

## **Improving Financial Management Processes in the U.S. Territories**

Briefing Prepared for 2011 Senior Plenary Session of the Interagency Group on Insular Areas

**ISSUE:** Improved financial management processes increase accountability and establish reliable audit trails.

### **SUMMARY:**

All of the eleven insular governments are completing their annual audits required by the Single Audit Act of 1984, as amended in 1996, in a timely manner.

Several insular governments have received unqualified or “clean” audit opinions from independent auditors attesting to the reliability of the financial data. The overall goal is for all insular governments to receive clean audit opinions by the fiscal year of 2013.

Improved financial management processes have helped produce auditable records. The improvements have increased the efficiency of the governments to manage their limited resources. The improvements have also helped to uncover instances of fraud, waste and abuse.

Instances of fraud and misuse of Federal funding have been pursued by the Federal government and by the specific insular government.

Interior’s Office of Insular Affairs (OIA) is working with Federal agencies to help coordinate assistance to insular governments in their efforts to improve grant management and general operations processes and to develop internal controls to prevent and detect fraud, waste and abuse of public funds.

Coordination for specific issues is ongoing with the U.S. Departments of Health and Human Services, Education, Energy, Treasury, Homeland Security and Justice, respectively.

### **HISTORY AND BACKGROUND:**

Historically, insular governments lacked the expertise and technology necessary to produce accurate financial data and complete mandated annual audits of their financial statements. The U.S. Congress, Federal grantor agencies and the public were very concerned as the financial position of the insular government was unclear. Also, the activities related to the expenditures of Federal grant dollars did not have clear audit trails. Additionally, the lack of annual audits was affecting the insular governments’ capability to attract investments and obtain loans.

OIA has pursued an aggressive approach to assist the insular governments to improve their financial management processes and produce auditable records. OIA’s approach has included:

- hiring additional OIA personnel and increasing on-site reviews to provide technical expertise and confirm corrective actions as required under OMB Circular A-133,
- increasing coordination with other Federal agencies to improve communication and develop solutions to address challenges of administering grant programs in the insular areas,

- dedicating OIA grant program resources to help build the capacity of the local insular workforce by providing training, upgrading systems and, as necessary, funding consultants to fill institutional gaps,
- Implementing recommendations from the U.S. Government Accountability Office and Interior's Office of Inspector General to help OIA improve its evaluations and assessments of the assistance provided to the insular governments.

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