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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR



Inspection



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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

SEP 15 2025

Memorandum

To: William Hague
Principal Deputy Assistant Secretary, Insular and International Affairs
Exercising the Delegated Authority of the Assistant Secretary, Insular and International Affairs

From: Nicki Miller *Nicki Miller*
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Final Inspection Report – *The Office of Insular Affairs Needs To Ensure Insular Areas' Compliance With Federal Regulations Related to Single Audit Submissions*
Report No. 2025-FIN-005

This memorandum transmits our inspection report on the Office of Insular Affairs' (OIA's) processes to ensure the Insular Areas—the U.S. territories of American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), the Government of Guam, and the U.S. Virgin Islands (USVI), as well as the freely associated states of the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau—comply with Federal regulations regarding single audit submissions.

Our objective was to determine whether the Insular Areas are complying with single audit submission requirements. Our review covered 56 Insular Area single audit submissions for fiscal years (FYs) 2016 through 2023.¹ We found that OIA did not ensure the Insular Areas complied with Federal regulations. Specifically, single audit submissions were consistently late, and five out of seven Insular Areas had not submitted reports in FYs 2022 and 2023. Single audit reporting enhances non-Federal entities' financial management of Federal assistance, establishes uniform audit requirements for audits of Federal awards, promotes efficient use of audit resources, and ensures Federal agencies can rely on the information included in single audits.

See Attachment 1 for our scope and methodology.

Background

Office of Insular Affairs

OIA and the Assistant Secretary for Insular and International Affairs carry out the Secretary's responsibilities for the Insular Areas. Specifically, OIA's mission is to help coordinate Federal policy for American Samoa, Guam, CNMI, and USVI with the aim to support the development of efficient and effective Government. Additionally, OIA administers and oversees Federal assistance under the Compacts of Free Association² to FSM, RMI, and Palau—including managing several Federal funding programs that involve discretionary technical assistance. Further, in accordance with Federal regulations, as an awarding agency to the Insular Areas, OIA must ensure that audits are completed and reports are received in a timely manner.³

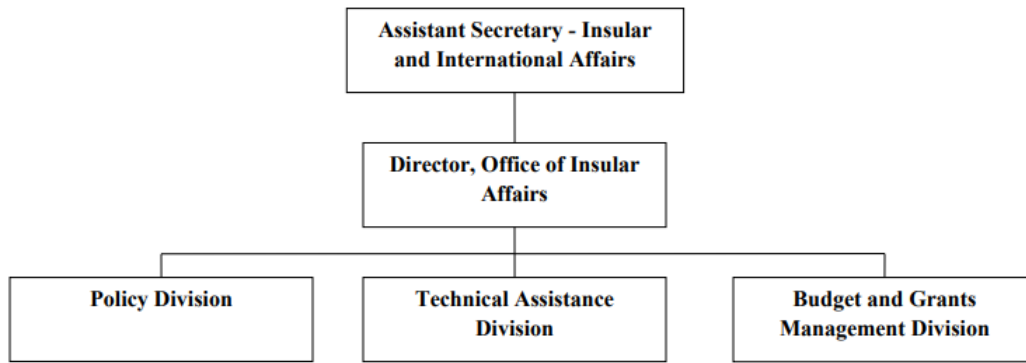
Figure 1 shows OIA's organizational structure.

¹ Insular Area fiscal years start October 1 and end September 30. We did not include FY 2024 single audit submissions in our scope because they are due June 30, 2025, which falls after our fieldwork period.

² The Compacts of Free Association govern the relationships between the United States and FSM, RMI, and Palau.

³ 2 C.F.R. § 200.513(c)(1), 2 C.F.R. § 200.501(a), 2 C.F.R. § 200.512(a)(1), 2 C.F.R. § 200.505, and 2 C.F.R. § 200.339.

Figure 1: OIA Organizational Structure



Source: OIA, <https://www.doi.gov/sites/doi.gov/files/oia-org-chart.pdf>.

Single Audits

The Single Audit Act⁴ requires non-Federal entities that spend \$1,000,000 or more in Federal awards in a year to undergo a single audit.⁵ Non-Federal entities typically engage with independent auditors, such as public accounting firms and State auditors, to conduct these single audits. Single audits enhance non-Federal entities' financial management of Federal assistance, establish uniform audit requirements for audits of Federal awards, promote efficient use of audit resources, and ensure Federal agencies can rely on the information included in single audits. The single audit enables Federal agencies to assess a grantee's financial health and fund management. Accordingly, delays in single audits can prevent timely detection of issues, thereby allowing problems to persist and delaying corrective actions.

A single audit entails a comprehensive review of a non-Federal entity's financial statements and its expenditure of Federal awards. These audits must be performed in accordance with the generally accepted government auditing standards established by the U.S. Comptroller General and the generally accepted auditing standards established by the American Institute of Certified Public Accountants. Furthermore, the single audit report includes an opinion as to whether the entity complied, in all material respects, with the laws, regulations, and other requirements that could have a direct and material effect on each of the major programs⁶ selected for the audit.

Federal regulation⁷ states that, unless a different period is specified in the program-specific audit guide, the grantee must submit the single audit to the Federal Audit Clearinghouse⁸ within 30 calendar days after the auditee receives the auditor's report(s) or nine months after the end of the audit period, whichever is earlier.

⁴ 31 U.S.C. ch. 75, "Requirements for Single Audits."

⁵ On December 26, 2013, the Office of Management and Budget issued 2 C.F.R. Part 200, Subpart F, which increased the audit threshold to \$750,000 for auditee fiscal years beginning on or after December 26, 2014. On April 22, 2024, it issued revisions to 2 C.F.R. Part 200, Subpart F, which increased the audit threshold to \$1,000,000 for auditee fiscal years beginning on or after October 1, 2024.

⁶ "Major program" means a Federal program determined by the auditor to be a major program in accordance with 2 C.F.R. § 200.518 or a program identified as a major program by a Federal agency or passthrough entity in accordance with 2 C.F.R. § 200.503(e). The auditor must use a risk-based approach to determine which Federal programs are major programs. This risk-based approach must consider current and prior audit experience, oversight by Federal agencies and passthrough entities, and the inherent risk of the Federal program.

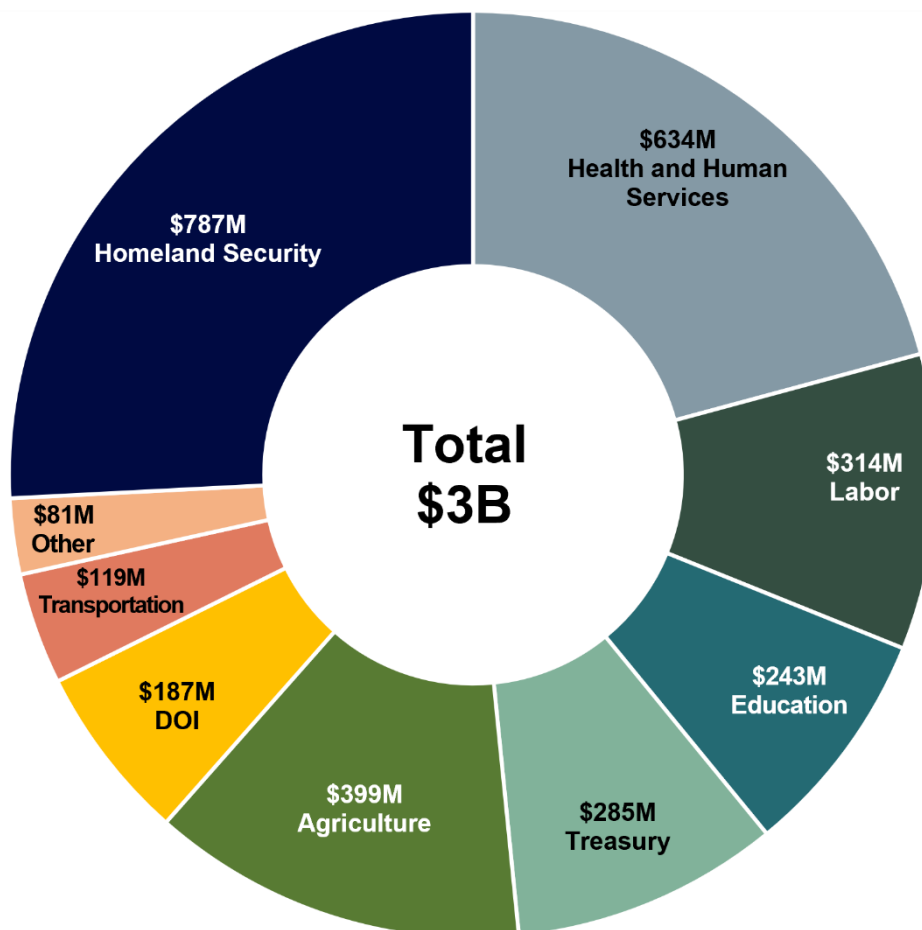
⁷ 2 C.F.R. § 200.507(c)(1) and 2 C.F.R. § 200.512(b).

⁸ The Federal Audit Clearinghouse is the centralized repository for Federal grant audits. Entities that spend Federal grant funds are required to submit an audit if they meet the spending thresholds set forth in 2 C.F.R. Part 200, Subpart F.

Insular Area Single Audits

The Insular Areas receive Federal funding from several U.S. Government agencies, including the U.S. Department of the Interior (DOI), for economic, social, and political development and environmental conservation programs, among other purposes. Specifically, as reported in their most recent single audits, some of which date from FY 2021,⁹ Insular Areas received, in total, approximately \$3 billion in Federal funding from several U.S. Government agencies for a wide range of programs. Figure 2 shows the expenditures for the Insular Areas by Federal grantor.

Figure 2: Total Federal Expenditures* by Federal Grantor/Department for the Insular Areas



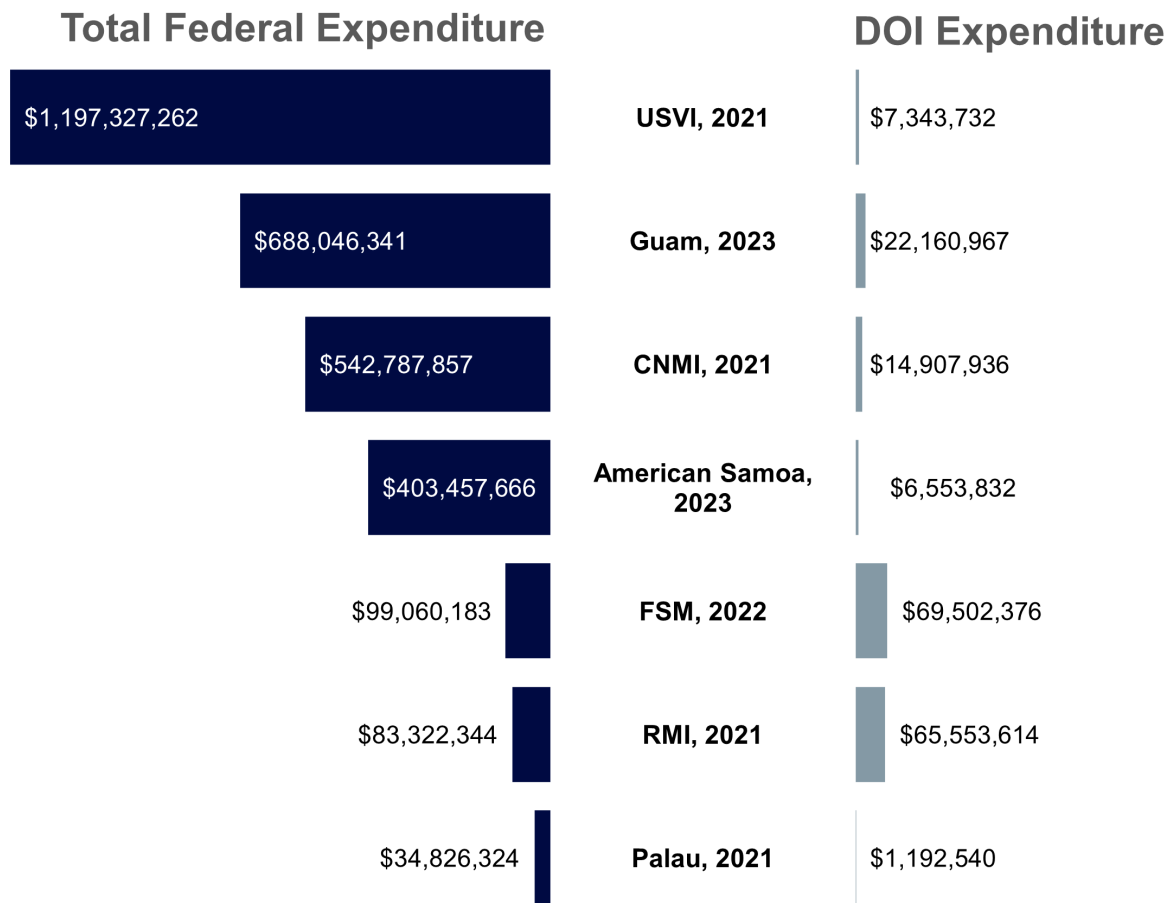
* Total expenditures documented in the most recent single audit report for the Insular Areas.

Note: "Other" category consists of 19 agencies with 1 percent or less of the total Federal expenditures.

DOI provides approximately 6 percent of the total Federal expenditures to the Insular Areas. See Figure 3 for Governmentwide and DOI-specific expenditures for each Insular Area.

⁹ For reporting purposes, we used the following most recent single audits completed for each Insular Area: FY 2023 for American Samoa and Guam; FY 2022 for FSM; and FY 2021 for CNMI, USVI, RMI, and Palau.

Figure 3: Total Federal and DOI Single Audit Reported Federal Expenditures* by Insular Area as of the Most Recent Single Audit



* Expenditures are from the most recent single audit report submitted to the Federal Audit Clearinghouse for each Insular Area. Because all expenditures are above the applicable \$750,000 threshold,¹⁰ each Insular Area is required to submit a single audit.

Awarding Federal agencies, such as OIA, must use single audits to administer and oversee Federal financial assistance. These audits provide valuable insights into the internal control structures, compliance, and financial operations of non-Federal entities that have received Federal funds under their jurisdiction. Given the large number of grantees relative to available agency resources to oversee them, the Federal Government does not always review a non-Federal entity's financial or operational records. Annual single audits are an important tool in this distributed system. Both Federal program officials and non-Federal recipient management can leverage the information from single audits to enhance accountability and maintain the integrity of Federal programs. Moreover, a single audit simplifies the auditing process for Federal financial assistance by allowing one audit to meet the requirements for multiple Federal awards. OIA also uses the results of single audit reports to plan oversight efforts—such as site visits, reporting, and other post-award monitoring—in accordance with Federal regulations.¹¹

¹⁰ While some Insular Areas have not submitted single audits for FYs 2022 and 2023, the risk of expenditures falling below the single audit threshold—and thus not requiring a single audit—is low given the amount of resources at issue. For example, Palau typically has the lowest Federal expenditures, and it nonetheless averaged \$19 million a year in expenditures from 2016 through 2021, which is well over the relevant threshold.

¹¹ 2 C.F.R. § 200.329.

Results of Inspection

We found that OIA did not ensure that Insular Areas complied with Federal regulations requiring that they submit single audit data and information.¹² Since FY 2019, Insular Area single audit submissions were consistently late, in some instances by as much as two years. In addition, five out of seven Insular Areas had collectively failed to submit a total of nine required single audit reports for FYs 2022 and 2023. This deficiency occurred because OIA did not have a process in place to implement all available remedies to enforce the Insular Areas' compliance with single audit regulations.

OIA Did Not Ensure Insular Areas Complied With Federal Regulations for Single Audit Submissions

Federal regulations require Federal awarding agencies to ensure that single audits are completed and submitted in a timely manner. Further, when a Federal agency determines that noncompliance with timelines cannot be remedied by imposing specific conditions intended to promote timeliness, Federal regulations¹³ provide that the agency may take one or more of the following actions:

- Temporarily withhold payments until the recipient or subrecipient takes corrective action.
- Disallow costs for all or part of the activity associated with the noncompliance of the recipient or subrecipient.
- Suspend or terminate the Federal award in part or in its entirety.
- Initiate suspension or debarment proceedings as authorized in 2 C.F.R. Part 180 and the Federal agency's regulations, or for passthrough entities, recommend suspension or debarment proceedings be initiated by the Federal agency.
- Withhold further Federal funds (new awards or continuation funding) for the project or program.
- Pursue other legally available remedies.

We found that, during the time period of our review, OIA did not ensure the Insular Areas submitted their single audit reports in compliance with Federal grant regulations for timely single audits and did not take any possible remedies described in the regulations. Except for USVI,¹⁴ Insular Areas timely submitted single audits for FYs 2016 through 2018. Beginning in FY 2019, however, with the exception of American Samoa,¹⁵ Insular Areas consistently submitted their reports late. For example, USVI, Palau, and CNMI have been as much as two years late submitting their reports (see Figure 4). As of March 2025, four of the seven Insular Areas did not submit reports for FY 2022 (due June 30, 2023) and five of the seven did not submit reports for FY 2023 (due June 30, 2024).

¹² In accordance with 2 C.F.R. § 200.512, "Report Submission," the single audit data and information includes the audit, the data collection form, and the reporting package, which must be submitted within 30 calendar days after the auditee receives the auditor's report(s) or within nine months after the end of the audit period, whichever comes first.

¹³ 2 C.F.R. § 200.339.

¹⁴ In 2017, Hurricane Irma, a powerful Category 5 storm, made landfall on USVI—resulting in late single audit submissions (averaging 290 days late from 2016 through 2018).

¹⁵ While American Samoa single audits have been timely, we conducted a separate quality control review (QCR) of American Samoa's FY 2023 single audit report (in accordance with 2 C.F.R. § 200.513(a)(4)(ii), "Responsibilities") and found significant quality issues with the independent public accountant's performance of this audit. In our [Summary: Quality Control Review of American Samoa's Single Audit for FY 2023](#) (Report No. 2025-FIN-018), we identified several major deficiencies in the independent public accountant's work, including omitting major Federal programs from required internal control and compliance testing, unreasonable determination of applicable compliance requirements, inadequate documentation of control and compliance testing, and inadequate sample size to gather sufficient and appropriate evidence to conclude on certain compliance testing. Based on our review, we assigned an overall QCR rating of "fail" to the audit.

Figure 4: FY 2019-2023 Number of Days Late or Not Submitted* by Insular Area as of March 2025

Insular Area	2019	2020	2021	2022	2023
CNMI	307	579	784	Not Submitted	Not Submitted
Palau	230	665	889	Not Submitted	Not Submitted
FSM	183	184	302	472	Not Submitted
RMI	183	341	307	Not Submitted	Not Submitted
USVI	455	771	624	Not Submitted	Not Submitted
Guam	70	0	18	153	231
American Samoa	0	12	0	0	0

* CNMI, Palau, RMI, and USVI have not submitted FY 2022 single audits, and CNMI, Palau, FSM, RMI, and USVI have not submitted FY 2023 single audits.

The Insular Areas stated they encountered several challenges that affected the timely submission of single audits. These challenges included natural disasters, the COVID-19 pandemic, and implementation of new financial systems, as well as the departure of a certified public accounting firm from the region (which impacted five of the seven Insular Areas).

OIA implemented several mitigating actions in the absence of current single audits, such as conducting site visits, participating in workshops with the Insular Areas, and obtaining updates on overdue audits. For example, OIA attended biannual events hosted by the Island Government Finance Officers Association, where Chief Financial Officers and key financial personnel from the Insular Areas engaged with OIA to exchange best practices and address shared challenges, including single audit delays, audit findings, and corrective actions. OIA also performed site visits at five of the seven Insular Areas to ensure grant performance. Although these mitigating actions are positive steps, OIA did not take additional steps or exercise other available options—including enforcing remedies as established in Federal regulations, such as withholding additional Federal funds for a project or program or temporarily suspending payments until corrective measures are implemented—to attempt to obtain compliance.

We found that the lack of activity beyond the mitigating actions described above occurred because OIA was reluctant to impose remedies given the circumstances facing some of the Insular Areas and moreover lacks a process to implement remedies set forth in Federal regulations for situations where an Insular Area has not met single audit submission requirements. OIA's *Accountability and Insular Policy* describes its responsibilities as both the Federal grantor agency and the cognizant agency for audits; however, it does not specify how OIA will enforce remedies after exhausting all other efforts and determining noncompliance cannot be corrected.

Promising Practice: The Bureau of Indian Affairs (BIA) established a structured process for handling single audit submissions. When a single audit is past due, BIA initiates its remedy process and sends a request/warning letter after the end of the recipient's fiscal year. BIA then issues a Notice of Change in Payment letter if the single audit has not yet been received by nine months after the end of the recipient's fiscal year. BIA's *Single Audit Report Handbook*¹⁶ sets forth specific remedies based on the severity of delay in accordance with 2 C.F.R. § 200.339. Adopting already established practices from other DOI bureaus could help OIA address the backlog of late single audits.

The single audit is a crucial tool for Federal agencies to evaluate a grantee's financial health and its ability to manage Federal funds. Delays can hinder the detection of financial discrepancies, inefficiencies, and noncompliance, potentially allowing issues to persist unresolved for years and corrective actions to go

¹⁶ Available at https://www.bia.gov/sites/default/files/dup/assets/public/raca/handbook/pdf/5-IAM-2-H_SAR-Handbook_FINAL_Signed_508.pdf.

unimplemented. For example, Palau's FY 2021 single audit revealed an unresolved material weakness in internal controls that was first identified FY 2017.¹⁷ Palau has not submitted its single audits since FY 2021, leaving uncertainty about whether it has implemented corrective actions related to this finding. Additionally, the latest single audit reports for all seven Insular Areas reported a total of \$70.1 million in questioned costs related to Federal awards.¹⁸ Without timely audits, there is no verification that questioned costs have been resolved (which can include recovery of costs). Finally, delays in audits reduce oversight; lower accountability; heighten the risk of mismanagement, fraud, and abuse of Federal funds; and may result in penalties, funding reductions, or legal issues.

Conclusion and Recommendation

Although OIA implemented several mitigating actions in the absence of timely single audits, it could improve and enhance its procedures to ensure Insular Areas comply with Federal grant regulations for completing and submitting timely single audits. We found that since FY 2019, the number of late single audit submissions has increased. For most Insular Areas, single audits were significantly late—in some instances, by as much as two years. In addition, five out of seven Insular Areas had collectively failed to submit a total of nine required single audit reports for FYs 2022 and 2023. Without a process in place to assist in the application of all available remedies to enforce compliance with single audit regulations, OIA cannot ensure effective oversight and Federal agencies providing funding may not have timely information to evaluate Insular Area financial health and management of Federal funds.

We provided a draft of this report to OIA for review. OIA concurred with our recommendation. We consider Recommendation 1 resolved. We determined that Recommendation 1 is significant and will be reported as such in our semiannual report to Congress in accordance with the Inspector General Act.¹⁹ Below we summarize OIA's response to our recommendation, as well as our comment on its response. See Attachment 2 for the full text of OIA's response; Attachment 3 lists the recommendation status.

We recommend that the Office of Insular Affairs:

1. Develop and implement a process to enforce available remedies to ensure that Insular Area Governments conduct and submit single audits in accordance with Federal grant regulations.

OIA Response: OIA concurred with the recommendation and stated it will develop and implement a process to enforce available remedies.

OIA also recognized the importance of prompt audits and stated it is “committed to focusing [OIA] staff and financial assistance resources on improving the timeliness and accuracy of the audits.” Accordingly, OIA stated it has taken the following actions to address the root causes of delayed audits: conducting “bi-weekly check-ins with each insular area” that “will reinforce the urgency of bringing their audits up to date and provide ample opportunity for consultation on the challenges the insular financial offices face during the audit process,” “working to embed accounting professionals in the insular finance offices for extended periods” to enhance capacity, and offering “grant funding to hire staff dedicated to improving audit timeliness and quality.”

OIA provided a December 31, 2025 target implementation date.

¹⁷ Republic of Palau single audits, recurring finding FYs 2017-2021, “Lack of resources committed to periodically maintaining reconciliations of accounts.”

¹⁸ Total Federal award questioned costs documented in the most recent single audit report for the Insular Areas: FY 2021 for USVI, CNMI, RMI, and Palau; FY 2022 for FSM; and FY 2023 for American Samoa and Guam.

¹⁹ The Inspector General Act of 1978, 5 U.S.C. § 405(b), requires inspectors general to prepare semiannual reports summarizing OIG activities during the immediately preceding six-month periods ending March 31 and September 30. It also states that these semiannual reports should include an identification of each “significant recommendation” described in previous semiannual reports on which corrective action has not been completed.

OIG Comment: Based on OIA's response, we consider this recommendation resolved. We will consider it implemented when OIA provides documentation that it developed and implemented a process to enforce available remedies to ensure timely single audit submissions.

We will track this open recommendation for resolution and implementation. We will notify Congress about our finding, and we will report semiannually, as required by law, on actions you have taken to implement the recommendation or whether it has not been implemented. We will also post a public version of this report on our website.

If you have any questions about this report, please contact me at aie_reports@doioig.gov.

Attachments (3)

Attachment 1: Scope and Methodology

Scope

We inspected the Office of Insular Affairs' (OIA's) oversight procedures for single audit submissions from fiscal years (FYs) 2016 through 2023 for the U.S. territories of American Samoa, the Commonwealth of the Northern Mariana Islands, the Government of Guam, and the U.S. Virgin Islands, as well as the freely associated states of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

Methodology

We conducted our inspection in accordance with the *Quality Standards for Inspection and Evaluation* as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusion and recommendation.

To accomplish our objectives, we:

- Identified Federal expenditures by agency for each respective Insular Area.
- Identified applicable Federal laws and regulations.
- Examined 56 single audit submissions from FYs 2016 through 2023 for the 7 Insular Areas as reported by the Federal Audit Clearinghouse.
- Interviewed the Office of Public Accounting/Chief Financial Officer for each Insular Area about why the single audits are late.
- Interviewed OIA officials regarding the use of single audits and impact of delinquent or missing single audits on Insular Area oversight, as well as what OIA is doing to reverse current trends related to late and missing single audits.
- Reviewed and documented OIA's policies and procedures regarding single audits.
- Reviewed OIA's application of 2 C.F.R. § 200.339, "Remedies for noncompliance."
- Reviewed correspondence about late single audits and supporting documents (workshop presentations, grant checklists, and site visit reports) for OIA's mitigating actions.

Attachment 2: Response to Draft Report

The Office of Insular Affairs' response to our draft report follows on page 11.



United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, DC 20240

Memorandum

To: Nicki Miller
Acting Assistant Inspector General for Audits, Inspections, and Evaluations

From: William Hague *William W. Hague*
Principal Deputy Assistant Secretary – Insular and International Affairs

Subject: Draft Inspection Report – *The Office of Insular Affairs Needs To Ensure Insular Areas' Compliance With Federal Regulations Related to Single Audit Submissions* Report No. 2025-FIN-005

Thank you for the opportunity to review the subject Office of the Inspector General (OIG) Draft Report. I agree that, as your report points out, the timelines for insular area audits have been deficient for over five years. Even though I have only been in my role as Acting Assistant Secretary less than four months, I did recognize the concerns about audits early on. Timely and high-quality audits are crucial for the transparency and accountability of U.S. taxpayer funds allocated to our insular areas. While the COVID-19 pandemic may have exacerbated audit delays, issues of audit timeliness and quality have been persistent through to the present. I am committed to focusing Office of Insular Affairs (OIA) staff and financial assistance resources on improving the timeliness and accuracy of the audits.

Last month, I met with finance officials from all the insular areas and emphasized the importance of prompt audits, highlighting that bringing all of them up to date has been one of my top priorities. I have taken numerous actions to address the underlying causes of delayed audits. Additionally, we are partners on bi-weekly check-ins with each insular area. This will reinforce the urgency of bringing their audits up to date and provide ample opportunity for consultation on the challenges the insular financial offices face during the audit process. OIA is working to embed accounting professionals in the insular finance offices for extended periods, enhancing their capacity. Additionally, I have offered each insular government noncompetitive grant funding to hire staff dedicated to improving audit timeliness and quality.

In line with your recommendation, OIA will develop and implement a formal process to enforce available remedies when audit requirements are not met. Importantly, we will collaborate with our insular partners to address the underlying root causes that have contributed to these audit timeliness and quality issues.

Our July 7, 2025 press release¹ regarding grant applications emphasized enhancing single audit timeliness as a top priority. I look forward to reviewing and prioritizing applications that strengthen the management and accountability of federal funds. I have consistently stressed the

¹ [Interior Department Opens FY2025 Funding Opportunities for U.S. Territories and Freely Associated States, Emphasizes Timely Financial Audits | U.S. Department of the Interior](#)



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importance of audit timeliness and quality since my appointment and will continue to do so until all insular areas are up to date and producing high-quality audits.

The following is OIA's response to the OIG's Recommendation.

Recommendation 1: Develop and implement a process to enforce available remedies to ensure that Insular Area Governments conduct and submit single audits in accordance with Federal grant regulations.

Response: OIA concurs with the OIG's recommendation and will develop and implement a process to enforce available remedies.

Responsible Officials: Eunbin Morrison, Jonathan Dunn, and Tanya Joshua.

Target date: December 31, 2025

Attachment 3: Status of Recommendation

Recommendation	Status	Action Required
2025-FIN-005-01 We recommend that the Office of Insular Affairs develop and implement a process to enforce available remedies to ensure that Insular Area Governments conduct and submit single audits in accordance with Federal grant regulations.	Resolved	We will track implementation.



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