Insular Areas: Economic, Fiscal, and Financial Accountability Challenges*, [GAO-07-119](#) (Washington, D.C.: Dec. 12, 2006). Department of the Interior, Office of Inspector General, *Report on Grants Administered by the Office of Insular Affairs*, Report No. 2003-I-0071 (Washington, D.C.: September 2003).

ensure that actions are taken to address risks.² Examples of such internal control activities include accurate and timely recording of transactions and events and controls over information processing. If federal agencies do not use effective internal control activities, or have weaknesses in their internal controls, they can increase the risk of potential mismanagement or misuse and waste of grant funds.

My testimony is based on our recent March 2010 report, in which we reviewed OIA's grant management and oversight.³ Based on that report, I will discuss (1) whether long-standing internal control weaknesses have been addressed and, if not, to what extent they were prevalent among OIA grant projects, including technical assistance grant projects, as of March 2010; and (2) the extent to which OIA has taken actions to improve grant project implementation and management, as of March 2010.

For our March 2010 report, we focused on insular areas that receive noncompact grants—including American Samoa, the CNMI, Guam, the USVI, and the Freely Associated States.⁴ We reviewed OIA's policies, procedures, and other documents as well as best practices in grant management. We interviewed OIA grant managers and division directors regarding OIA's policies and procedures and grant management. In addition, we also reviewed a random sample of 173 grant project files to determine whether and the extent to which internal control weaknesses are still prevalent. We were able to project our sample results to the

²In assessing the adequacy of internal controls, we used the criteria in GAO's *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). These standards, issued pursuant to the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), provide the overall framework for establishing and maintaining internal control in the federal government. Also pursuant to FMFIA, the Office of Management and Budget issued *Circular A-123*, revised December 21, 2004, to provide the specific requirements for assessing the reporting on internal controls. Internal control standards and the definition of internal control in *Circular A-123* are based on GAO's *Standards for Internal Control in the Federal Government*.

³*U.S. Insular Areas: Opportunities Exist to Improve Interior's Grant Oversight and Reduce the Potential for Mismanagement*, [GAO-10-347](#) (Washington, D.C.: Mar. 16, 2010).

⁴Noncompact grants include those provided for capital improvement projects, operations and maintenance improvement projects, technical assistance and other purposes. The seven insular areas listed above receive at least some noncompact grant funding. Compact funding is the assistance the United States provides to the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau through Compacts of Free Association. We specifically excluded compact funds from this review because GAO is required to review and report on the effectiveness of U.S. oversight of compact funds on a regular basis. For example, we recently reported on compact assistance to the Federated States of Micronesia and the Republic of the Marshall Islands. See GAO, *Compacts of Free Association: Micronesia and the Marshall Islands Face Challenges in Planning for Sustainability, Measuring Progress, and Ensuring Accountability*, [GAO-07-163](#) (Washington, D.C.: Dec. 15, 2006).

1,771 OIA grant projects in the grant management database as of April 27, 2009. For this testimony, using the data from our random sample of 173 grant project files, we identified 49 technical assistance grants and conducted additional analyses.⁵

For the March report, we conducted our audit work from March 2009 to March 2010, in accordance with generally accepted government auditing standards. Appendix I of our report contains a detailed description of our scope and methodology.

Background

U.S. insular areas receive hundreds of millions of dollars in federal grants from a variety of federal agencies, including the Departments of Agriculture, Education, Health and Human Services, Homeland Security, the Interior, Labor, and Transportation. The Secretary of the Interior has administrative responsibility over the insular areas for all matters that do not fall within the program responsibility of another federal department or agency. OIA, established in 1995, is responsible for carrying out the Secretary's responsibilities for U.S. insular areas.⁶ OIA's mission is to promote the self-sufficiency of the insular areas by providing financial and technical assistance, encouraging private sector economic development, promoting sound financial management practices in the insular governments, and increasing federal responsiveness to the unique needs of the island communities.

Much of the assistance that OIA administers to insular areas is in the form of what it considers mandatory assistance, including compact assistance,⁷ permanent payments to U.S. territories, American Samoa operations funding, and capital improvement project grants. OIA also administers discretionary assistance through, for example, technical assistance grants and operations and maintenance improvement program grants. The administration and management of OIA grants is guided by OIA's Financial Assistance Manual. OIA grants other than compact

⁵Our random sample of 173 grant project files included 49 technical assistance grant projects. The sample was designed to make generalizable estimates about the entire population of OIA grant projects; however, because the number of technical assistance grant projects in the sample was small, we did not use the data from these grant projects to make precise generalizable estimates about technical assistance grant projects.

⁶Interior underwent restructuring in 1995. It eliminated the Office of Territorial and International Affairs, which previously carried out Interior's insular responsibilities, and created the Office of Insular Affairs.

⁷Compact funding is the assistance the United States provides to the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau through Compacts of Free Association.

assistance are subject to Interior’s Grants Management Common Rule,⁸ relevant Office of Management and Budget (OMB) circulars,⁹ and specific terms and conditions that OIA outlines in each grant agreement, such as semiannual narrative and financial reporting and grant expiration dates.

Within OIA, two divisions are largely responsible for grant administration and management—the Technical Assistance Division and the Budget and Grants Management Division. The Technical Assistance Division, which administers general technical assistance grants in addition to several other types of technical assistance, has a director and two grant managers. The Budget and Grants Management Division, which covers capital improvement project and operations and maintenance improvement program grants, has a director and three grant managers.¹⁰ A third OIA division—the Policy and Liaison Division—also provides some staff for grant-related tasks, including staff that focus on OIA’s accountability and audit responsibilities.¹¹ The majority of OIA’s budget is directed to compact assistance and permanent fiscal payments (see table 1). About 2 percent of OIA’s budget is dedicated to administrative costs, leaving less than 16 percent for noncompact grants and technical assistance.

Table 1: Breakdown of the Office of Insular Affairs’ Fiscal Year 2010 Budget

Component of OIA’s budget	Dollars in thousands	Percentage of OIA budget
Compact of Free Association	\$218,289	45.4
Permanent fiscal payments ^a	177,000	36.8
Office of Insular Affairs (administrative)	9,280	1.9
Noncompact grants and technical assistance		
American Samoa operations	22,752	4.7

⁸43 C.F.R. part 12.

⁹OIA grants, as applicable, are subject to OMB Circulars A-102, “Grants and Cooperative Agreements with State and Local Governments”; A-110, “Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”; A-87, “Cost Principles for State and Local Governments”; A-21, “Cost Principles for Educational Institutions”; A-122, “Cost Principles for Non-Profit Organizations”; and A-133, “Audits of States, Local Governments, and Non-Profit Organizations.”

¹⁰In addition, the division maintains an office in Hawaii for compact oversight in the Federated States of Micronesia and the Republic of the Marshall Islands and has a field presence in the CNMI, the Federated States of Micronesia, Palau, and the Republic of the Marshall Islands.

¹¹The division maintains a field presence in American Samoa and the CNMI.

Component of OIA's budget	Dollars in thousands	Percentage of OIA budget
Capital improvement project grants (covenant grants)	27,720	5.8
Operations and maintenance improvement program grants	2,241	0.5
Technical assistance grants	21,202	4.4
Guam infrastructure grants	2,000	0.4
Subtotal	\$75,915	15.8
Total	\$480,484	100^b

Source: OIA budget justification and performance information, fiscal year 2011.

^aPermanent fiscal payments include payments to Guam (section 30 income taxes) and the U.S. Virgin Islands (rum excise taxes).

^bColumn does not add up to 100 percent due to rounding.

Among the random sample of 173 OIA grant project files that we reviewed in our March 2010 report, we identified 49 OIA technical assistance grant projects from a variety of technical assistance grant types (see table 2).

Table 2: Breakdown of the 49 Technical Assistance Grant Projects Included in GAO's March 2010 Report by Type of Technical Assistant Grant Project and Whether the Grant Project Was Open or Closed as of April 27, 2009

Type of technical assistance grant project	Description of grant type	Number of open technical assistance grant projects	Closed technical assistance grant projects	
			Number	Time span
General technical assistance	To foster insular area development economically or in other areas such as training and education, energy, safety and health.	7	14	2004-2009

Type of technical assistance grant project	Description of grant type	Number of open technical assistance grant projects	Closed technical assistance grant projects	
			Number	Time span
Brown treesnake control	To control ecological and economic damage caused by the brown treesnake on Guam and prevent dispersal to other islands, such as the State of Hawaii.	1	1	2003-2007
Coral reef initiative	To promote sound management and conservation of coral reefs in insular areas.	7	3	2006-2008
Insular management controls	To promote and develop insular institutions and capabilities that improve financial management and accountability.	1	2	2006-2008
Single Audit	To assist insular areas in the preparation of annual Single Audit reports.	1	0	Not applicable
Other technical assistance	To address other technical assistance needs of insular areas, such as water and wastewater.	2	10	2003-2008
Total		19	30	2003-2009

Source: GAO and OIA.

The 49 technical assistance grant projects that we reviewed in our March 2010 report, were geographically dispersed among the insular areas and the State of Hawaii (see table 3).¹²

Table 3: Distribution of the 49 Technical Assistance Grant Projects in GAO's March 2010 Report by Location

Location	Number of technical assistance grant projects included in our sample
Commonwealth of the Northern Mariana Islands (CNMI)	17
Palau	9
Federated States of Micronesia	5
Guam	4

¹²Interior is authorized to provide technical assistance—research, planning assistance, studies, and demonstration projects—to the insular areas through OIA staff time, reimbursements to other federal agencies, grants to or cooperative agreements with state or local governments, or the employment of private individuals or companies. In some instances, OIA may provide such technical assistance through work that is conducted at locations, such as Hawaii, other than insular areas.

Nearly 40 Percent of OIA Grant Projects Have Internal Control Weaknesses That Could Increase Susceptibility to Mismanagement

On the basis of our review of grant files from a random sample of grant projects,¹³ we determined that the long-standing internal control weaknesses that we, Interior's Office of Inspector General, and others, identified between 2000 and 2009 still exist. We estimated that 39 percent of the 1,771 grant projects in OIA's grant management database demonstrate at least one internal control weakness that may increase the projects' susceptibility to mismanagement.¹⁴ Of the 49 technical assistance grant projects in our sample, 47 grant projects demonstrated one or more of the internal control weaknesses that we assessed, which is more than double our estimated 39 percent occurrence rate for OIA grants as a whole.

The eight internal control weaknesses that we assessed can be grouped into three categories based on the entity responsible for the activities: grant recipient activities, OIA grant management activities, or joint activities between grant recipients and OIA. Table 4 shows (1) how often we estimated each internal control weakness would occur within the universe of OIA grants based on our random sample, and (2) specific data on the 49 technical assistance grants included in our sample. The most prevalent weaknesses for the 49 technical assistance grant projects were insufficient reporting and record-keeping discrepancies.

¹³We reviewed a random sample of 173 OIA grant projects, selected from 1,771 grant projects in OIA's grant management database as of April 27, 2009. Our sample included 49 technical assistance grants.

¹⁴All percentage estimates for the entire universe of OIA grant projects have margins of error at the 95 percent confidence level within plus or minus 10 percentage points or less, unless otherwise noted.

Location	Number of technical assistance grant projects included in our sample
U.S. Virgin Islands (USVI)	3
American Samoa	2
Republic of the Marshall Islands	2
State of Hawaii	2
Other ^a	5
Total	49

Source: GAO.

^aLocation is described as "Other" when funds are granted to a non-governmental entity, such as a non-profit or multinational organization.

Table 4: Internal Control Weaknesses Present in OIA Grant Projects

Internal control weaknesses	Estimated percentage of projects with internal control weakness for all grant types from our March 2010 report ^a	Number of technical assistance grant projects in our sample with internal control weakness ^b
Grant recipient activities		
Failure to submit required status reports in full and on time	60	42 out of 49
Failure to submit required final reports on time (closed grants)	58 ^c	16 out of 30
Projects' expected or actual completion dates fall after grant expiration	19	8 out of 49
Drawing down funds faster than project progress (open grants)	0	0 out of 19
Joint activity between grant recipients and OIA		
Redirection of project funds ^d	30	Not applicable
OIA grant management activities		
Information in grant management database does not match grant file ^e	41	39 out of 49
Field representatives perform less than half of all site visits ^d	10	Not applicable
Unexpended funds are not deobligated (closed grants)	0	0 out of 30

Source: GAO analysis of OIA documents.

Notes: Unless otherwise specified, internal control weaknesses apply to both open and closed grant projects. For additional information on how we selected the internal control weaknesses and assessed grant projects for the presence of those weaknesses see appendix I of our March 2010 report, *U.S. Insular Areas: Opportunities Exist to Improve Interior's Grant Oversight and Reduce the Potential for Mismanagement*, [GAO-10-347](#) (Washington, D.C.: Mar. 16, 2010).

^aNot all internal control weaknesses apply to every grant project. For example, we could only assess the field representative-related internal control weakness for grants awarded to the two insular areas with field representatives—American Samoa and the CNMI. Our data analysis takes the applicability of the internal control weaknesses into account. As a result, numbers reported for individual weaknesses apply only to the relevant subset of projects. These percentage estimates from the file review have margins of error at the 95 percent confidence level within plus or minus 10 percentage points or less, unless otherwise noted

^bWe cannot make precise generalizable estimates for technical assistance grant projects based on the results for the 49 technical assistance grant project files we reviewed as part of our sample.

^cThe confidence interval for this estimate is within +/- 11 percent.

^dTwo of the eight internal control weaknesses that we assessed are not applicable to technical assistance grant projects: (1) redirection of project funds is not allowed in discretionary technical assistance grants; and (2) field representative site visits are not formally used for technical assistance grant projects.

^eThe database contains at least one piece of information that does not match corresponding information in the grant file.

Table 5 shows how many internal control weaknesses were demonstrated by the 49 technical assistance grant projects in our sample.

Table 5: Number of Internal Control Weaknesses Present in 49 OIA Technical Assistance Grant Projects

Number of internal control weaknesses	Number of open technical assistance grant projects	Number of closed technical assistance grant projects
5	Not applicable	0
4	0	5
3	0	12
2	12	7
1	5	6
0	2	0
Total	19	30

Source: GAO analysis of OIA documents.

Note: Of the eight internal control weaknesses that we identified in our March 2010 report, five are applicable to closed technical assistance grant projects and four are applicable to open technical assistance grant projects.

For example, one general technical assistance grant project that we reviewed in detail—the 2005 grant for the USVI Household Income and Expenditures Survey (HIES) project—had 4 out of 5 applicable internal control weaknesses. In 2005, OIA awarded a general technical assistance grant to the Eastern Caribbean Center (ECC) at the University of the Virgin Islands for the purpose of collecting data to update important economic and demographic indicators for the territory. Because of funding constraints, OIA was not able to award the entire amount requested at that time. In addition, OIA later reduced its financial support of the project after data collection was underway, thereby reducing the scope of data collection efforts. The Director of the ECC reported that OIA’s decision to reduce available funding after data collection had begun was disastrous to the statistical integrity of the survey.

In reviewing this grant project, we found the following four internal control weaknesses, (1) failure to submit the required status report in full and on time, (2) failure to submit the required final reports on time, (3) expected or actual completion dates that occurred after grant expiration, and (4) information in OIA’s grant management database that did not match information in the grant file.¹⁵ These weaknesses and other problems affected project completion in several ways, including the loss of additional funding that OIA later awarded. In 2007, OIA granted additional funds for the HIES project to complete tabulation of the data that had been collected. However, because so much time had passed

¹⁵Information refers to one or more database elements.

since the initial data collection effort, the Director of the ECC stated that it was not possible to complete the data collection as originally planned. Due to the lack of activity with the grant and the fact that no narrative status reports were submitted, OIA deobligated these additional grant funds in their entirety in February 2009. The final HIES report also was not completed until September 2009, more than 4 years after the initial grant was awarded.

OIA Has Taken Actions to Improve Grant Project Implementation and Management but Faces Several Obstacles

OIA has taken several important steps to improve grant project implementation and management but faces several obstacles in its efforts to compel insular areas to complete their projects in a timely and effective manner.

OIA Has Taken Steps to Improve the Implementation and Management of Grant Projects

Over the past 5 years, OIA has taken the following steps to improve grant project implementation and management:

- *Competitive allocation system.* In fiscal year 2005, OIA implemented a new competitive allocation system for the \$27.7 million in capital improvement project grants that it administers to the insular areas.¹⁶ This system provides incentives for financial management improvements and project completion by tying a portion of each insular area's annual allocation to the insular governments' efforts in these areas—such as their efforts to submit financial and status reports on time. Through this system, OIA scores each insular area against a set of performance-based criteria and increases allocations to those insular areas with higher scores, thereby lowering allocations to insular areas with lower scores.
- *Grant expiration dates.* Beginning in 2005, to encourage expeditious use of funds, OIA established 5-year expiration dates in the terms and conditions of new

¹⁶The Section 702 Funding Agreement between the Government of the United States and the Government of the CNMI, entered June 21, 2004, established a system for OIA's allocation of capital improvement project funds among the eligible territories and provided that a portion of such funds would be allocated using competitive criteria. Previous agreements between the governments regarding the capital improvement project funds did not allow for such a process but set fixed amounts.

capital improvement project grants. Beginning in 2008, OIA also notified insular area officials of expiration dates for grant projects that had been ongoing for more than 5 years with no or limited progress. OIA officials explained that while the expiration dates have not yet pushed all of the insular areas to complete projects, they have encouraged some areas to do so. The officials also stated that the expiration dates have helped OIA grant managers administer and manage grants—which they believe has improved accountability—and have been useful for insular area grantees whose agencies have high staff turnover and were unaware of the status of older grants. Technical assistance projects have shorter grant terms than capital improvement projects, with expiration dates within 1 to 2 years; we found that OIA extended the grant expiration date at least once for 18 of the 49 technical assistance grant projects in our sample.

- *Actions to improve insular area grant management continuity.* OIA has also taken steps to help with the continuity of grant administration at the insular level. For example, in March 2008, OIA awarded a \$770,000 grant for capital improvement project administration in the CNMI, which provided funding for positions in the local central grant management office in that insular area. According to the grant manager for CNMI capital improvement projects, the grant was given to help ensure that the central grant management office had the staff necessary to help move implementation of projects forward.

Several Obstacles to Timely and Effective Project Completion Remain

Despite OIA’s efforts, some insular areas are still not completing their projects in a timely and effective manner, and OIA faces the following key obstacles in compelling them to do so:

- *Lack of sanctions for delayed or inefficient projects.* Current OIA grant procedures provide few sanctions for delayed or inefficient projects. For example, although OIA established grant expiration dates, they have little practical effect. In theory, a grant expiration date encourages timely completion of a project because if a project is not completed on time, the funds are taken away from the recipient. However, if an insular area’s OIA grant funds expire, while the funds do not remain immediately available for the project, the insular area does not lose the funds because OIA treats its capital improvement project grants as mandatory funding with “no-year funds,” based on the agency’s interpretation of relevant laws.¹⁷ Thus, after a grant expires, OIA deobligates the funds and they are returned to the insular area’s capital improvement project account to be reobligated for the same or other projects. Recently, OIA has taken

¹⁷A “no-year” appropriation is one that is available for obligation for an indefinite period, such as those funds appropriated as available until expended.

steps to identify possible solutions and actions that could help provide effective sanctions for insular areas that do not efficiently complete projects and expend funds. In doing so, OIA has faced uncertainty regarding the authorities it has to change its current policies and practices, which are guided by many special agreements, laws, and regulations.

- *OIA resource constraints.* OIA officials report that resource constraints impede effective project completion and proactive monitoring and oversight. Although they could not provide us with data, numerous officials in OIA asserted that heavy workloads are a key challenge in managing grants. The effects of insufficient resources vary across grant type but include impacts on the ability to maintain files, adopt a proactive oversight approach that could aid project completion, conduct more detailed financial reviews of projects, and conduct site visits to more projects to better ensure that mismanagement is detected. Importantly, although grant managers for capital improvement projects noted that the most effective action they can take to move projects along is to conduct site visits, they also asserted that their current workloads only afford one visit per year. Despite their concurrence that additional resources are needed, OIA division directors confirmed that they have not formally communicated these needs to decision makers, or higher levels within Interior, and have not developed a workforce plan or other formal process that demonstrates a need for additional resources. Moreover, OIA does not track workload measures, such as the number of grants handled by each grant manager, to show changes over time that would help justify the need for additional resources.
- *Inconsistent and insufficiently documented project redirection policies.* OIA's current project redirection approval practices do little to discourage insular areas from redirecting project funds in ways that hinder project completion. We found that insular areas shift priorities and frequently redirect grant project funds, which in some cases expedites project completion and in other cases impedes it. Currently, OIA's policies for granting project redirection requests vary across insular areas. Specifically, in American Samoa, project redirection is limited to changes within a priority category because the insular area's grants are issued by priority areas.¹⁸ In contrast, the other insular areas each receive grants as one capital improvement grant and are able to redirect money between projects with widely different purposes. Furthermore, OIA's policies for granting project redirection requests are also not well-documented. Project redirection is a particular concern in instances where a project starts and federal money is

¹⁸OIA's unique policy for American Samoa stems in part from the law authorizing capital improvement project grants, which places particular conditions, such as the requirement for a master plan identifying priorities, on grants to this insular area.

expended but the project is never completed, leading to the waste of both federal resources and the local governments' limited technical capacity to implement projects.

- *Inefficient grant management system.* OIA's current data system for tracking grants is limited in the data elements it contains, leading to inconsistencies in the data that some grant managers rely on for monitoring and oversight activities. Grant managers vary in the degree to which they rely upon OIA's database, as well as the priority they place on keeping information in the database up to date. While grant managers for all grant types reported relying on the database for information on the amount of funds drawn down from grants and for responding to requests for data from outside parties (such as Interior's Office of Inspector General and GAO), some told us that they do not find OIA's database useful and therefore maintain their own separate spreadsheets to track some information, including expiration dates, grant status, and receipt dates for the most recent financial and narrative reports. As reported in the Domestic Working Group's *Guide to Opportunities for Improving Grant Accountability*, consolidating information systems can enable agencies to better manage grants.¹⁹ Along these lines, Interior is currently phasing in a centralized agencywide system—the Financial and Business Management System—that is scheduled to be implemented in OIA in 2011.

Our March 2010 report contained three recommendations to the Secretary of the Interior designed to improve the department's management and oversight of grants to the insular areas,²⁰ including one that would directly impact OIA's technical assistance grant programs. Specifically, we recommended that the Secretary of the Interior direct OIA to create a workforce plan and reflect in its plan the staffing levels necessary to adopt a proactive monitoring and oversight approach. Such proactive monitoring and oversight would apply to all of OIA's grant programs, including the technical assistance programs. OIA agreed with our report and told us that it will implement these recommendations.

In conclusion, Madam Chairwoman, OIA has made important strides in implementing grant reforms, particularly in its efforts to establish disincentives for insular areas that do not complete grant projects in a timely and effective manner. However, the unique characteristics and situations facing insular area

¹⁹Domestic Working Group, Grant Accountability Project, *Guide to Opportunities for Improving Grant Accountability* (October 2005).

²⁰[GAO-10-347](#).

governments, and the need to mindfully balance respect for insular governments' self-governance and political processes with the desire to promote efficiency in grant project implementation, limit as a practical matter some of the actions that OIA can take to improve the implementation of grant projects. Nonetheless, OIA has not exhausted all of its available opportunities to better oversee grants and reduce the potential for mismanagement and we will continue to monitor its implementation of our recommendations.

Madam Chairwoman, this concludes my prepared statement. I would be pleased to answer any questions that you or other Members of the Subcommittee may have at this time.

GAO Contact and Staff Acknowledgments

For further information about this testimony, please contact Anu K. Mittal at (202) 512-3841 or mittala@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Jeffery D. Malcolm and Emil Friberg, Assistant Directors; Elizabeth Beardsley; Keesha Egebrecht; and Isabella Johnson.

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