

THE DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS

NEWS RELEASE

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**STRENGTH OF PUBLIC AUDITORS WILL BE FACTOR IN AWARDING
INTERIOR GRANTS**

(HONOLULU, Hawaii, December 3, 2002) The level of economic assistance that each U.S. territory or freely associated state will receive from the U.S. Department of the Interior's Office of Insular Affairs will be determined in part by the "strength and independence" of its public auditor's office, an official announced today. Additionally, the official said that responsiveness in addressing issues raised in audits will be considered in the process of awarding discretionary grants to these governments and other island grant recipients.

Speaking before a meeting of the Island Governments Financial Officers Association, Deputy Assistant Secretary of the Interior David B. Cohen said that the Office of Insular Affairs will look at how well each jurisdiction's public auditor's office is functioning as one of the factors to determine how millions of dollars of discretionary grants will be allocated each year. The Office of Insular Affairs provides grants and technical assistance to the U.S. territories of American Samoa, the U.S. Virgin Islands, Guam and the Commonwealth of the Northern Mariana Islands, as well as to the freely associated states of the Republic of the Marshall Islands, the Republic of Palau and the Federated States of Micronesia.

"We consider ourselves to be investors in the islands," said Cohen. "As such, we expect the islands to provide us with a proper investment environment. Having a strong public auditor's office is an important way to assure us that our investments will be protected from waste, fraud and abuse."

"We will look at a number of factors," said Cohen. "For example, is the public auditor's office properly funded and staffed with qualified people? How strong are the safeguards to its independence? Is it vulnerable to having its funding cut if it offends the government? Is it actively fulfilling its role as a public watchdog? We consider these factors to be relevant in deciding where our discretionary grants should go."

"Also, we will look at how responsive each government is to the inquiries that we send out with respect to audits," said Cohen, referring to requests that the Office of Insular Affairs sends to governments to address recommendations concerning internal controls and questioned costs that are set forth in audits performed by the U.S. government, public auditors or independent accounting firms. "If we are providing grants to a government, we have the right to expect that the government will respond to our concerns promptly and properly."

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STRENGTH OF PUBLIC AUDITORS WILL BE FACTOR IN AWARDING INTERIOR GRANTS

Page 2

Cohen said that ensuring that federal funds are spent properly is a "moral obligation that we all owe to the people of the islands and to the taxpayers of the United States of America."

Cohen also reported on the extensive accountability provisions that had, at the urging of the Department of the Interior, been included in the proposed amendments to the Compact of Free Association with the Republic of the Marshall Islands and the Federated States of Micronesia.

"The public auditors will play a crucial role in making sure that Compact funds are spent properly," said Cohen. Amendments to most titles of the Compact of Free Association, as well as subsidiary agreements, were initialed last month by negotiators representing the United States, the Republic of the Marshall Islands and the Federated States of Micronesia.

Cohen stressed that the relationship between the Office of Insular Affairs and the island governments is not an adversarial one with respect to accountability issues. "We always start off with the assumption that the island governments are our allies, not our enemies, in this process," said Cohen. "Ensuring that our funds are spent wisely is a difficult process that neither the Federal Government nor the island governments can do alone. We need to work together as partners to ensure that we're providing maximum benefit to the people of the islands and protecting the investment of the American taxpayer." Cohen was also scheduled to address a meeting of the Association of Pacific Island Auditors in Honolulu on December 3.