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Report to Rep. Phillip Burton, Chairman, House Committee on Interior and Insular Affairs: National Parks and Insular Affairs Subcommittee; by Elmer B. Staats, Comptroller General.

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American Samoa is largely dependent on Federal funds as the base for its economy. Well-conceived goals and priorities for its development do not exist. The American Samoa Government has neither an effective financial management system nor an adequately trained work force to carry out its operations. Findings/Conclusions: The Department of the Interior has been responsible for the administration of the Government of American Samoa since 1951, but has not been effective in helping American Samoa progress toward becoming a self-supporting territory. The level of funds American Samoa has received from the United States has exceeded its capability to manage its programs. The funds have also contributed to changes in the Samoan culture. About 82% of American Samoa's revenues in 1977 came from the Federal Government. Efforts to develop private enterprise have been largely unsuccessful, and the territory has been unable to effectively plan, develop, operate, manage, and maintain capital improvement projects. People from outside the territory comprised 25% of the work force. Despite high unemployment, American Samoans are unwilling to accept certain jobs. Recommendations: The Secretary of the Interior should: clarify the U.S. Government's roles and responsibilities for carrying out Interior's objectives of self-government and self-support in American Samoa; make sure that the territorial government establishes goals and priorities for the territory's development as well as a plan to accomplish them; establish a separate organization to provide American Samoa technical assistance and preserve the integrity of audit objectivity; make sure the territory has made an adequate evaluation of Federal grant programs, that there is a need for them, and that they can be effectively administered; proceed on the best possible approach to have information made available from other Federal agencies on the purpose and intent of all Federal funds and other assistance to be provided American Samoa; assist American Samoa

in developing and carrying out a comprehensive manpower development program; and assist the territory in developing a comprehensive hiring and employment program. (Author/SC)

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REPORT BY THE

Comptroller General

OF THE UNITED STATES

7749

American Samoa Needs Effective Aid To Improve Government Operations And Become A Self-Supporting Territory

American Samoa is largely dependent on Federal funds as the base for its economy. Well-conceived goals and priorities for its development do not exist. The American Samoa Government has neither an effective financial management system nor an adequately trained work force to carry out its operations.

The Department of the Interior has been responsible for the administration of the Government of American Samoa since 1951 but has not been effective in helping American Samoa progress toward becoming a self-supporting territory. The level of funds American Samoa has received from the Federal Government has exceeded its capability to manage its programs. These funds also contributed to changes in the Samoan culture.

The report was prepared at the request of the Chairman, Subcommittee on National Parks and Insular Affairs, Committee on Interior and Insular Affairs, House of Representatives.

CED-78-154
SEPTEMBER 22, 1978

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114870

The Honorable Phillip Burton
Chairman, Subcommittee on National
Parks and Insular Affairs
Committee on Interior and Insular
Affairs
United States House of Representatives

Dear Mr. Chairman:

By letter dated September 20, 1977, (app. I), you asked us to examine the overall operations and programs that were under implementation by the Government of American Samoa and establish a benchmark for the newly elected governor so that he would not bear the burden of any liability or possible finding of mismanagement, which may have been attributed to previous administrations.

On several occasions we met with your office to discuss areas of review and agree on the scope of our work. This report is in response to your request and agreements reached on work to be done. Regarding your request to assess the operations of the executive, legislative, and judiciary branches of the territorial government, we agreed to prepare a comparison of all territorial governments administered by the Department of the Interior. This matter and some of the other specific matters you requested us to examine, such as the liabilities of the American Samoan Development Corporation, and the television and radio stations, are included as appendices to the report.

We did not attempt to conduct a complete audit of the funds made available to the Government of American Samoa and do not believe such an audit should be made because of the poor condition of the accounting records. Such an effort would require a reconstruction of the financial records, and it would only succeed in further demonstrating the already established financial management weaknesses of the Government of American Samoa--at great cost and with little lasting curative effect. These weaknesses are discussed in detail throughout the report.

Comments of the Department of the Interior and the Governor of American Samoa were obtained and have been included where appropriate in the report.

B-114870

Unless you publicly announce its contents, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Comptroller General
of the United States

COMPTROLLER GENERAL' REPORT
TO THE CHAIRMAN, SUBCOMMITTEE
ON NATIONAL PARKS AND INSULAR
AFFAIRS, COMMITTEE ON INTERIOR
AND INSULAR AFFAIRS, U.S. HOUSE
OF REPRESENTATIVES

AMERICAN SAMOA NEEDS EFFECTIVE AID TO IMPROVE GOVERNMENT OPERATIONS AND BECOME SELF-SUPPORTING

D I G E S T

Roles and responsibilities of the United States to assist the territory of American Samoa in becoming more self-supporting--developing a strong economic base and a skilled labor force--and attaining better self-government, require more dependable direction and more vigorous work by the Department of the Interior.

Specifically:

--Interior and other Federal departments and agencies have released about $271 million to the Government of American Samoa since 1951 for its operations and programs. The level of funds has exceeded American Samoa's capability to manage its programs.

--Interior and other Federal agencies have provided neither sufficient technical assistance nor effective oversight to help the territory become self-supporting.

--Well-conceived goals and objectives, as well as a master plan, have not been established for directing the territory's development efforts. American Samoa's planning efforts have been fragmented, no central authority has existed for developing or directing a comprehensive plan, and planning continuity has been hampered by frequent changes in the territory's leadership (see p. 8).

GAO reached these conclusions on the governmental situation in American Samoa after the inauguration of American Samoa's first elected governor (January 3, 1978) following 77 years of U.S. appointed administrators.

Facts helpful to an understanding of this report include the following:

--Seven islands, 2,300 miles southwest of Hawaii, comprising American Samoa.

--An area of 76 square miles, they comprise the only U.S. territory south of the equator.

--The United States acquired the islands through treaties and deeds of cession beginning in 1899, the U.S. Navy administered the territory until 1951.

--American Samoa is politically separate from Western Samoa, an independent nation 30 miles distant.

--Of an estimated 30,000 inhabitants of American Samoa, about half are U.S. nationals. American Samoans cannot vote in U.S. elections.

--93 percent of them live on the island of Tutuila.

--96 percent of their land is communally owned.

--Government operations and commercial activities are centered in the area of Pago Pago.

ECONOMIC DEVELOPMENT EFFORTS HAVE NOT BEEN SUCCESSFUL

GAO found that:

--About 82 percent of American Samoa's 1977 revenues of over $56 million were derived directly from the Federal Government (see p. 4).

--Efforts by American Samoa to develop private enterprises have been largely unsuccessful. Agricultural development is minimal, new industrial investments have not occurred for several years, and over 45 percent of the total labor force is employed by the territorial government (see p. 11).

--American Samoa has been unable to effectively plan, develop, manage, operate, and maintain various capital improvement projects, such as water, sewer, and electrical utility systems (see pp. 13 to 16).

--As of December 31, 1977, $26.5 million of $57.5 million, provided by the Federal Government since 1971 for these projects, was unobligated. In April 1978 the Governor testified that more projects were funded than it was reasonably possible to undertake or complete in the year appropriated or received (see p. 13).

--Little coordination existed between American and Western Samoa to develop economically. Western Samoa is operating under its third 5-year development plan and has generated over 70 percent of its 1977 budget with local revenues (see p. 10) as compared to 18 percent for American Samoa (p. 4).

--Despite high unemployment, imported labor filled certain jobs American Samoan are unwilling to accept, such as work in the tuna canneries; this situation is causing a drain on the territory's economy (see p. 12).

--American Samoa reported that people from outside the territory, who are not U.S. nationals, comprised 25 percent of its government work force in November 1977 (see p. 12).

Sometimes American Samoa received funds in amounts which did not correspond to specific needs. In one case this resulted in American Samoa being eligible to receive $964 per capita under two Federal grant programs compared to the national average of $13 per capita (see p. 20).

NEED TO ESTABLISH FISCAL RESPONSIBILITY IN AMERICAN SAMOA

Until July 1977 Interior had done little to motivate the territory to establish fiscal responsibility over these funds provided for the territory's development. Accounting records and procedures were poor and fiscal controls, so weak that territorial officials did not know with precision the amounts of funds received or expended.

American Samoa:

--Was unable to accurately report its overall financial condition (see p. 32).

--Had not prepared basic accounting records, such as financial statements and bank reconciliations (see p. 32 to 36).

--Could not accurately report the value of its equipment and buildings and the amount of its cash and receivables (see p. 36).

--Has not received accurate and timely data since its automated financial management system was implemented. The system lacks basic control features, such as those needed to identify excessive payroll time and/or duplicate paychecks (see pp. 37 to 39).

Several of these deficiencies have been brought to American Samoa's attention in prior audits and reviews by GAO, and by others, as far back as 1954 (see pp. 32 and 41).

A task force in August 1977 began to reconcile the government's money accounts and determine its financial position before the inauguration of the new governor. The task force was unable to determine satisfactorily the government's financial position but identified significant financial management problems.

Interior is considering increasing the audit staff and technical assistance capabilities of the Government Comptroller's Office in American Samoa.

NEED TO IMPROVE PERSONNEL DEVELOPMENT IN GOVERNMENT OPERATIONS

The problems facing American Samoa stem largely from the lack of qualified personnel and frequent turnover of personnel in key management positions. Demand is created for technicians, managers, professionals, and trained support staff which outstrip the local supply. As a result, middle and upper management positions are filled largely by contract employees from the United States. As far back as 1953, American Samoa reported shortages of

trained local personnel and the desire to replace contract employees with American Samoans. The number of contract employees, however, has grown from 45 in 1956 to 170 in 1978 (see pp. 47 and 48).

American Samoan officials acknowledged shortages of qualified personnel throughout the government, particularly in the area of financial management. They said the lack of adequately trained technicians in virtually all areas of financial management was a major cause of the financial problems (see p. 48).

Many aspects of the contract employment arrangement are not totally satisfactory to American Samoa. In fiscal years 1976 and 1977, turnover of contract employees was approximately 65 percent and 41 percent, respectively. This turnover has caused, among other things, loss of program continuity and increased costs of recruiting and relocation. American Samoa lacks an adequate education and training system to promote the development of local employees (see p. 52).

The Department of Labor's Comprehensive Employment and Training Act grants provide an opportunity to the territory, through service employment programs, to train staff for certain positions. However, it must be recognized that these programs can provide training only for a limited range of positions (see p. 52). Further, GAO found significant problems in the administration of these grants (see pp. 53 and 54).

NEED FOR APPROPRIATE OVERSIGHT AND TECHNICAL ASSISTANCE

Neither Interior nor other Federal agencies have provided appropriate oversight and technical assistance to the territory. Furthermore, a Committee on Interagency Territorial Assistance established by Interior in 1976 to coordinate Federal agency programs to the territories, avoid duplication, and make sure territorial policies are implemented properly, may not be able to meet these objectives. Interior and committee officials claim that they have no legal authority to direct other

Federal agencies to take action appropriate to carrying out U.S. objectives in American Samoa. Interior

--does not know exactly how much money is going to American Samoa from other Federal agencies, and

--generally is uninformed of other agencies' actions to visit, audit, and oversee their programs (see pp. 21 and 22).

RECOMMENDATIONS

The Secretary of Interior should

--clarify the U.S. Government's roles and responsibilities for carrying out Interior's objectives of self-government and self-support in American Samoa (see p. 24);

--make sure that the Territorial government establishes goals and priorities for the territory's development as well as a plan to accomplish them (see p. 24);

--establish a separate organization to provide American Samoa technical assistance and preserve the integrity of audit objectivity (see p. 43);

--make sure the territory has made an adequate evaluation of Federal grant programs, that there is a need for them, and that they can be effectively administered (see p. 24);

--proceed on the best possible approach to have information made available from other Federal agencies on the purpose and intent of all Federal funds and other assistance to be provided American Samoa (see p. 25);

--arrange with Federal agencies funding grant programs in American Samoa to have the Government Comptroller's staff perform regular audits of all Federal funds to ensure they are properly expended (see p. 25);

--assist, in conjunction with other appropriate Federal agencies, American Samoa in

developing and carrying out a comprehensive manpower development program (see p. 55); and

--assist the territory in developing a comprehensive hiring and employment program (see p. 55).

The Department of the Interior generally agreed with GAO's recommendations. Interior officials stated that many of the comments and recommendations would be helpful to the newly elected Governor of American Samoa and Interior in working toward more effective government and economic and political development programs (see p. 25).

The Governor of American Samoa generally agreed with GAO's findings and informed GAO of a number of actions his administration was planning and undertaking to improve the operations of the government (see p. 45).

For more detailed comments on these and other recommendations, as well as comments by the Interior (see pp. 25 to 27, 44 and 56) and the Governor of American Samoa (see pp. 28 to 31, 45 and 57).

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ABBREVIATIONS

CIPs	Capital Improvement Projects
DOI	Department of the Interior
GAO	General Accounting Office
GAS	Government of American Samoa

CHAPTER 1

INTRODUCTION

The basic objectives of the United States in overseeing American Samoa are to provide for the territory's development toward self-government and self-support. Since 1951, the United States has provided about $271 million for the territory's political, economic, and social development.

American Samoa has progressed toward self-government. On January 3, 1978, after 77 years of U.S. appointed administrators, the people of American Samoa inaugurated their first governor. It, however, has made little progress toward becoming economically self-supporting.

AMERICAN SAMOA: ITS SOCIAL STRUCTURE AND GOVERNMENT

American Samoa is an insular possession of the United States, consisting of seven tropical islands located 2,300 miles southwest of Hawaii. The islands--Tutuila; Aunu'u; the three islands of the Manu'a group (Ta'u, Olosega, and Ofu); and two coral atolls, Rose and Swains--are the only U.S. soil south of the equator. The total land area of all seven islands is about 76 square miles with about 96 percent of the land communally owned by their estimated 30,000 inhabitants. About 93 percent of the population live on the main island of Tutuila. Pago Pago Bay almost divides this island. Government operations and a great portion of the commercial activities are located in the Pago Pago Bay area.

By stateside standards, American Samoa is unique. For the most part, American Samoans are U.S. nationals. They are entitled to free entry into the United States and are within the jurisdiction of the United States. However, they cannot vote in U.S. elections. Also, American Samoa's:

--Society base is primarily communal; therefore, its conventions are incompatible with those of Western socioeconomies.

--Land ownership, except free-hold lands, is prohibited to anyone with less than one-half Samoan blood.

--Size is miniature compared to States within the United States.

Its social structure

Samoans share ties of common heritage with other Polynesians--Tongans, Hawaiians, Tahitians, and New Zealand Maoris. Over the past several thousand years in the islands, Samoans have developed a social system whose characteristics continue to influence the society's political, economic, and social operations, despite intrusions of Western ideas.

The Samoan social structure is built around an extended family consisting of a group of people related by blood, marriage, or adoption. The family may take in as many as several thousand relatives, all of whom acknowledge allegiance to the hierarchy of the matai or island leadership system.

The rank of the matais, or leaders, of the extended family varies. Customarily, the leading matai, who occupies a special niche in Samoan society, has the authority to

--designate which member will work particular portions of the family land and

--determine where the various nuclear families that make up the extended family will live, assuming they are living on family land.

The Governor of American Samoa advised us that the leading matai does not exercise control over the land of the extended family. He is only a trustee or guardian of the family land whose decisionmaking regarding these lands is limited by the unanimity principal. The matai cannot make a decision without a unanimous agreement by his family.

It has also been customarily expected that a person would deliver something of value to the matai in exchange for living on communal land. Food items have traditionally been used and may include fish, taro, coconut products, or pork as typical examples. Money is also used as a medium of this service. Conversely, the matai has considerable responsibility toward his family and ensures that all members are properly provided for and protected from those who may harm the family or one of its members.

The leading matai has authority only over those members of his own extended family. Matais of lesser rank might have control over individuals within a much closer spectrum. Some matais might have control over no more individuals than would a parent in the American society.

Its government

The islands of Tutuila, Aunu'u, and the Manu'a group, including Rose Island, were ceded to the United States pursuant to the tripartite treaty agreement of 1899 between the United States, Great Britain, and Germany. U.S. sovereignty was extended over Swains Island, which is privately owned, in March 1925. The larger, western portion of the islands, known as Western Samoa, became a German possession. Although culturally related, American Samoa is politically separate from Western Samoa, which became an independent nation in 1962.

The Government of American Samoa (GAS) was under the administration of the Secretary of the Navy until 1951 at which time this responsibility was transferred to the Secretary of the Interior. The Office of Territorial Affairs within the Department of the Interior is responsible for the administration of the territorial government for the Secretary. It is also responsible, as Interior's principal liaison with other Federal agencies, for all Federal inputs and operations in the territory.

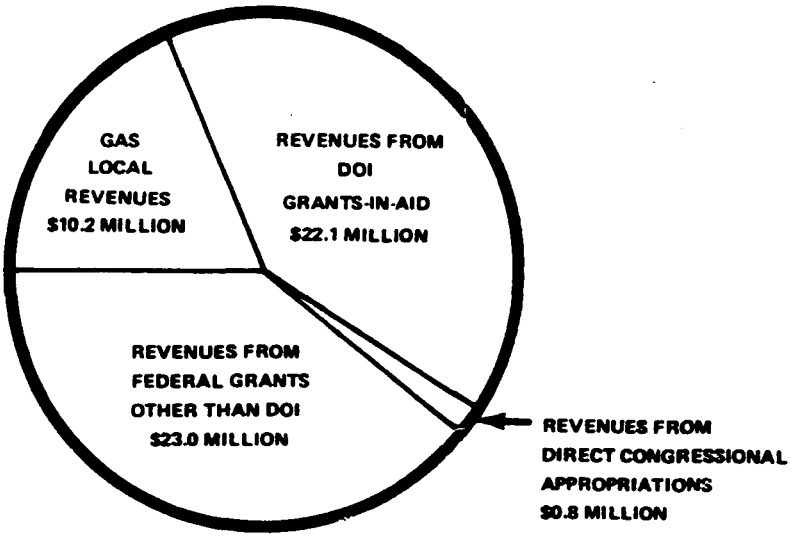
On September 13, 1977, the Secretary of the Interior provided the authority for the people of American Samoa to elect their own governor and lieutenant governor. In addition, the Secretary provided the authority for a Government Comptroller to audit the transactions of the territorial government and provide, upon request of the governor, advice and assistance to the governor particularly in the area of financial matters of Federal interest.

HOW GAS PROGRAMS AND SERVICES ARE FINANCED

GAS activities are financed with Federal funds provided through direct congressional appropriations, grants-in-aid from the Interior, and grants from other Federal agencies. GAS also receives local revenues consisting primarily of income and excise taxes and various fees collected for government services.

The range of programs and services funded by Federal and local revenues include executive, legislative, and judicial functions of government. GAS provides typical government services of police and fire protection, public education, roads, water, sewer, and parkland development and maintenance. In addition, GAS also provides medical services, port services, communications systems, electric power, and harbor and airport facilities.

The following chart shows that about 82 percent of GAS' fiscal year 1977 revenues of over $56 million were attributed directly to the Federal Government.



Local residents and business concerns in American Samoa do not pay Federal income taxes to the United States but instead pay comparable territorial income taxes directly to GAS. In fiscal year 1977 Samoan income taxes, totaling $5.6 million, represented 55 percent of the $10.2 million of GAS' local revenues.

CHAPTER 2

AMERICAN SAMOA'S PROGRESS TO ACHIEVE SELF-GOVERNMENT AND SELF-SUPPORT

The Treaty Agreement of 1899 and the series of deeds of cession negotiated between the United States and the chiefs of the islands obligate the United States to protect and promote the peace and welfare of American Samoa without unduly interfering with the customs of its people. In 1956 the Secretary of the Interior approved broad policies providing for the orderly and progressive development of American Samoan self-government and assistance in attaining maximum self-support.

We found that American Samoa has been progressing toward self-government. However, it has made little progress toward becoming economically self-supporting. GAS has been unable to manage and effectively use the Federal funds it has received for the territory's development. In addition, these funds have contributed to changes in Samoan culture.

AMERICAN SAMOA'S POLITICAL PROGRESS

By Executive order dated February 19, 1900, and pursuant to the Treaty Agreement, the Samoan islands were placed under the control of the Department of the Navy for a naval station. The Secretary of the Navy established the U.S. authority and provided protection for the Samoan people through the commanding officer of the naval station. The commanding officer, who served as governor of the islands, held all authority--executive, legislative, and judicial--in American Samoa.

Beginning in 1905 a legislative assembly of chiefs convened annually and passed resolutions and petitions. Its status was only advisory to the governor. Later, the supreme judicial authority was transferred to an American civilian chief justice who was appointed by the governor until the early 1930s after which he was appointed by the Secretary of the Navy.

In 1948 the legislature became bicameral but remained an advisory body to the governor. It consisted of a House of Ali'i containing 12 chiefs of the highest order and a House of Representatives comprising 54 members. At this time, the judiciary consisted of a High Court, six district courts and numerous village courts. A chief judge, assisted by two to four associate judges selected by him, presided over the High Court. A Samoan judge presided over each of the district courts and Samoan magistrates sat in the village courts.

The form of government changed in 1951, however, when the President of the United States transferred the administrative responsibility from military to civilian rule. The governor was appointed by the Secretary of the Interior; and in 1953 the legislative and judicial branches were reorganized.

The House of Ali'i became a Senate of 15 chiefs, chosen in open meeting, according to Samoan custom; and the House of Representatives was reduced to 18 Samoans elected in the territory's first secret general election. The role of the legislature, however, remained advisory to the governor.

Under the reorganization the judicial branch consisted of a High Court with a chief justice appointed by the Secretary of the Interior and assisted by four associate judges. The associate judges, who presided over five district courts, were appointed by the governor upon recommendation by the chief justice.

Under the administration of the Secretary of the Interior, American Samoa received its first constitution. Written by a local constitutional committee, it was ratified and approved by the Secretary of the Interior and became the basic law of the territory in October 1960. In 1966 the constitution was revised, ratified, and later approved by the Secretary of the Interior on June 2, 1967. The revised constitution, effective on July 1, 1967, remains the basic law of the territory. Among the more significant changes were those affecting the legislature.

Membership in the Senate increased to 18 members who serve 4-year terms and are chosen by Samoan custom in each of the political counties. House membership increased to 20 voting members who are elected by popular vote in the 17 representative districts and hold 2-year terms. One delegate from Swains Island is also elected to the House by adult permanent residents at an open meeting and has all the privileges of a House member, except the right to vote.

The legislature has full authority for local legislation consistent with the Samoan constitution, laws of the United States applicable in American Samoa, and treaties or international agreements of the United States. The legislature has appropriation authority with respect to local revenues and the authority to review and make recommendations with respect to the budget submitted to the Congress for grant funds.

The American Samoan Constitution provides that the judicial branch of the Samoan government shall be independent of the executive and legislative branches. The High Court of

American Samoa is the tribunal of original jurisdiction in the territory. The chief justice and the associate justice are appointed by the Secretary of the Interior. Five associate judges, one of whom is designated chief associate judge, are appointed by the governor upon the recommendation of the chief justice, subject to the confirmation of the Senate. Such additional temporary associate judges serve the High Court as required.

The High Court is composed of four divisions: Appellate, Trial, Probate, and Land & Title, the latter division being concerned with land and matai title cases. Court proceedings are generally conducted before a panel composed of the chief justice or associate justice and two associate judges. Four associate judges are used in capital cases. Matai title cases are conducted before a panel of three associate judges. In criminal matters the rights accorded the accused are substantially identical to those provided in the U.S. courts.

The inauguration of the territory's first elected governor in January 1978 was another step toward complete self-government. However, until the Congress chooses to provide additional self-governing authority, the territory's administration remains the Secretary of the Interior's ultimate responsibility.

More information on the governmental structure of American Samoa and other territories administered by the Interior are discussed in appendix V.

AMERICAN SAMOA'S LIMITED PROGRESS TOWARD BECOMING A SELF-SUPPORTING TERRITORY

American Samoa's economy has become largely dependent on Federal funds. CAS has not established well-conceived goals and priorities for the territory's development and has been without adequate direction to become a self-supporting territory. It has been unable to develop a strong economic base and a skilled labor force. Furthermore, GAS has been unable to effectively develop and maintain capital improvement projects (CIPs) to stimulate economic growth.

Level of Federal and local support

Over the years the ratio of Federal funds to local funds raised by GAS has increased substantially from a 1 to 1 ratio in 1952 ($663,000 to $648,000) to about a 3 to 1 ratio in 1978 ($31.8 million to $11.7 million). The biggest increase in Federal funds to GAS in the last few years has been in Federal grants. In fiscal year 1977 GAS received

its highest amount of Federal funds--about $46 million, of which $23 million was in Federal grants from agencies other than the Department of the Interior.

The chart on page 9 shows the amount of Federal and local support available to GAS from fiscal years 1971 to 1978.

Included in these totals are funds provided to GAS by the Interior and other Federal agencies for CIPs to construct roads, water, sewer, and electrical systems, and other facilities. Since fiscal year 1971, the Federal Government has provided about $57.5 million for CIPs. GAS received approximately $40 million, or 70 percent, of these funds within the last 3 fiscal years.

Need for well-conceived development goals and priorities

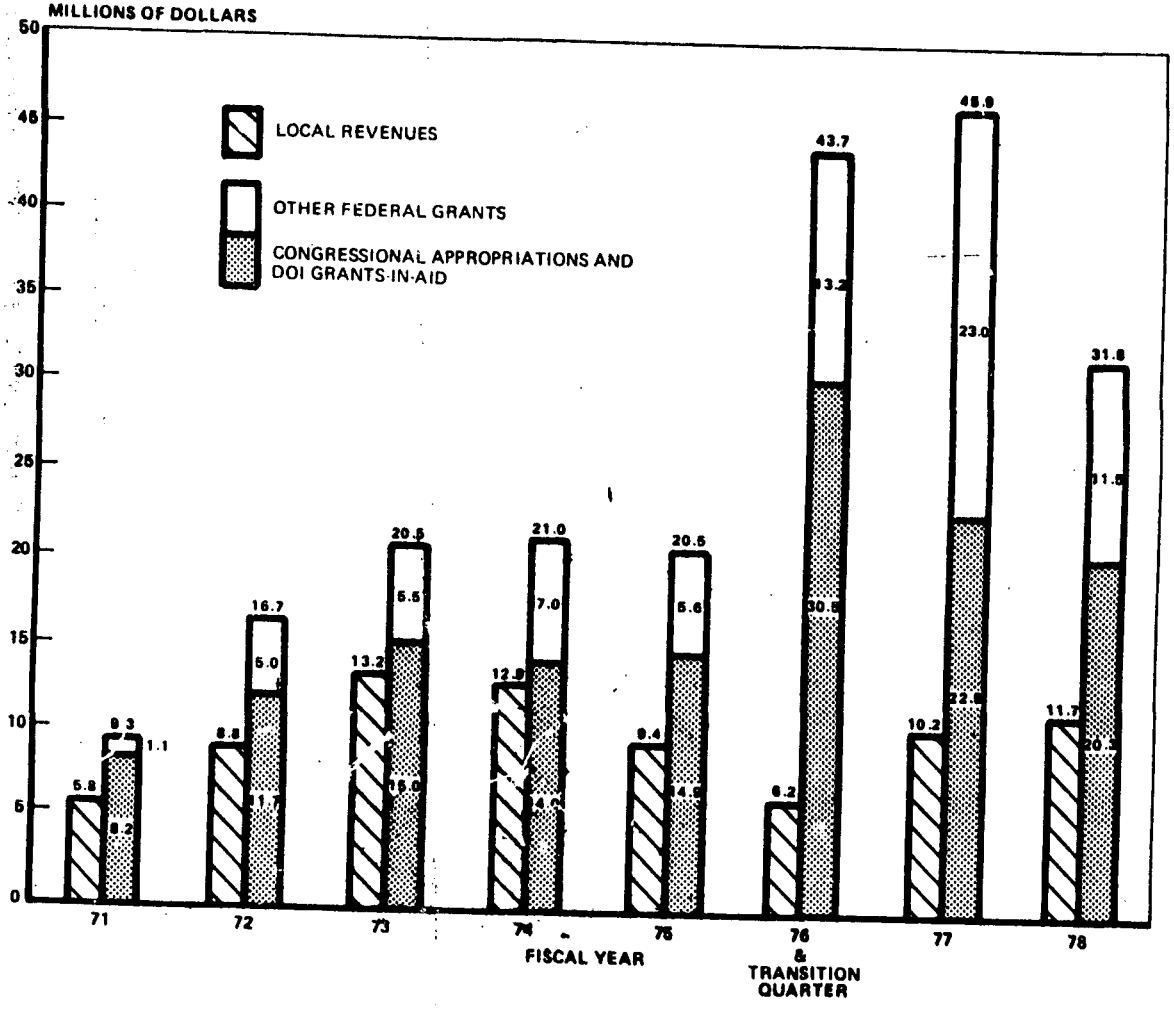
GAS' efforts to become a self-supporting territory have been without adequate direction. Well-conceived development goals and priorities have not been established. There is a need to establish development goals and priorities as well as a master plan for directing the territory's efforts to become self-supporting.

Despite substantial Federal financial support and a number of preliminary plans developed by consultants, GAS has not formulated, approved, and implemented a master plan needed for the territory's development. Planning efforts are fragmented throughout GAS. Little coordination exists between its development planning office and GAS agencies involved in tourism, marine resources, agriculture, public works, education, and manpower.

With no centralized authority to develop and direct plans, past development activities by GAS agencies have been lacking. For example, GAS officials told us the Economic Development Commission, which was to act as the focal point for development efforts, spent most of its time approving business licenses instead of directing development activities. In addition, the activities of the Development Bank of American Samoa have focused primarily in granting housing, student and small commercial loans rather than seeking out and attracting investments in American Samoa.

Frequent changes in GAS' leadership have also hampered development planning continuity. Priorities were established at the discretion of the territory's appointed governors. During the 13 different gubernatorial administrations since 1951, priorities changed at various times. Also priority

TOTAL FUNDS AVAILABLE TO GAS FOR FISCAL YEARS 1971-1978



directions started by one administration were not necessarily continued by the next. In one instance GAS informed us that a program was established in 1973 to undertake a skill-need and job-opportunities inventory in the territory. However, changes of administration with resulting changes in priorities relegated this task to a least important position in the hierarchy of needs.

In another instance, the development planning office, in conjunction with the public works department, developed an improvements plan for one of the villages on Tutuila and pursued funding opportunities for its implementation. However, the governor at this time intervened in late 1976, redirecting the funding to proposed improvements at the American Samoan Community College.

The Department of the Interior generally concurred that frequent changes in GAS' leadership have hampered development planning continuity. It stated that the average term for each appointed governor was 2 years and that three of the appointed governors served approximately 6 years each. The Interior also pointed out that the newly adopted practice in Samoa of electing the governor every 4 years guarantees the possibility that there will be a turnover in leadership at least that often.

Although Western Samoa is located only 80 miles from American Samoa, a number of contrasts exist between the two. Even though they both have a strong cultural bond characterized by the same language, cultural system, and ancestral history and travel by Samoans between both locations is common, there has been little coordination between the two toward developing economically.

Western Samoa

--is operating under its third 5-year development plan;

--had local revenues accounting for over 70 percent of its 1977 budget;

--had 1977 estimated expenditures of $42.8 million for a population of 155,000 inhabitants; and

--devotes much of its resources to development projects, such as a brewery, match factory, and copra crushing plant.

Because GAS has not determined its goals and priorities and coordinated its planning efforts, it is questionable whether GAS has used the most efficient approach to determine

the financial and other assistance needed to develop successful short- and long-range development plans. Unless a comprehensive plan for the territory's development is established and funds are directed effectively to the priorities established, it is doubtful whether additional Federal funding will be any more successful than past development efforts.

Economic development efforts for greater self-support have not been successful

GAS has had difficulty in developing a sound economic base to achieve greater self-support. It does not have the skilled labor force necessary for development of an expanded economic base. GAS has not adequately assessed its resources and the CIPs needed to provide a basic infrastructure to support economic development. Further, GAS has had difficulty in being able to adequately develop and maintain CIPs needed to help the government become a self-supporting territory.

Economic base in American Samoa

American Samoa has changed from an agrarian subsistence economy to one largely dependent on Federal funds. GAS employs over 45 percent of the total labor force. The major private businesses are two tuna canneries which generate about 90 percent of the territory's exports and as much as 75 percent of its local corporate income taxes. The rest of the private sector consists primarily of small merchandising and service industries.

GAS efforts to develop its private sector have been largely unsuccessful. Except for the radio station, which GAS leases out to a private firm, many services including utilities, health, television, liquor sales and others are provided by GAS.

Agricultural development is minimal due in part to American Samoa's limited natural resources and cultivatable land. Despite generous business and tax incentives by GAS, industrial development has not been successful. GAS officials told us new industrial investments have not occurred in the past several years.

Available trade data indicates that the Samoan economy is becoming increasingly reliant on outside sources. For example, GAS reported about a 250 percent increase in imports since 1970 while exports increased only 120 percent. Despite a reported trade surplus of about $26 million for fiscal year 1977, GAS' real trade picture is quite different since neither

purchases of fish from foreign fishing vessels by the two tuna canneries nor GAS purchases of goods from foreign sources were included as imports in determining its trade balance. Based on our estimates of these purchases, American Samoa actually had a trade deficit in fiscal year 1977. GAS officials agreed that the reported trade surplus is misleading and that our analysis more accurately reflects the true trade picture in American Samoa.

The Interior agreed that the Samoan economy is becoming increasingly reliant on outside resources. It stated, however, that U.S. tariff laws and regulations are partly to blame for some of the problems of developing Samoan industries or manufacturing. According to Interior officials. they were informed that one factory was closed down because of a particular U.S. customs interpretation.

Labor force in American Samoa

The territory's labor force is generally unskilled and must be trained before the territory can become economically self-supporting. GAS has not provided an education or training program geared to meet its personnel development needs.

Despite a reportedly high unemployment rate, GAS officials stated that American Samoans are unwilling to accept certain work, such as work in the tuna canneries. Therefore, these positions must be filled by imported labor--mainly from Western Samoa and Tonga where wages are much lower. As a result, the population in American Samoa is becoming increasingly comprised of persons from outside the territory who are not U.S. Nationals.

As of November 1977 GAS reported that the composition of American Samoa's estimated population of 30,000 included about 16,000 persons from outside the territory who were not U.S. Nationals. Of this amount, nearly 7,000 were reported by GAS to be without permission to remain in American Samoa. Moreover, these persons from outside American Samoa comprise a significant amount of the territory's labor force. For example, one of the two tuna canneries reported these persons comprised more than 50 percent of its work force, and GAS reported that they amounted to 25 percent of its government work force. Because these persons receive essentially the same government benefits as American Samoans, such as free education and medical care, and many send a portion of their income back to their families, a financial drain occurs in the American Samoan economy.

Also, a large number of American Samoans have migrated to the United States to begin armed services' careers, attend

colleges, and find better job markets with better pay scales in both the government and private sectors. Various estimates indicate that two to three times more Samoans live in the United States than in American Samoa. About 65 percent of the territory's 1976 high school graduates migrated to the United States, thus decreasing American Samoa's potential skilled labor force.

In addition, those migrating are generally unable to successfully compete in the United States or easily assimilate into their new surroundings. A major reason is because the average high school graduate has about the U.S. equivalent of a sixth-grade English comprehension.

We found that an estimated 26 percent of the Samoan population in Hawaii is unemployed. Further, Samoans make up an estimated 2 percent of the total population in Hawaii, yet account for approximately 8 percent of the total welfare recipients, 12 percent of those receiving public housing assistance, and 11 percent of violent crimes committed.

Shortcomings in CIPs

Since fiscal year 1971 the Federal Government has provided GAS $57.5 million to construct CIPs, such as roads, water, sewer, and electrical systems, and other facilities. This amount represents about 77 percent of the total amount available to GAS for CIPs during the same period. As of December 31, 1977, GAS reported that $26.5 million, or 46 percent, of the CIP funds provided by the Federal Government were unobligated. According to the Department of the Interior, its records, which included both Federal and local funds for fiscal years 1973 through 1978, showed an unobligated balance of $31.3 million as of December 31, 1977. Of this amount, Interior stated that $13.9 million was its grants-in-aid money. Almost all of the $13.9 million related to fiscal years 1976 through 1978 appropriations.

In April 1978 the Governor testified before the House Appropriations Committee that these CIPs were programed without preplanning and feasibility studies. Further, the Governor stated that more CIPs were requested and funded than was reasonably possible to properly undertake and complete in the year appropriated or received. Interior officials told us that CIP contracts in the past were delayed mostly to complete the necessary architectural and engineering efforts.

GAS' inability to effectively plan and develop various CIPs which would contribute to or stimulate economic growth is compounded by its inability to provide the management and

technical support to operate and maintain them. Projects for utility systems, an industrial park, and expansion of the community college illustrate these weaknesses.

Adequate and reliable public utilities are an essential part of any economic development program designed to achieve greater self-support for American Samoa. Since fiscal year 1973 1/ the Federal Government has made available over $23 million for public utility improvements. Despite this, GAS has been unable to construct adequate water, sewer, and power utility systems to support economic development. Furthermore, GAS has been unable to properly operate and maintain these utilities and has previously lost the opportunity to establish additional private concerns in the territory.

Water system--Since fiscal year 1973 about $14 million has been made available to GAS for developing a water system to serve the more densely populated areas on the main island of Tutuila. As of December 31, 1977, GAS had obligated only $5.6 million, or 40 percent, of these funds. GAS' inability to use these funds was caused in part by high personnel turnover, lack of capable contractors, and frequent nonavailability of materials and equipment.

GAS officials estimated in February 1978 that the water system could deliver about 5.5 million gallons of water per day, exceeding the average daily consumption of about 4.3 million gallons. However, GAS estimates that the system would not be able to meet this consumption rate if another drought (like the one in 1974) occurred because it relies on surface water for 50 percent of its supply. For example, the two existing canneries were closed for 3 months due to the 1974 drought. Moreover, an opportunity for a third cannery was lost because the system could not supply the water needed for its operation.

GAS estimated water loss due to leakage in the system was at least 50 percent in February 1978. Furthermore, GAS does not conduct adequate tests to determine whether the water delivered through the system meets the minimum quality standards set forth in Environmental Protection Agency regulations. One GAS health official told us the water sometimes poses a public health hazard.

Since 1972 GAS contracted with three different consulting firms for engineering, design, and planning studies to

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1/Financial data on public utility CIPs was not readily available before fiscal year 1973.

develop a water system. However, a number of the consultants' recommendations have not been adopted, and GAS has no long-range plan for water system development. Currently, another water resource study for American Samoa is being conducted by the U.S. Army Corps of Engineers. The study was initiated in 1976 and is estimated to cost $1.9 million. A segment of the study pertaining to water supply development is scheduled for completion in September 1978.

In spite of the studies made and in progress, GAS is currently undertaking an extensive capital improvement program to develop a system on the island of Tutuila eventually capable of producing 12 million gallons per day by 1981 with no plan, no cost/benefit analysis, and questionable capability to effectively operate and maintain its current system. Moreover, we believe that GAS is building a water system that is potentially overdesigned and excessive to the real needs of the territory.

Our analysis shows that the average per capita consumption rate for the 6-month period, August 1977 to January 1978, was about 190 gallons per day, excluding water losses. With a 12-million gallon a day system, projected per capita capacity would increase to about 280 gallons by the year 2000, assuming 100 percent of the main island of Tutuila's population is served. GAS officials admit that 100 percent coverage of Tutuila's population by the year 2000 is unlikely. Furthermore, the projected consumption rate by that date is greater than the projected per capita consumption for the island of Hawaii, which has a much larger commercial base.

Sewer system--GAS efforts to improve a sewer and waste treatment system have been hampered by its inability to operate and maintain them once they are completed. For example, only one of the two waste water treatment plants is operating. The other plant, built in 1973, has been inoperative since 1976. GAS lacks qualified personnel to operate the plants.

As of December 31, 1977, GAS obligated about $1.8 million of approximately $5.6 million available since fiscal year 1973 for sewer system improvements. Despite the inability to spend these funds effectively, GAS has requested another $12 million from the Environmental Protection Agency to upgrade the system over the next 4 years.

Power system--Improper operation and maintenance has also hampered GAS' electric utility system improvements. Frequent power outages have deterred GAS efforts to attract investment in American Samoa.

In 1974 electricity use had to be rationed because of insufficient generating capability. As a result, GAS borrowed power generating units from the U.S. Army and installed two new generating units. Despite installation of the latter two units, all GAS power units became inoperative in 1976 due to poor maintenance and improper operation. At that time GAS undertook an extensive rehabilitation program to repair and upgrade its power system.

Under the guidance of a qualified general manager, GAS' electric utility system is now able to meet demands. However, power outages still occur periodically, often due to equipment operator error. The general manager told us that GAS does not have enough qualified personnel to operate and maintain the system.

GAS has not made sufficient effort to recruit or adequately train staff to operate and maintain the power system. Unless greater effort is made, the electric utility system could deteriorate to its former undesirable level.

Industrial park development--In 1972 GAS obtained a $1 million grant from the Department of Commerce which was locally matched with $200,000 to build an industrial park. GAS expected the park to attract small labor intensive industries to provide employment opportunities and generate revenue for the territory. However, none of the 10 industrial firms listed as potential tenants in the grant application currently operate in the park. Moreover, in March 1978 only one of the three current tenants could be characterized as an industrial activity. Of the almost 450 jobs originally projected, only a maximum of 40 persons were ever employed, and the current level is about 15. Income generated by these tenants is not known but it is estimated to be very small. GAS officials admitted that prospects of filling the park with new industries are dim.

As of March 1978 the park had a cost overrun in excess of $500,000. Even though it was originally proposed as an 80-acre park, GAS scaled its size down to 25 acres because the contractor's bids for an 80-acre park substantially exceeded GAS' budget estimate of $1.2 million. The park was originally estimated to be completed in 1975 but was still uncompleted in March 1978. GAS had not taken action at the time of our visit to complete the park which it estimated to cost an additional $80,000 and primarily involves completing the center road.

Community college expansion--In 1976 the American Samoan Community College received a $3.9 million grant from the Department of Commerce to construct five new facilities and develop the College from a 2-year to a 4-year institution.

The concept of a 4-year college originated with a former GAS administration to create a regional school in the South Pacific and promote a U.S. sphere of influence. Enrollment was projected to increase to 5,000 full-time students by 1985. In the spring of 1977 only 376 full-time students and 429 part-time students attended the college.

According to the President of the College; the chairman of the board of higher education which oversees the College; and the Director, Department of Education, GAS; a 4-year college concept is premature, and the College needs to concentrate its efforts toward developing a quality 2-year institution.

Results of standardized tests given to community college students indicate that incoming students have the equivalence of a fourth-grade U.S. education and that graduates have about the equivalence of a sixth-grade U.S. education. Education officials in American Samoa admit that education programs at the College are generally weak and need improvement. In fact, the Department of Education has instituted an in-house training program for its elementary and secondary school teachers because the teacher education program at the College is so poor.

In addition, we noted that:

--Definitive plans substantiating the need for a 4-year college do not exist.

--The College has no overall educational development plan which includes a 4-year college.

--A general facilities plan exists, including the facilities planned for a 4-year college; however, the planned facilities are not related to any developed curriculum.

--A cost/benefit analysis on the project was not performed. Consequently, there are no estimates on the additional funds needed to operate and maintain the new facilities.

--GAS enrollment projections show only a slight increase for the next 5 years. These projections do not approach the 5,000 enrollees contemplated by 1985.

Although the Governor of American Samoa agreed with most of our observations, he contended that a 4-year college program is an eventual goal for the territory and that the facilities to be built will help achieve this goal. He stated

that an outside education consultant will be hired to assess the future development of the Community College.

Department of Commerce officials told us that they do not question the need for the new buildings since the present Governor had indicated the buildings are needed for American Samoa's future development.

IMPACT OF FEDERAL FUNDS ON AMERICAN SAMOA'S GOVERNMENT AND CULTURE

GAS officials reported in November 1977 that the staying power of traditional Samoan culture has been put to the supreme test by the infusion of many federally funded programs. They also stated that this irreversible process is causing more and more strain on the former communal and subsistence life of the Samoan people and is making increasing demands on the services of GAS. The proliferation of Federal grant programs illustrates the impact of Federal funds on the territory's government and culture. As of January 1978 GAS was participating in 167, or 31 percent, of the 533 Federal grant programs available to the territory.

Neither the Department of the Interior nor GAS has determined whether the various Federal grant programs have been beneficial to the territory or their effect on the culture. As discussed in the next chapter, GAS has had considerable problems in administering all the funds received from the Federal Government as well as its own local revenues.

Problems caused by Federal grants

In his December 1977 report on the grant situation in American Samoa, the former governor concluded that American Samoa was unable to support the magnitude and direction of the Federal grant programs being administered in the territory. In this regard he stated that American Samoa did not have people capable and qualified to manage and administer these grant programs.

The report concluded that American Samoa's population base of about 30,000 was too small to contain and supply the program expertise and management demanded by such extensive grant activity; and that based on national experience, a city-like population of 1 million or more people was warranted to carry out the GAS grant programs.

The former governor further reported that the requirements of many of these grant programs were not suited to American Samoa. Most Federal grant programs could not accommodate the local needs and situation in American Samoa, which

were different from those in the United States. Consequently, waivers and exemptions were routine needs in American Samoa. In addition, he reported that the staffing requirements for these grant programs were well beyond the level of available indigenous skills and expertise in American Samoa.

Also, according to the former governor, the magnitude of these Federal grant programs has taken away from GAS' utilization of its limited resources to efficiently operate government, and special organizations sometimes have to be created. He added that the GAS governmental structure was neither sufficiently elaborate nor properly staffed to handle each grant.

An examination by GAS officials of 40 grant programs revealed an average staffing pattern of about 6 full-time equivalent employees per program. To meet the personnel demands of the federally funded programs, the governor reported that GAS has been forced to employ a variety of program experts under special contract who were usually recruited from the United States. According to the former governor, this approach has been counterproductive to the emergence of a self-governing American Samoa. Moreover, he reported that this approach was expensive and had deprived the grant programs of a continuity of direction because of a high turnover among these contract employees. GAS' dependence on these contract employees is further discussed in chapter 4.

Changes in Samoan culture

According to the Governor, some Federal grants have had adverse effects on the Samoan culture; others have had positive results. The Federal support has contributed to the changes which, according to the Governor, have also been brought about by many other factors, such as the urbanization vis-a-vis the urban drift and the transition from a subsistence economy to a cash economy.

Federal support to the territory combined with Western influences and other factors have brought higher wages and also new ideas and values to the people. According to GAS officials, the people of American Samoa have been able to afford new and better conveniences and at the same time become better educated. On the other hand, these officials stated the young in American Samoa are getting bold and inquisitive into the validity of Samoan customs as new ideas and values are introduced.

According to Federal and GAS officials, the various programs now provided to the elderly best demonstrate how some Federal programs are changing the customs in American Samoa. Under these programs the elderly now receive free meals

daily, free transportation, and other services that were normally provided by the communal system in the past.

GAS becomes eligible for grants through legislation, direct competition, or formulas which specify funding levels based on population, income levels, or other factors. The Governor stated that most Federal grants to American Samoa are awarded on needs assessment requirements, such as economically disadvantaged and unemployment and underemployment rates of the work force.

American Samoa does not always receive an amount of funds which corresponds to a specific need. For example, GAS is eligible under two grant programs for about $1.1 million in fiscal year 1978 for the 1,100 elderly people in American Samoa aged 60 and over. This amount is not based on needs or conditions in American Samoa but on one-fourth of 1 percent of the total appropriations under the programs. As a result, the amount American Samoa is eligible for far exceeds on a per capita basis the average amount nationwide. Under this approach, American Samoa receives $964 per capita; whereas, nationally the average is $13 per capita.

As stated previously, American Samoa has not established goals and priorities for the territory's development. Therefore, it is difficult to measure the extent of change desired by its people or to determine how these changes should be brought about. The Governor stated that any culture, including the Samoan culture, cannot be quantified and measured. We believe, however, it is necessary for American Samoa to establish how it will develop and become a self-supporting territory. And, as part of this effort, it should identify the changes desired and how they are to be effected.

In February 1978 the Director, Office of Territorial Affairs, requested the Governor of American Samoa to determine which programs being administered were (1) not beneficial to the territory by fostering undue dependency on outside resources, (2) destroying traditions, or (3) otherwise counterproductive. GAS had not begun its study at the time of our field visit.

NEED FOR APPROPRIATE OVERSIGHT AND TECHNICAL ASSISTANCE BY THE DEPARTMENT OF THE INTERIOR

Interior's objectives, as stated in 1956, as it relates to American Samoa is to promote the territory's political, economic, and social development, ultimately leading to self-government and maximum self-support, without disrupting the traditional Samoan customs. We believe Interior has helped the territory move toward self-government, but it has not

exerted sufficient oversight and technical assistance to help GAS achieve greater self-support.

Interior needs to ensure that all Federal funding is made in accordance with the concept of helping the territory achieve greater self-support. The policies approved by the Secretary of the Interior in 1956 for developing American Samoa do not sufficiently specify what Interior's roles and responsibilities are in promoting the territory's political, economic, and social development. This need apparently was not recognized until the fall of 1977 when an official from the Executive Office of the President requested from Interior an outline to prepare a Presidential Review Memorandum for the territories. In December 1977 the Director, Office of Territorial Affairs, proposed an outline of questions to the Executive Office seeking clarification of the U.S. roles and responsibilities to the territories. As of June 1978, neither Interior nor the Executive Office had clarified the Federal roles and responsibilities to the territory.

However, in May 1976 the Secretary of the Interior established a Committee of Interagency Territorial Assistance. This committee was to (1) provide coordination of Federal agency programs to the territories, through the Office of Territorial Affairs, (2) avoid duplication of effort and (3) assure that they are in agreement with the administration's territorial policy to promote the political, economic, and social development.

To carry out this objective, a central and regional committee were established. The central committee was established in Washington, D.C., to serve as a focal point for policy matters relating to the territories. The regional committee was established in the San Francisco area to emphasize management and implementation of these programs in the Pacific U.S. territories.

According to the Director, Office of Territorial Affairs, who also chairs the central committee, the Department of the Interior has little influence on the level of Federal funds American Samoa receives from other Federal agencies or whether these funds are meeting the territorial needs. Another committee official stated that legal authority does not exist to direct other Federal agencies to take action or provide information the committee deems appropriate to carry out its responsibilities. This committee official further stated that efforts have been largely unsuccessful to obtain information on such matters as proposed program legislation affecting American Samoa, the extent and direction of audit and technical assistance, and grant awards.

Consequently, Interior does not know exactly how much money is going to American Samoa from other Federal agencies and is generally uninformed of other agencies' actions to visit, audit, or otherwise oversee their programs. We believe such information is essential for Interior to exercise effective oversight over the funds provided American Samoa and to ensure that the U.S. objective of self-support is being achieved.

In October 1977 the Congress enacted Public Law 95-134. The new law is meant to minimize the burden caused by existing applications and reporting procedures for certain grant programs. Under this law a Federal agency is required to establish regulations permitting each territory, in most instances, to submit a single application and report for a consolidated grant. Moreover, the administering authority may waive any requirement for matching funds or for an application or report-in-writing for any consolidated grant.

We believe this authority for grant consolidation will help relieve GAS of the administrative burden caused by the various grant programs and will provide greater flexibility in the use of funds to better meet the territorial needs. In view of this flexibility, however, we believe it is even more important for Interior to have appropriate information to effectively exercise its oversight responsibilities over all Federal funds provided for the territory's development. We believe also that these funds should be periodically audited to ensure that the expenditure of Federal funds is in accordance with the grant's provisions and objectives.

Moreover, we believe it is imperative, in view of this law, that goals and priorities, as well as a comprehensive plan, be established for the territory's development. Such a plan would enable Interior to help determine if Federal funds are needed and within GAS' administering capabilities. In addition, these funds should be periodically audited to ensure they have been properly expended in accordance with the plan.

CONCLUSIONS

American Samoa has been progressing politically but has made little progress to become an economically self-supporting territory. GAS has been without adequate direction; well-conceived goals and priorities for developing the territory have not been established.

American Samoa's economy has become largely dependent on Federal funds. The level of funds GAS has received from the Federal Government has exceeded its capability to manage

its programs. In addition, the funds are contributing to changes in Samoan culture.

GAS has had difficulty in developing a sound economic base or a skilled labor force. Moreover, it has not effectively planned, developed, managed, operated, and maintained various CIPs which are necessary to or contribute to stimulating economic growth.

We believe the Department of the Interior has not provided effective oversight and technical assistance to help GAS achieve greater self-support. Interior's neglect to clarify the U.S. roles and responsibilities is a contributing factor to American Samoa not developing a greater self-help capability. Because Interior has the ultimate responsibility for the administration of GAS, we believe it should establish its role and responsibilities and how it will exercise them.

Also, establishing well-conceived goals and priorities, as well as a master plan to achieve them, is essential for the territory's development. Moreover, it is essential for this approach to be comprehensive and include goals, priorities, and plans for its economic, social, and future political development as well as the changes desired for the people of American Samoa as the territory progresses toward self-government and self-support.

We believe Interior should provide technical assistance to help GAS establish these goals and priorities and a plan to meet them. We recognize that GAS leaders must be committed to establishing these goals and priorities and preparing, implementing, and periodically reviewing the plan to ensure its success before this approach will be effective.

Until these goals and priorities are established and a master plan to meet them is agreed upon, Interior and GAS will find it difficult to precisely determine the resources and direction needed for the territory's development. In the meantime, we believe Interior can generally assist GAS to:

--Identify potential ways the territory may be able to coordinate economic development efforts with Western Samoa.

--Reevaluate the priorities and justifications for the Federal funds available to construct CIPs. Special consideraton should be given to ensure that GAS has adequate resources to operate and maintain these projects after construction. Without proper operation

and maintenance, the value of these projects to GAS will be minimal.

We recognize that Interior has requested that GAS evaluate the benefit of its ongoing Federal grant programs. In this regard Interior should ensure that GAS has made an adequate evaluation, that there is a need for these programs, and that they can be effectively administered. Also, the purpose and intent of all future Federal funding, including Federal grant monies for GAS, should be reviewed by Interior to ensure they are essential and in line with the achievement of the U.S. objectives of self-government and self-support and within GAS' management capability. We believe the Secretary of the Interior should take whatever action is necessary to have all information available for Interior's evaluation.

In addition, Interior should negotiate with the other Federal agencies, which provide funds to American Samoa, to arrange for auditing these funds through the Office of the Government Comptroller and ensure these funds are properly expended in accordance with the grants' provisions as well as the master plan when developed.

RECOMMENDATIONS

We recommend that the Secretary of the Interior clarify the U.S. Government's roles and responsibilities with respect to carrying out its objectives of self-government and self-support for the territory. We further recommend that within these roles and responsibilities, the Secretary of Interior ensure that GAS establishes goals and priorities for the territory's development, which include what changes are desired for the people of American Samoa, as well as a plan to accomplish them. This plan should include all aspects of its economic, social, and future political development. Specific plans, such as those for education and capital improvements, should be included as well as a plan determining the financial and other resources needed for the territory's development.

We also recommend that, until such goals and priorities are established and a plan developed, the Secretary

--ensure GAS has made an adequate evaluation of the Federal grant programs, that there is a need for them, and that it can effectively administer them;

--provide GAS technical assistance to (1) identify potential ways the territory may be able to coordinate economic development efforts with Western Samoa and (2) evaluate the need for the Federal funds available

for CIPs with special consideration to determining whether GAS has adequate resources to properly operate and maintain these projects once completed;

--proceed on the best possible approach to have information available on the purpose and intent of all Federal funds, including Federal grants by other agencies, so that Interior can carry out its responsibility to see that the territory develops politically, economically, and socially; and

--negotiate and arrange with Federal agencies funding grant programs in American Samoa to have the Government Comptroller's staff audit these funds to ensure that they are properly expended in accordance with justifications for the program and appropriate regulations.

Once GAS' goals and priorities are established and a plan is developed, we recommend the Secretary ensure that all future Federal funds, including Federal grants, are in line with this plan and within GAS' management capability. In addition, we recommend that the Secretary have the Government Comptroller audit these funds to ensure they are properly expended in accordance with the master plan.

COMMENTS BY THE DEPARTMENT OF THE INTERIOR AND OUR EVALUATION

In commenting on our report (see app. VI), Interior generally agreed with our findings. According to Interior officials, many of the comments and recommendations will be helpful to the newly elected Governor of American Samoa and Interior in providing for a more effective governmental structure and programs of economic and political development. Some of Interior's specific comments are incorporated in this chapter where appropriate. General issues and clarifications of our position follow.

Interior agreed with our recommendation that its roles and responsibilities to American Samoa need clarification. However, according to Interior officials, the people of American Samoa, acting through their locally elected legislature and Governor, exercise nearly complete self-government. In this regard, the officials stated that Interior is responsible for overseeing, but not administering the territorial government. They further stated that administration of the territorial government rests with GAS, where basic decisionmaking and formulation of policies and programs occur.

We recognize that GAS has the responsibility for administering the day-to-day operations of the territorial government. However, we believe Interior has the oversight responsibility for the administration of the territory. Because of the significant weaknesses we found in such areas as development planning, financial management, and personnel administration, we believe Interior should clearly define its oversight responsibilities and how it will exercise them to ensure these weaknesses are eliminated and do not recur. In this regard, we believe Interior has the responsibility to take whatever action is necessary to bring about corrective action and improvement in GAS' operations as long as it does not conflict with, or otherwise contradict, existing congressional legislation.

In regard to our recommendation that the Secretary of the Interior ensure GAS establishes goals and priorities for the territory's development, Interior officials stated that GAS should have the basic responsibility for establishing its goals and priorities. We agree that GAS has this basic responsibility. However, we believe that Interior, as part of its oversight responsibilities, should ensure that these goals and priorities are developed as well as a plan to accomplish them. We believe that the goals, priorities, and the plan will lend the direction GAS needs for developing the territory. We further believe that this approach will better enable Interior, in reviewing GAS' annual budget request as part of its oversight responsibilities, to determine whether the Federal funds are in line with GAS' plan for developing the territory.

Regarding our recommendation that the Secretary of the Interior ensure that GAS has adequately assessed the need for Federal grant programs, Interior officials agreed that order must be brought out of the chaos of Federal grant programs extended to the territories. They further agreed that American Samoa, like each of the territories, appears unable to support the magnitude and direction of the Federal grant programs being provided.

Interior officials stated that the basic point of decisionmaking as to the value of any Federal grant program, and as to whether a given territory should participate, is in the territorial government itself. DOI stated that vesting this review authority over Federal grants in the Secretary of the Interior would deprive locally elected officials of some of their responsibility and assign it to appointed officials who may have little or no appreciation of the real territorial needs. Nevertheless, according to the officials, in reviewing American Samoa's annual budget request, they will attempt to review the total programs of the local government,

including grants from other Federal agencies to the extent they are available.

Regarding our recommendation to have information available on the purpose and intent of all Federal funds, Interior officials stated that without question Interior needs more information on Federal grants and their effects on the several territories that participate in them. According to the officials, they want to maintain and increase the information they developed on Federal grants in 1977. In compliance with section 401 of Public Law 95-134, Interior issued a report to the Congress which contained information regarding domestic assistance programs available to the territories and additional programs that may be of benefit to the territories. Interior officials stated that they will attempt to maintain and increase this information through the Interagency Committee on Territorial Assistance. However, they noted that each Federal agency tends to believe in its own programs and understandably, to concentrate on its grant programs as they apply throughout the United States, thereby usually ignoring the peculiar problems of the territories.

We agree with the concept and objectives of the Interagency Committee; however, it appears that Interior may lack the necessary authority to require Federal agencies to provide this information. Unless this information is made available, we do not believe the Committee's activities will be effective. We believe that Interior should take whatever action is necessary to require that this information be made available on an ongoing basis so that it can properly exercise its oversight responsibilities. It would appear, if needed, that Interior could either (1) initiate action for an Executive order requiring other Federal agencies to submit the information necessary to make an evaluation of these grant programs, or (2) request the Congress to pass legislation requiring that all Federal funds for GAS be channeled through Interior. We were advised that Interior provided all Federal funding to American Samoa in the early 1960s.

Regarding our recommendation to have the Government Comptroller audit Federal funds, Interior officials agreed that its management and audit cognizance of other Federal agency grants funds for American Samoa, as well as all territories, would improve the audit and evaluation process. They stated that efforts are underway to determine the workload involved and to work out arrangements under which the Government Comptroller will take over more of the audits.

Interior officials agreed with our recommendation that the Secretary of the Interior provide GAS technical

assistance. They added that American Samoa, like other territorial areas, needs technical assistance and support in a wide range of program areas. Interior officials also agreed that they have not exerted sufficient oversight and provided needed technical assistance to help American Samoa, or any of the other territories, achieve greater self-support. The officials told us that, to enable them to assist the territories, they have recommended that the Congress explicitly authorize the Secretary to provide technical assistance in program planning, budgeting, economic development, and other subjects within the responsibility of the territorial governments. Their assistance, under the proposed legislation, will be provided at the territorial governments' request only.

The proposed legislation might possibly be construed as reducing authority Interior already has under 48 U.S.C. 1666 (1970) and Executive Order 10264 by making Interior's assistance dependent upon a request from the territorial government. As part of its responsibilities, Interior should be in a position to provide technical assistance not only when requested, but as necessary to bring about corrective action and improvement in GAS' operations.

COMMENTS BY THE GOVERNOR OF AMERICAN SAMOA

Most of our findings were discussed with the Governor during our visit to American Samoa. In commenting on our draft report, the Governor agreed with many of our findings. We have included his comments in the report where appropriate. The Governor notified us of many actions that had been taken on the basis on our findings. They are discussed below.

The Governor informed us he has placed high priority on comprehensive planning and had made economic development the highest priority of his administration. In addition, he advised us of a number of actions that have been taken or are planned to improve development planning and coordination and the economic infrastructure. For example, he stated that interdepartmental committees for reviewing development planning programs had been approved.

The Governor advised us that a territorial planning commission and an advisory board consisting of GAS top agency officials was established through the Planning and Economic Development Act which was passed by the American Samoan legislature. The Governor further advised us that a CIPs Review Committee was appointed to study American Samoa's capital improvement plans, establish priorities and relate the program to overall territorial planning. He further stated that personnel from top firms in the private sector have been

added to the GAS staff to help in design, construction management and technical aspects of all CIP work.

The Governor stated that his administration established an April 1978 plan for all Interior-funded CIP programs. He stated they are committed to obligate all existing CIP funds before April 1, 1979, and to have a substantial part of the CIPs completed by that time. We were unable to assess the adequacy of this plan at the time of our visit because it was not available.

According to the Governor, his administration places high priority on post-construction maintenance and operation. Technical support has been recruited to provide immediate training and assess maintenance and operation needs for water, sewer, and electric utility development systems.

Regarding water system development, the Governor stated that adherence to the Safe Drinking Water Act has at times been extremely difficult because the greater part of the water system is surface catchment water. Efforts to improve and maintain GAS system water quality include increasing the proportion of pure well water in the system and providing more chlorination and other water treatments. The Governor also noted that the degree of water loss due to leakage has not been confidently determined but was estimated between 40 to 50 percent. He advised us that this leakage is now under surveillance by a special task force from outside American Samoa. GAS will isolate the specific problems and and replace the affected part of the old distribution system. According to the Governor, materials have been ordered, crews chosen, and new equipment acquired to make these corrections.

In addition, the Governor stated that his administration anticipates $3 million for sewer development CIPs through fiscal year 1980. Work will include extension of some sewer lines and laying of another line, as well as expansion and improvement of the two treatment plants.

The Governor also advised us that the 12-million-gallon water system has an overall plan for the system development and that the system's size was based on projected population needs and anticipated increase in industrial and commercial needs. We were unable to evaluate the adequacy of this plan at the time of our visit because it was not available.

Regarding the electric utility system, the Governor advised us that major repair to virtually all of its dual units and generators was 90 percent complete. Moreover, individuals have been recruited for training the middle management

personnel of the system, as well as a specialist to manage the system.

The Governor stated that his administration has conducted project prefeasibility studies on several projects, including the financial position of the Rainmaker Hotel and the American Samoan Development Corporation, (see app. III, p. 66) to determine alternative correction measures.

The Governor further advised us that his administration was reviewing all Federal grants to determine their suitability and applicability to the Samoan situation.

Regarding the Community College, the Governor stated that the 4-year concept was under review, and consideration was being given to a cooperative regional approach to higher education utilizing colleges in Hawaii, Western Samoa, Fiji, and American Samoa. He further informed us that the College had a new president who had done much to regain the communities' confidence in the College. He added that the 1978 summer enrollment at the Community College had increased 100 percent over the 1977 total.

With respect to the problems in the Samoan education system, the Governor stated that 90 percent of American Samoa's students are born in a Samoan-speaking social system, not in an English-speaking environment. According to the Governor, the Samoan language is used within the family, in the church and its sponsored activities, in play, and in all social activities.

When entering elementary school, 90 percent of the children do not speak English and they are 6 years behind those children in American Samoa and those in the States that speak English as a first language. The Governor told us that serious questions concerning the reliability of test measurements have arisen because the tests are stateside tests based on stateside norms. According to the Governor, the Samoan student is being tested in his second language and is being compared on stateside charts that depict the achievement of stateside students, most of whom have been tested in English as their first language.

The Governor further stated that the inability of Samoans to compete successfully with their U.S. counterparts results partly from the stress on English acquisition rather than on acquisition of general learning and growth in such skills as logic, concept comprehension, and reading. In this regard, the Governor stated that on April 14, 1978, a task force in GAS' Department of Education developed a proposal for the realinement and reorganization of the territory's

educational system to better handle many of the concerns discussed in this chapter.

The Governor also stated that work will begin by June 30, 1978, to complete the Industrial Park. According to the Governor, this is scheduled for completion under a paving program to overlay and rebuild roads throughout the islands. Moreover, the Governor advised us that his administration is assessing the management requirement of the Park and also pointed out that it will be an integral part of the territorial economic development plan.

CHAPTER 3

NEED TO ESTABLISH FISCAL RESPONSIBILITY IN AMERICAN SAMOA

The Department of the Interior provided funds to GAS; however, it took minimal action until July 1977 to motivate GAS to establish fiscal responsibility over these and local funds. This is similarly true for other Federal agencies which have provided funds to GAS in the past. Moreover, Interior admitted that it has been aware for many years that several critical financial and system deficiencies existed in American Samoa.

We found that GAS' accounting records and procedures were so poor and its fiscal controls, so weak, that GAS officials did not know the precise amounts of funds received or expended in prior periods. Because financial records had not been properly maintained, GAS was unable to accurately report its overall financial condition at the time of our review.

Realizing the poor condition of the financial records, the former governor initiated a Reconciliation Task Force in August 1977 with the goal of reconciling all money accounts of the Government of American Samoa and determining its financial position before the inauguration of the new governor. The Task Force completed its efforts in December 1977. Because of the lack of reliable records, it was unable to fully determine the financial position of the Government. However, it identified significant financial management problems, such as ineffective controls over cash and other assets and GAS' failure to accurately account for the receipt and expenditure of Federal funds.

Many of these same deficiencies have been brought to GAS' attention in prior audits and reviews as far back as 1954. Particularly, we pointed out in a 1954 report GAS' failure to reconcile bank balances. In a 1959 report we reported that GAS' controls over its billings were inadequate. In 1966 we further reported that GAS needed to improve and strengthen its accounting and fiscal priorities and procedures. One year later Interior reported that improvements were needed in GAS' accounting and reporting system and pointed out some of the same deficiencies as we did in 1966. Interior further reported in 1970 that GAS' financial statements were not prepared in a timely and accurate manner. Moreover, it reported that the maintenance and storage of GAS' records were deficient.

Interior also did a preaudit survey of the financial management system and reported that GAS lacked adequate long-range planning, had limited controls over expenditures, and had no control over its property. A post installation review report in 1978 by Interior pointed out that the automated financial system lacked adequate controls in four significant areas and the capital improvement projects lacked reliable data.

Interior stated in another 1978 report that significant weaknesses existed in GAS' revenue billing, collection, and accounting systems. It found that the Department of Port Administration's local revenues were understated by over $1 million each year in GAS' fiscal years 1977, 1978, and 1979 budget justifications. Interior officials reported that this resulted in requests for Interior funds in excess of the estimated GAS program funding requirements.

According to GAS officials, they did not have the core of supervisory and support personnel capable of correcting the problems, identified by the Task Force, and preventing their recurrence. In March 1978 these officials stated that another task force was needed to update the efforts of the previous one.

During our visit we noted serious problems in recordkeeping and reporting, asset controls, the automated financial management system, and the administration of Federal grant programs. For example, we found the computerized payroll system does not detect duplicate time cards submitted for the same time period (see p. 38). In addition, we found that GAS' internal audit effort has been infrequent and insufficient to identify these problems. Until these problems are corrected, it appears doubtful that funds provided to American Samoa will be properly accounted for.

INADEQUATE RECORDKEEPING AND REPORTING

Accurate and timely accounting information is a requirement for sound financial management. The absence of such basic records as financial statements and bank reconciliations demonstrates GAS' severe financial management weaknesses. We found that:

--Basic financial statements, such as Balance Sheets and Statements of Revenues and Expenditures, had not been prepared in at least 5 years. GAS' annual reports to the Secretary of the Interior included a Balance Sheet until 1972 when it was eliminated from the format.

--Before the Task Force effort, general fund bank accounts had not been reconciled for at least 12 months.

GAS officials could not explain why these statements and reconciliations had not been made, except for the general lack of expertise in the accounting sections and because other, higher priority activities required the attention of those capable of performing these functions. One effort in March 1977 by the GAS staff to reconcile the September 1976 general fund bank accounts resulted in an unreconciled amount of $3.9 million which was carried in the general ledger for 6 months. GAS officials explained that the reason for the large unreconcilable amount was because the bank statement used in the reconciliation was for the wrong month.

Reconciliation Task Force

The Task Force was not able to provide a full accounting of GAS' financial position because of missing and unreliable records. However, it arrived at what it considered to be a reasonable approximation of the September 30, 1977, General Fund Balance, the principal indicator of financial position. During the course of its review, the Task Force made net adjustments of about $33 million to the fund balance, from a surplus of $23 million to a deficit of $10 million. According to one Task Force official, the reasons for the large adjustments were primarily GAS' failure to keep up with normal accounting entries and recognize the need for and make required adjustments and other journal entries. For instance, of approximately $33 million of net adjustments, $13 million resulted from failure to set up necessary reserve accounts, and $20 million was made to adjust asset and liability accounts to supporting documentation.

GAS officials told us that the government's accurate financial position remains unknown because of problems in reconciling GAS' cash, CIP, grant, and supply accounts.

Bank account reconciliations

Reconciling GAS' cash was one of the Task Force's primary responsibilities in arriving at a supportable fund balance. Because GAS had not reconciled its general fund checking account in at least a year, a monumental manual effort was necessary for the Task Force to arrive at the net adjustments of $1.6 million made to the general fund cash book balance as of September 30, 1977. Because of higher priorities, bank reconciliations were not prepared for subsequent months. A GAS official told us a computer program was being developed to facilitate the reconciliation process

because of the excessive manpower requirement to do it manually.

CIP reconciliations

In reconciling the CIP authorizations, expenditures, obligations, and unobligated balances, the Task Force found, among other things, that:

--The accounting reports and documents did not accurately show the amounts of funds appropriated for specific projects or the amounts expended and obligated from various funding sources. Records were so poor that the Task Force had to rely on congressional hearings to determine the amount of funds made available by Interior.

--In reports submitted to Interior, the amounts of Interior funds which had been obligated were overstated by at least $10.2 million during fiscal year 1977 (resulting in no excess draws on Federal funds but an equivalent understatement of the unobligated balance of Interior appropriations). We were told this misstatement resulted from the lack of understanding on the part of reporting personnel who included project orders as "obligations" as well as from an inherent weakness in the financial management system.

--GAS made improper transfers of fiscal years 1973 and 1974 appropriations from CIP to operating funds amounting to about $260,000.

A primary objective of this segment of the Task Force was to determine the unobligated balance of Interior funds appropriated for CIPs. Although this task was accomplished, the auditor expressed misgivings about the reliability of the expenditure data used to compute the unobligated balance. On the basis of his reconstruction of available records, the auditor believed insufficient documentation was available to make a comprehensive audit of CIPs feasible.

Federal grant account reconciliations

The Task Force was unable to completely reconcile Federal grant accounts. Because of significant recordkeeping deficiencies, it attempted to reconstruct GAS records. The Task Force determined the total amounts of grant expenditures but was unable to report what the actual grant authorizations or the amounts received from the Federal Government were. Moreover, it found that there was no

--comprehensive file of grants documents or

--reliable listing of grant accounts showing the Federal versus local funding authorizations, expenditures, obligations, and unobligated balances.

As a result, the Task Force was unable to verify the accuracy, reliability, or appropriateness of expenditures, transfers, or adjustments to the individual grant accounts. Task Force officials reported that a complete reconstruction of transactions of each grant account would be necessary before any reliability could be placed on the account balances in the grant fund and an audit of each account would be necessary to determine whether funds had been properly utilized. They doubted whether a reconstruction and audit of each grant would be possible due to the lack of reliable data and documentation.

Supply account reconciliations

It was necessary for the Task Force to take physical inventories of all supply stocks because GAS had not properly maintained, monitored, or valued its supply stock records. As a result, the Task Force found it necessary to increase some stock records by $1.9 million and to decrease other stock records by $0.9 million to bring the records in line with the physical inventories. Consequently, the total book value of supply inventories was increased from $3 million to $4 million as of September 30, 1977.

MANAGEMENT AND CONTROL OF ASSETS INEFFECTIVE

Along with GAS' severe recordkeeping deficiencies, we also noted GAS had inadequate control over its assets. At the end of fiscal year 1977, GAS could not accurately report the value of its equipment and buildings and the amount of its cash and receivables. Furthermore, we noted management deficiencies which have resulted in inefficient utilization and a lack of control over GAS' resources.

The actual value of GAS equipment and buildings is unknown. Estimates range from $26.2 million, as reported in the 1977 American Samoa Annual Report, to about $60 million. Property records are incomplete and inaccurate due to lack of records maintenance and periodic inventories of capital assets. We noted, in a sample of six, that two pieces of equipment, valued at about $70,000, had been disposed of but were still carried on GAS property records.

GAS' failure to obtain maximum benefit from its assets is perhaps best exemplified by its cash management practices.

During fiscal year 1977 GAS, in addition to not reconciling its bank accounts as discussed above,

--did not perform cash-flow analyses of its cash needs and

--allowed liquor store revenues of $428,000 to accumulate in a checking account over a 2-year period, thereby losing possible interest or depriving the general fund of cash.

Despite its failure to properly manage cash, GAS apparently was able to avoid a cash flow crisis resulting from any temporary deficit in its general fund. Up until December 31, 1977, GAS had access to plenty of cash because it had the privilege of drawing on the U.S. Treasury as the means of drawing down on Interior funding. A GAS official told us the only limitation imposed by the Office of Management and Budget was that total drawdowns not exceed total funding available for both operations and capital improvements. This provided GAS a "buffer" for normal GAS operations, consisting of the $12.6 million authorized for CIPs in fiscal years 1976 and 1977. GAS officials told us cash draws in these years were based on rough undocumented estimates of immediate cash needs.

GAS' failure to provide adequate cash controls has provided no assurance that its cash has not been misappropriated or even embezzled. GAS officials said this may be happening and that there are still opportunities for it to occur as long as cash controls remain weak.

INEFFECTIVE AUTOMATED FINANCIAL MANAGEMENT SYSTEM

Recognizing its severe financial management problems GAS decided in 1975 to obtain a new financial management system. A prominent accounting firm was contracted, and in 1976 an automated system was designed and implemented.

Although it appears to be a workable system, it has failed to provide accurate and timely financial management information since its implementation. The lack of credibility in the system's output is evidenced by the fact that some activities were maintaining duplicate manual financial records. Nevertheless, GAS officials said they are now totally dependent on the computer and that reversion to a manual system would not be feasible.

According to GAS officials, nothing is inherently wrong with the system, but it has not been as effective and useful as it should be because:

--It was implemented without purifying the existing manual records. As a result, the records continue to carry the inaccuracies which existed before implementation.

--It was implemented too quickly. According to GAS officials, certain necessary or desirable control features were left out of the design or not implemented.

--GAS did not provide the local assistance it had agreed to provide the contractor during implementation. As a result, much of the contractor's time was spent doing clerical tasks, and GAS personnel were not sufficiently acquainted with the sytem when it was finished.

--Input inaccuracies are prevalent. To meet processing deadlines, control features designed to identify such inaccuracies for correction were often bypassed, resulting in a "garbage-in, garbage-out" situation.

--The various subsystems have not been integrated, thus requiring manual intervention to obtain and record information provided and make necessary adjustments and reconciliations. Officials said that, due to the lack of local expertise, these functions are often neglected.

We noted other features which were not included in the system but could be of significant value in controlling and properly reporting financial data:

--The CIP subsystem does not accumulate expenditures and obligations against CIPs as incurred. Expenditures and obligations are not reflected against a CIP until the project orders which have been issued are completed and closed to the CIP. As a result, during the time the project order is open, records do not reflect the total expenditures and obligations incurred.

--The grant subsystem does not reflect the amounts of advances or reimbursements actually received from the grantors. Also, the system does not compute the Federal versus local shares of grant expenditures. The absence of these features requires manual reconciliations which have not been performed and are a primary cause of the grant accounting problems.

--Basic control features to identify excessive payroll time and/or duplicate timecards were either not implemented or were eliminated. We tested the payroll system by submitting duplicate timecards covering

the same time period for the same employees. The automated system did not detect the existence of these duplicate timecards and issued checks covering the total amount of time reflected on both cards. GAS officials said this payroll control feature had not been implemented and another, designed to detect and reject excessive hours charged, had been eliminated due to the high rejection rate which necessitated excessive manual review. These officials further said a manual review of computer reports was supposed to be regularly conducted to identify improper time charges. However, a payroll review, conducted by the acting Government Comptroller for American Samoa, revealed that this manual review either was not conducted or failed to identify significant excessive time charges.

Interior performed pre- and post-installation audits of the system and noted many of these problems. The post-installation report showed that several improvements have been made to correct these problems; however, numerous deficiencies still existed. Chief among these is the lack of qualified personnel to manage, operate, utilize, and evaluate the system.

GAS officials believe a full-scale review of the automated segments of the financial management system is needed to pinpoint the weaknesses and recommend corrective action. Although such a review would certainly disclose numerous deficiencies, we believe that unless qualified personnel are available to carry through with the implementation of the necessary changes, needed improvements would not necessarily follow.

INADEQUATE ADMINISTRATION OF FEDERAL GRANT PROGRAMS

We found that GAS' staff resources are inadequate to efficiently manage the federally funded grant programs. As previously discussed on page 36, GAS was unable to determine the amounts authorized and received for these grant programs because of unreliable records. Moreover, under the Department of Health, Education and Welfare's grant, which provides various programs for the elderly, we found specifically that GAS had:

--Allowed persons aged 50 and over to enroll in the nutrition program although the legal requirement is 60 or older. As a result, 47 percent of the 2,689 enrollees at January 31, 1978, were between the ages of 50 to 59.

--Not sought to restrict air transportation between the islands only to needed services, such as medical assistance and legal services, as required by Federal instruction. We noted in our review of the 450 travel tickets issued by GAS for trips between islands in January 1978 that the reasons why 248 individuals indicated they were going home was neither noted nor readily available. The records for the remaining 202 trips indicated that 69 trips or 34 percent were made for needed services and 133 trips or 66 percent were made for personal reasons or family matters.

--Not properly administered the contracts under the nutrition program for the daily distribution of meals. Consequently, the number of meals being served exceeded the limitations set forth in the contract. Under one of the three contracts, the daily number of meals being served over a 10-day period exceeded, by about 400 meals, the maximum 1,125 meals specified in the contract to be served. As a result, the anticipated annual contract costs are likely to be exceeded as has already happened under one contract. Specifically, a $40,000 amendment was executed because the contract funds were depleted halfway through the year.

--Not properly set up the nutrition program so that effective accountability existed over the number of meals served to the elderly. Specifically, meals served were not reconciled to the number of meals billed by the vendors. In one instance, GAS was billed $9,870 (4,700 meals at $2.10 each) by one contractor for meals reportedly served at one location from January 17, 1978, to February 7, 1978. A reconciliation of the number of meals actually served to the number of meals billed showed that 1,578 less meals were served than the number shown on the billing. No action was taken by GAS after we brought this to their attention during our visit.

Our review of the Department of Labor's grants for service employment programs under the Comprehensive Employment and Training Act disclosed similar problems in GAS' management of these grants. (See pp. 52 to 54.)

NEED TO IMPROVE INTERNAL AUDIT COVERAGE

In spite of the numerous financial management weaknesses noted, GAS' internal audit activities have not been extensive and have generally been geared to relatively minor areas of concern. For instance, during 1975 and 1976 only three

audit reports were issued: one on a review of compensatory time, one on the accounts receivable and physical inventories of the Marine Railway, and one on bingo rental fees at the marketplace. During 1977 the audit activity picked up. Seven reports were issued: three were audits of Federal grant programs, two involved disbursing and cash controls in GAS' general fund, and two concerned cash controls on other GAS activities.

From August 1977 through December 1977, the audit staff was assisting the Task Force in its efforts and was thus taken away from its auditing function. Subsequently, in February 1978 the Territorial Auditor was transferred to the position of Acting Director of Administrative Services and, according to him, the audit office was left without sufficient expertise to effectively carry out the auditing function.

We believe the internal audit group can be an effective mechanism for identifying and helping correct GAS' financial management problems. However, it must have adequate staff and be given proper priority for it to be effective.

NEED TO PROVIDE AND PROPERLY SEGREGATE AUDIT AND TECHNICAL ASSISTANCE

Various prior audits and reviews of GAS, made by us and the Interior, have generally identified the same basic financial management deficiencies previously discussed in this chapter. Our 1954 report of GAS' accounting and fiscal procedures had, as its first finding "failure to reconcile bank balance." Moreover, subsequent audits by us and the Interior pointed out that GAS has been unable to effectively manage its financial resources. The results of other recent grant audits in American Samoa further highlight these problems:

--An independent accounting firm audited a $3 million Department of Housing and Urban Development grant in March 1978 and was unable to express an opinion on the financial statements due to a lack of supporting documentation.

--An independent audit of Law Enforcement Assistance Administration grants in 1976 disclosed significant weaknesses in the accounting system and internal controls.

--Independent audits of Economic Development Administration planning grants conducted in 1974 and in 1975

resulted in disclaimers of opinions on the financial statements.

--A GAS audit of the Intergovernmental Personnel Act grant in 1977 disclosed errors resulting in disallowance of 37 percent of the expenditures claimed.

Unless technical assistance is provided to help correct the causes of these deficiencies, audits will likely continue to disclose similar deficiencies without correcting the underlying problems.

Interior, as well as other Federal agencies, has not provided adequate technical assistance and oversight to help GAS achieve financial accountability. Some Federal agency officials told us the expense and distance involved in traveling to the territory and the comparatively small amount of funding as compared to stateside programs have precluded giving American Samoa more attention.

Recognizing that program accountability rests with each granting agency and the excessive cost and duplication of sending teams of auditors to the territory for each major program, Interior is considering increasing the staff and technical capabilities of the Government Comptroller's Office to audit on behalf of all major grantors. Such a consolidated auditing approach would undoubtedly require personnel ceiling and budgetary consideration. Nevertheless, we believe this approach will definitely augment the Government Comptroller's resources and should be given adequate consideration by the Secretary of the Interior.

Although the primary function of the Government Comptroller's office in American Samoa will be audit, Interior is also considering using the staff to provide much needed technical assistance. We believe it is desirable, organizationally, to keep the two functions separate to preserve the integrity of audit objectivity and that the Secretary should consider using a separate organization to administer technical assistance. However, we recognize that such an arrangement may not be viable in view of the limited resources provided to establish the Government Comptroller's function in American Samoa. As an alternative, we believe the Government Comptroller's staff which provides technical assistance should be functionally separate from the staff which conducts the audits.

The Government Comptroller will greatly aid in correcting many of the aforementioned financial management deficiencies but should not be considered a "cure-all" or relied on too heavily to alleviate all the problems plaguing GAS. The

Government Comptroller's effectiveness is dependent on the reception and implementation of the technical assistance and audit recommendations provided to GAS.

CONCLUSIONS

Ineffective financial management has prevented GAS from properly accounting for the receipt and expenditure of Federal and local funds. Until recently, GAS has not been motivated to exercise fiscal responsibility because Interior, and other Federal agencies which provide funds, have not given enough oversight and technical assistance.

Because Interior has oversight responsibility for the administration of the territory, it should assume the responsibility for ensuring that GAS properly accounts for Federal funds. In this respect, Interior should provide frequent and extensive technical assistance, as well as constant oversight, to ensure progress is being made in correcting the financial management deficiencies and preventing their recurrence.

We believe the Government Comptroller will certainly aid in this effort but will not serve as the simplistic solution to a complicated problem. Auditing is not the final solution because GAS' financial management problems are known. The Government Comptroller's audit efforts must be matched by a corresponding program of oversight and technical assistance to ensure that GAS makes progress toward correcting the problems identified by the audits. To preserve audit objectivity, we believe the technical assistance and auditing functions should be segregated and that staff providing technical assistance should not be assigned to audit activities in which they have previously been involved.

RECOMMENDATIONS

We recommend the Secretary of Interior establish a separate organization, instead of placing this responsibility in the Office of the Government Comptroller, to provide technical assistance necessary to

--ensure that adequate and qualified personnel are available to manage and properly account for the receipt and expenditure of all Federal funds, including Federal grant monies;

--develop effective accounting procedures and controls;

--make necessary improvements in the automated financial management system; and

--train the local people in the technical skills necessary to generate an effective financial management system.

If this is not viable in view of limited resources and it is decided to place this responsibility in the Office of the Government Comptroller, we recommend that staff providing technical assistance not be assigned to audit activities in which they have previously been involved. In addition, we recommend that the Secretary establish criteria to ensure adequate time is directed to the post audit function.

We further recommend the Secretary of Interior direct the Government Comptroller to take appropriate action to ensure that regular audits are performed on the management and expenditures of all Federal funds. In carrying out this function particular attention should be directed to ensuring that adequate financial controls and procedures exist.

COMMENTS BY THE DEPARTMENT OF THE INTERIOR AND OUR EVALUATION

Interior generally agreed with our findings and recommmendations. Some comments dealing with specific points have been addressed in the appropriate sections of this chapter. Comments on general matters and our recommendations are discussed below.

Since July 1977 Interior stated that a number of actions have been initiated to motivate GAS to effect fiscal responsibility over Federal and local funds. These actions included:

--Establishing a Financial Management Task Force within the Interior to assist GAS in the documentation of its automated accounting system.

--Sending a team of professional auditors to American Samoa to supervise and assist GAS' in-house team in its efforts to purify accounting data as part of the Task Force (see p. 32).

--Sending a systems accountant to American Samoa in October 1977 to assist in the year-end closing of the Government's accounts. With the assistance of the above team of professional auditors, this individual also reviewed GAS' financial management practices and procedures and concluded that adequate controls had not been in effect to ensure that Federal funds

have been properly utilized, accounted for, and reported.

Interior agreed in principle with the philosophy that those individuals charged with the responsibility for design of a financial management system should not, because of inherent biases, audit the efficiency or effectiveness of such systems. It also agreed that, if human and fund resources were available, it would be ideal to separate audit from technical assistance.

However, in light of the very limited resources provided to establish the Government Comptroller's function in American Samoa and the likely continued need for Federal austerity, Interior officials stated that it would probably not be possible to reach that arrangement. According to these officials, the Government Comptroller will assign separate individuals to review and recommend the design for a particular system. Ultimate approval of this system will be vested jointly in the Governor and the Office of Territorial Affairs.

Once approved, the Comptroller's technical assistance staff will effect implementation of the system design and provide for all necessary related training. Audits to measure the effectiveness and accuracy of the system in question will be conducted by audit personnel who were not involved in the original design and training efforts.

COMMENTS BY THE GOVERNOR OF AMERICAN SAMOA

The Governor of American Samoa informed us that his administration is getting the accounting records in better shape as part of GAS' financial rebuilding. He also stated that his administration was taking a number of actions to correct the weaknesses identified in the report. Among the actions being taken, the Governor stated that:

--Trial balances were being prepared monthly, but they were meaningless until the account balances could be substantiated.

--Deficiencies in the administration of Federal grant programs were being corrected. Tighter controls are being applied and sounder management systems were being established.

--A systems accountant was hired for the accounting of Federal grant funds. In addition, his administration

was in the process of inventorying grant reimbursement procedures and centralizing the billings for reimbursements.

--Several accounting and bookkeeping training classes and seminars were planned for GAS employees.

Regarding the automated financial management system, the Governor stated that programing was underway to accumulate and report expenditures and obligations against CIPs on a monthly basis. In addition, he stated that a new grant accounting system had been developed and was in the test stages. Also, exception reports had been instituted to identify all personnel reporting in excess of 80 hours of regular time.

According to the Governor, a new director of GAS' internal audit was onboard. He also stated that efforts were being made to adequately staff this office and give it a more active role in identifying and correcting problems.

CHAPTER 4

NEED TO IMPROVE PERSONNEL DEVELOPMENT IN AMERICAN SAMOA'S GOVERNMENT OPERATIONS

The success of American Samoa in progressing toward self-government and self-support substantially depends on GAS' ability to effectively manage and develop its personnel resources. The diversity of GAS' activities creates a demand for technicians, managers, professionals, and trained support staff which outstrip the local supply. As a result, many technical and supervisory positions must be filled by contract employees from the United States, and many positions are filled by semiqualified or unqualified persons. Compounding these problems is a high turnover rate among these contract employees and the lack of effective personnel administration and training programs in the government.

GAS has not received adequate technical assistance in developing its personnel resources from the Department of the Interior or other Federal agencies. Unless priority attention is given to personnel administration and development, we believe the problems which have plagued American Samoa in the past will continue.

IMPROVEMENTS NEEDED IN GAS PERSONNEL ADMINISTRATION AND PLANNING

During 1977 GAS employed an average of about 3,300 persons, almost half of the total work force of 7,300 in American Samoa. GAS employment is highly desirable and sought after by American Samoans because of its generally high wage scale and wide range of activities and occupations including health, education, public safety, communications, and construction. Because GAS is responsible for such a broad range of activities, the effective administration of its personnel system is the key to the overall efficiency of its operations. The responsibility for all staffpower-related activities, including organizational planning, recruitment, training, classification, and placement, are ostensibly centralized in GAS' Office of Manpower Resources.

The following conditions indicate weaknesses in staffpower administration and planning:

--GAS has not assessed its long- or short-term personnel needs or inventoried occupational skills available in the labor market as bases for staffpower planning.

--No comprehensive formal training program exists in the government.

--Manpower Resources has not utilized work measurement standards as a basis for establishing staffing structures.

--The classification structure has grown too large; nearly one job classification exists for every three employees. GAS officials stated the classification system is often improperly used to provide pay raises or promotions or to create positions for specific individuals.

--On the basis of a limited sample and comments from GAS officials, it appears many employees do not meet the minimum qualifications established for their jobs.

--The pay scale has not been monitored and adjusted on a regular basis contributing to the widespread use of reclassification in lieu of pay raises.

GAS officials recognize these shortcomings, but we believe they do not possess the in-house expertise to recommend or implement corrective action. They indicated the grants provided by the Civil Service Commission under the Intergovernmental Personnel Act have been of some help; however, a significant improvement in the level of expertise is still needed. The head of the Personnel Operations Division told us a complete analysis and revamping of the staffpower system by outside experts was needed and was being considered.

SHORTAGE OF QUALIFIED PERSONNEL

Since as far back as 1953, GAS has indicated in its annual report to the Interior shortages of trained local personnel and its desire to replace contract employees with American Samoans. Nevertheless, this move toward self-reliance has never materialized. From 1956 to 1978, the number of contract employees has grown from 45 to 170 respectively. Furthermore, virtually all of the contract employees hold middle and upper management positions. Hampered by weaknesses in the educational system (see p. 52), and the tendencies for outmigration of some of the best qualified personnel, GAS has been unable to develop the personnel resources necessary to administer the government.

GAS officials acknowledged shortages of qualified personnel throughout the government, particularly in the area of financial management. Officials indicated that the lack of adequately trained technicians in this area was a major

cause of the financial management problems (see ch. 3) they have encountered.

To demonstrate this point, a GAS official, at our request, administered a very simple bookkeeping test to 39 accounting personnel. The 67-percent failure rate confirmed GAS officials' opinions that staff, including supervisors, were largely unqualified. Furthermore, GAS officials believed the infrequent in-house training conducted has been ineffective because it was geared to a higher comprehension level than possessed by the staff.

We were advised by GAS officials that similar shortages of qualified personnel exist in education, public works, health, and staffpower resources. We selected a sample of 10 GAS positions, primarily from the Department of Administrative Services, to determine whether they possessed the minimum qualifications established for their jobs. Of these, seven of the eight local hires did not meet minimum educational, experience, or skill requirements. Although such a limited test cannot be considered fully representative, the high percentage of failure of the bookkeeping test, coupled with the opinions of GAS officials, indicate a significant problem does exist.

PROBLEMS WITH THE CONTRACT EMPLOYMENT PROGRAM

Due to the shortage of local expertise, GAS has been and will continue to be dependent on contract personnel to help administer the government. Despite GAS' long-term goal of replacing these employees with qualified American Samoans, during fiscal year 1978 it employed about 170 contract employees, many of whom held key management and professional positions. Although GAS has been forced to rely on the contract employment arrangement, many aspects are not totally satisfactory to the government. Two primary reasons are the lack of staff continuity caused by high turnover and the retarding effect on progress toward becoming a self-supporting territory. There also appears to be weaknesses in the contract employment policies and practices which hinder GAS' ability to recruit and retain top quality personnel.

According to GAS officials, high turnover among contract employees has adversely affected the overall government operations. In fiscal years 1976 and 1977, turnover was approximately 65 percent and 41 percent, respectively. Contracts are normally for 2 years and can be renewed with mutual agreement. However, most contract employees stay 2 years or less, and only about 29 percent renew their contracts. The effects of this high turnover are difficult to quantify;

nevertheless, officials said it has produced adverse effects, including

--loss of program continuity;

--inadequate attention toward training and development of GAS staff, which is usually done by contract employees; and

--increased costs of recruiting and relocation.

Lack of continuity of contract employees is perhaps most pronounced or evident in the financial areas. For example, since July 1974 the position of Treasurer/Director of Administrative Services has been filled by seven individuals. During this time six persons have served as local Comptroller. As of March 1978 the Treasurer's position was filled in an acting capacity, and the Deputy Director of Administrative Services and local Comptroller positions were vacant.

It appears the dependence on contract employees has had a negative impact on movements toward becoming a self-supporting territory. Because GAS has relied heavily on imported leadership for over 20 years, we believe there may not be the incentives for it to concentrate on developing local leadership. The GAS administration has expressed a long-term goal of "Samoanization" but realizes it cannot be achieved quickly. GAS hopes to gradually replace contract employees with American Samoans as they become qualified.

Recognizing that it is forced to depend on contract employment, GAS' ability to recruit and retain top quality contract employees is crucial to the success of the government's operation. Certain factors which could affect hiring and retention cannot be controlled by GAS, such as geographical location, climate, and some economic conditions. However, other factors, such as recruiting, pay, job security, and working conditions, can be controlled or at least affected by GAS actions. Likewise, it also seems possible that Interior could provide assistance to GAS in recruiting and retaining quality personnel.

A survey of GAS policies and practices and a questionnaire we distributed to GAS contract employees disclosed the following factors relative to recruiting and retention:

--GAS officials believed their recruiting mechanism was difficult to administer because of the geographical distance from the United States. Although the Contract Recruiting Branch generally placed newspaper advertisements and handled some correspondence, the

hiring departments made their own recruiting trips, often without coordinating with the Contract Recruiting Branch or other departments. The Contract Recruiting Branch believed a more coordinated effort, such as maintaining an off-island recruiting office, could be more effective and efficient.

--GAS officials believed salaries offered are sometimes too low to attract the most qualified personnel. For instance, the highest-paid physician receives less than $27,000 in American Samoa. Yet, the Director of Medical Services said medical school graduates can expect to earn $40,000 in the United States. Furthermore, our questionnaire disclosed that 82 of 124, or 66 percent, of contract employees believed their salaries were too low for their duties and responsibilities, living conditions, and other factors.

--According to GAS officials, contract employees have difficulty obtaining follow-on employment before departing American Samoa. For instance, the questionnaire responses disclosed only 12 of 37 contract employees departing within the next 6 months had strong follow-on job possibilities. Furthermore, 33 of 106, or 31 percent, of responding employees expected to encounter a period of unemployment or less than suitable employment upon returning to the United States.

--The contracts contain a clause which provides for dismissal without cause with only 30 days' notice. The questionnaire responses disclosed that 68 of 103, or 66 percent of responding contract employees believed this lack of job security was a significant inhibiting factor to attracting and retaining qualified personnel. Realizing this fact the present GAS administration has expressed the intention to eliminate this clause.

--Lack of job satisfaction and inadequate working conditions appear to be significant factors in employees' decisions whether to continue in GAS' employment. When asked, "What factor or factors would most influence you to not complete your contract or renew?" 69 of 124, or 56 percent, responded either "lack of job satisfaction" or "inadequate working conditions" or both.

Although the high turnover alone is testimony to the inherent problems in the contract employment system, apparently no criteria is available by which to measure the overall

success of GAS in recruiting and retaining well-qualified personnel. Because contract employment is the avenue GAS has selected for securing needed technical and managerial expertise, we believe an assessment of the recruiting process and incentives structure is necessary to ensure the program is as effective and efficient as possible.

NEED FOR AN ADEQUATE EDUCATION AND TRAINING SYSTEM

The primary personnel need of GAS and of the American Samoan community is education and training to equip Samoans to competently perform in GAS as well as in the private sector. However, the employment picture in American Samoa is one in which high unemployment is present due to limited job opportunities as well as a shortage of qualified persons to fill the jobs which exist. As previously pointed out on page 48, GAS has been unable to develop the personnel resources necessary to administer the government because of weaknesses in the educational system and the tendancies for outmigration of some of the best qualified personnel.

In addition to an educational system that will provide qualified and capable employees, GAS also needs an effective training program to improve its staff's capabilities. Personnel development within GAS is generally considered to be the responsibility of the Training Division, Office of Manpower Resources. However, other GAS departments plan and conduct their own training, if any, and generally do not coordinate with the Training Division.

Manpower Resources officials could not advise us of the types or amounts of training being conducted throughout GAS. These officials said the only significant training in the Government is training received on the job through service employment programs authorized by the Comprehensive Employment and Training Act of 1973, 29 U.S.C. 801 et seq: (Supp. IV 1974). The purpose of these public service employment programs is to provide transitional employment for unemployed and underemployed persons in jobs providing needed public service so that participants can move into employment not supported by these programs. They are funded by Department of Labor grants and are administered locally. In addition, comprehensive staffpower training activities, such as classroom and on-the-job training, are also funded by these grant .

During fiscal year 1977 about 70 percent of the 1,250 Comprehensive Employment and Training Act positions were public service employment positions under titles II and VI of the act. The remaining positions basically were work experience positions under title I of the act.

Because of limited job opportunities in American Samoa, GAS officials administering these programs have been faced with employing personnel in positions for which there are limited follow-on employment opportunities. The program has served basically as a "proving ground" for prospective GAS employees. Of 182 persons placed in permanent positions following enrollment in these service employment programs, 164 were employed by GAS while only 18 received jobs outside of GAS. Ten of the 18 joined the U.S. military. Also, according to GAS officials, a significant amount of these former enrollees came to the United States because of limited local job opportunities.

We believe these programs afford GAS an opportunity to train staff for certain positions. However, it must be recognized that they can provide training only for a limited range of positions, primarily at the entry level, and cannot be expected to provide the professional and managerial capabilities needed to effectively operate the Government.

Our survey of these programs in American Samoa also disclosed significant weaknesses in accounting, reporting, and program administration. We informed a Department of Labor representative of the major problems and possible irregularities during his site visit in American Samoa in February 1978. Likewise, near the end of our fieldwork in March 1978, we informed the Acting Government Comptroller of a possible irregularity regarding the payment of overtime in these programs. Following our meetings, Department of Labor representatives made two program review visits to American Samoa in March and April 1978, and the Acting Government Comptroller reviewed program payroll payments. Preliminary findings resulting from the April visit by the Department of Labor's Employment and Training Review Team included:

--Overexpenditures of these grants by $378,371, including use of fiscal year 1978 grant funds to cover a $91,535 overrun incurred in fiscal year 1977.

--Transfers of funds between grant titles in "an apparent * * * (effort) * * * to cover those overexpenditures." (These transfers included a $120,000 transfer noted by us and disclosed to a GAS official.)

--Periodic reports to the Department of Labor have been consistently late and inaccurate.

--Closeout documents for expired grants have not been submitted in a timely manner.

Results of the review conducted by the Acting Government Comptroller showed that Federal funds were apparently utilized to pay wages and overtime without proper documentation.

A Department of Labor representative informed us that, due to the severity of the above findings, Labor has requested an immediate financial audit. Furthermore, we were told that Labor intends to increase the scope and frequency of its program review and technical assistance visits to American Samoa. During these visits, Labor representatives plan to address possible weaknesses in program management and reporting problems covered in their most recent visits.

CONCLUSIONS

The problems facing American Samoa stem largely from the lack of qualified personnel and frequent turnover of personnel in key management positions. Middle and upper management positions are filled largely by contract employees from the United States. It has been the general consensus that inadequate personnel resources have been available in American Samoa to staff these positions.

Although GAS' long-term goal has been to upgrade its local personnel resources to the point contract employees are not needed, this move toward self-support has not materialized. GAS has not assessed its specific personnel needs nor its capabilities to satisfy these needs. Until needed improvements are made in the personnel administration and planning procedures, progress toward alleviating GAS' personnel problems will be hindered.

Because GAS is, and will continue to be, dependent on contract employees, its policies and procedures with respect to recruiting and retaining these employees are vital to the overall success of government operations. A full assessment of these policies and procedures, particularly the recruiting methods and the incentives structure, is needed to ensure GAS is utilizing the most efficient and effective method of providing needed managerial and technical expertise.

Although GAS' most pressing need is adequately trained staff, the territorial government lacks an adequate education and training system to direct individuals into the skills needed in American Samoa.

RECOMMENDATIONS

We recommend that the Secretary of Interior, in conjunction with other appropriate Federal agencies, where necessary, assist GAS in developing and carrying out a comprehensive staffpower development program which will effectively address the territorial government's short- and long-term personnel needs and facilitate American Samoa's progress toward self-support. Specifically, the plan should contain

--an inventory of the managerial, technical, professional, and other skills currently available in American Samoa;

--an assessment of the specific skill needs of the Government for the short- and long-term;

--an analysis of how these needs can best be satisfied, including the capacity of the educational system and the Government training programs to satisfy these needs;

--specific statements of the roles and responsibilities of Interior and other Federal agencies in carrying out the program;

--a plan of action which outlines the specific tasks to be carried out by GAS, Interior, and other agencies; and

--a timetable and plan for evaluating and measuring the progress of the development program.

In helping GAS meet its needs for qualified employees, we also recommend that the Secretary of Interior assist GAS in developing a comprehensive hiring and employment program which will provide a continuous supply of qualified technical, managerial, and professional employees. Along these lines the Secretary should explore with GAS and consider to what extent GAS' employment and training needs could be met with Interior employees on a specific tour of duty with guaranteed reemployment rights to a stateside job with Interior. Consideration should also be given to recruiting individuals with needed skills from the territories and other Federal, State, and private sector agencies until GAS' employees are adequately trained and capable of providing a continuous supply of needed resources.

COMMENTS BY THE DEPARTMENT OF THE INTERIOR AND OUR EVALUATION

Interior generally agreed with our findings and recommendations. Comments on general matters and our recommendations are discussed below.

Interior officials generally agreed that the Secretary of the Interior, in conjunction with other appropriate Federal agencies, should assist GAS in developing and carrying out a comprehensive staffpower development program. They stated, however, that their assistance would be limited to the extent of their available resources and authority. Interior noted that its ability to provide this assistance would be greatly enhanced if the legislation it has recommended for providing technical assistance, or its equivalent, were enacted. We believe that Interior can and should assist GAS as part of its existing responsibilities. This legislation, however, might possibly be construed as reducing Interior's present authority to provide assistance without request.

Interior generally agreed that the Secretary of the Interior should assist GAS in developing a comprehensive hiring and employment program. It stated several reasons, however, for not assigning Federal employees on specific tours of duty to GAS. According to Interior officials,

--Federal employees generally do not operate the kinds of programs and services that are the responsibility of territorial governments and

--assigning Federal employees conflicts with their policy of maximum self-government for American Samoa.

Interior officials further stated that, without question, greater use of the Intergovernmental Personnel Act could be used by American Samoa. They noted, however, that this should be done on a selective basis and targeted on those skills that Federal employees might have. Further, the officials stated that GAS should not be denied recourse to State and local governments and private industry for needed personnel skills.

We agree that assigning Federal employees to GAS conflicts with Interior's policy of maximum self-government for the territory. However, we believe Interior should take whatever actions are necessary to ensure that adequate personnel resources are available to administer the government until GAS employees are able to assume these functions. Accordingly, we believe the use of Federal, State, and local government personnel, as well as private industry personnel

in the interim will go a long way in assisting GAS in obtaining needed skills.

COMMENTS BY THE GOVERNOR OF AMERICAN SAMOA

The Governor of American Samoa generally agreed with our findings in this chapter. He stated that the lack of qualified personnel and frequent turnover of personnel stems from former administrations' inordinate reliance on transient personnel in the form of contract employees from the United States whose employment tenure averaged 2 years. The Governor stated that local people, qualified ones, were not recruited, and thus a lack of continuity of management at the top echelon of GAS became a severe problem.

According to the Governor of American Samoa, his administration was planning and also undertaking a number of actions to improve the management and development of personnel resources. Some of these actions are highlighted below. Specifically, the Govenor stated that:

--His administration was reorganizing the territorial government to minimize the number of government agencies and also determining the number of workers needed to sustain GAS operations.

--GAS' Office of Manpower Resources was preparing an application for Federal assistance in establishing a special task force to perform staffpower analyses and develop work measurement standards.

--Action had been taken to bring in a former Director of Personnel from the State of Hawaii to review GAS' classification and wage scale systems.

--Qualification tests were being developed by the Office of Manpower Resources to gauge proficiency and job qualifications.

--His administration was attempting to recruit as many qualified Samoans as possible from Hawaii and other parts of the United States. According to the Governor, a concerted effort was being made to recruit selectively and methodically to fill key management positions with personnel who bring potential for long-term stability and high levels of job performance.

--His administration had undertaken a complete skill need and job opportunities inventory in the territory.

In commenting on the problems with the contract employment program, the Governor acknowledged that the territorial government has had problems in attracting and holding highly qualified individuals. However, he pointed out that he did not believe financial incentives were the primary incentives required to obtain the services of these employees. According to the Governor, individuals are being sought who are motivated by a desire to work in the development of the territory.

The Governor further stated that intangible factors often influenced people's decisions to leave American Samoa. He stated that contract employees have sometimes found living in American Samoa difficult and pointed out that the 2-year contract with a 30-day mutual cancellation clause was written into the contract to protect individuals from having to suffer periods of misery when it was obvious they could not enjoy the island way of life.

In commenting on the need for a training program, the Governor stated that a complete training needs assessment of GAS was undertaken in 1972 and training at the upper and middle management levels of GAS was found to be the most pressing need. According to the Governor, a psychological assessment of 20 potentially good Samoan leadership personnel resulted in 15 of them being sent for training in some of the top institutions in the United States. The Governor noted that these 15 individuals now occupy top- and middle-management positions in GAS. The Governor stated, however, that a subsequent change in the territory's administration relegated this program to a least important place in the hierarchy of priorities, and his administration hopes to revive this program. The Governor stated that the service employment programs replaced this program.

In commenting on the administration of the service employment programs, the Governor stated that his administration had taken corrective action to abolish past mistakes.

CHAPTER 5

SCOPE

Our field work in American Samoa was performed during the period of November 15, 1977, through March 10, 1978. Our review included analyses of available GAS records in American Samoa. However, it should be noted that most records were generally unreliable and in some cases, appropriate records did not exist. Furthermore, comprehensive financial statements had not been prepared since at least 1971. Therefore, much of the data presented in this report is based on available records and estimates made by us and others. In addition to GAS records, we reviewed certain pertinent records of the Department of the Interior and other Federal agencies in Washington, D.C.; California; and Hawaii.

We discussed Federal programs with officials from the Departments of the Interior; Health, Education and Welfare; Labor; Agriculture; Housing and Urban Development; Transportation; Commerce; U.S. Postal Service; and others. Also, we discussed overall Federal efforts in the territory with the Chairman of the Western Federal Regional Council and the Chairman and members of the Regional Committee for Territorial Assistance.

In addition, we contacted the last appointed Governor of American Samoa; the first elected Governor and Lieutenant Governor; representatives of the territory's legislature; most GAS department heads; and most program managers, inclusive of every level of the territorial government. We talked to American Samoan business leaders and citizens. We also visited Western Samoa and contacted various Government officials.

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September 20, 1977

Honorable Elmer B. Staats,
Comptroller General of the United States
441 - G Street, N.W.
Washington, D.C. 20548

Dear Mr. Staats:

As Chairman of the Subcommittee which has oversight responsibilities on our Pacific offshore areas, I am concerned with several matters which I believe will have great impact on the future status of the Territory of American Samoa.

American Samoa is an unincorporated and unorganized territory of the United States. After 77 years of U.S. Administration, the Samoan people will be electing their own governor in November of this year. I am concerned that in anticipation of the transfer of executive responsibility to the newly elected governor in January 1978, there is a critical need to examine the overall operations and programs that are currently under implementation by the local government. In essence, the committee needs to be reassured that the newly elected governor will not bear the burden of any liability or possible findings of mismanagement, which may have been attributed to previous administrations.

In this connection, I am requesting an investigation of the following areas that are of concern to the committee:

(1) It has been estimated that for the past 12 years alone, approximately $250 million have been expended for the operations of the government of American Samoa. Such monies have been provided through annual Congressional appropriations,

Honorable Elmer B. Staats
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federal assistance programs and revenues generated locally by the territorial government. The committee needs a full assessment and accounting of both federal and local funds that have been expended by the local government since 1952.

(2) The committee needs a full assessment of the water and electrical systems which I understand are not adequately serving the needs of the local residents.

(3) The committee needs a full assessment of the controversy surrounding the purchase-lease of the territory's government-owned radio station.

(4) The committee needs a full assessment of all assets and liabilities of the American Samoan Development Corporation, which was established locally for the purpose of construction and operation of what is now known as the Rainmaker Hotel. It is my understanding that a good number of Samoans participated in the development of the hotel by purchasing stocks in the corporation, but they have yet to draw any dividends since the corporation was founded some 15 years ago.

(5) The committee needs a full assessment of the operations of the American Samoan Community College. There have been questions raised concerning the overall administration of the college and present plans to expand its operations to a 4-year institution.

(6) The committee needs a full assessment of the computer system now utilized by the territorial government.

(7) The committee needs a full assessment of the government-owned television station.

(8) Aside from the more specific areas that are stated above, the committee needs an overall assessment of the present operations of the executive, legislative, and judiciary branches of the territorial government.

Given the time-period involved before the transition takes place in January 1978, I am requesting your assistance to assign someone who is thoroughly familiar with both territorial matters and GAO operations. I am also requesting the cooperation of your investigative team not to cause any undue delay to present in-house investigations that have been ordered

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by the incumbent governor, Mr. H. Rex Lee.

I suspect the investigation may go beyond the transition period in January 1978; nevertheless, I believe your findings will be most helpful not only to the Congress but to the Samoan people as well.

I will appreciate your assistance by providing a team to investigate the above concerns as soon as possible.

With best wishes, I am

Sincerely yours,

Phil Burton

PHILLIP BURTON, M.C.
Chairman, Subcommittee on
National Parks & Insular Affairs

cc: Mr. James Joseph,
Under Secretary of the Interior

Mrs. Ruth Van Cleve, OTA

Mr. H. Rex Lee, Governor

President Salanoa S.P. Aumoeualogo

Speaker Tuana'itau F. Tuia

CONTROVERSY SURROUNDING THE PURCHASE-LEASE OF THE TERRITORY'S GOVERNMENT-OWNED RADIO STATION

The policy of the Department of the Interior, as well as GAS, has been to encourage the takeover of certain governmental services by private enterprise. In April 1975 the territory's only radio station was leased from GAS by a private concern known as Radio Samoa, Limited, despite much controversy.

In 1972 the Governor of American Samoa was approached by two non-Samoans and one Samoan representing a proposed corporation known as Radio Samoa, Limited, wanting to lease the radio station with an option to purchase. Accordingly, the Governor initiated negotiations to lease the radio station with an option to purchase only the buildings.

Members of the American Samoan legislature objected to these negotiations because all the individuals interested in operating the radio station were not American Samoans and they felt such action was contrary to Interior's policy of preserving American Samoa for American Samoans. Moreover, these members questioned the Governor's authority to arrange for the transition of these Government-owned and -operated services to the private sector.

In March 1974 a petition was filed with the Federal Communication Commission, on behalf of the American Samoan Legislature and its Delegate-at-Large to the U.S. Congress, opposing Radio Samoa, Limited's, application for a license to operate the radio station. Opposition was based on four grounds:

--The land on which the radio station was situated could not be used for private purpose.

--The proposed transfer of the radio station to private operation would not be consistent with article 73 of the Charter of the United Nations.

--The lease agreement violated conflict-of-interest regulations.

--The granting of Radio Samoa's application would not be in the public's interest.

However, in February 1975 the Commission ruled that the petitioners' basis for opposition was not sufficient and the

license to operate was granted to Radio Samoa. The Commission denied the petition for the reasons discussed below.

Use of land for a private purpose

The land on which the radio station is situated was condemned by GAS in 1964; its landowners were compensated at the rate of $400 per acre, and title was transferred to GAS pursuant to the Code of American Samoa. The petitioners claimed that because the land was condemned for public purposes, it could not be leased to private interests. The Commission ruled that a) the transfer was not illegal and b) the use of land for nonpublic purposes would not result in a reversion of the title to the original Samoan landowner. Therefore, according to the Commission, it was within the power of the executive branch, through the Governor, to arrange for such leasing.

Consistency with Charter of the United Nations

The Commission found no inconsistency with the Charter. Article 73 outlines basic United Nations responsibilities for administering territories whose peoples have not yet attained a full measure of self-government. It is primarily concerned with promoting the political, economic, and social advancement of territories. The Commission ruled that leasing of the station was an affirmative step by the U.S. Government expected to relieve the Samoan Government of responsibility for the station's operation. Furthermore, the Commission stated that other broadcast frequencies are available which would allow others to apply for a license to operate another radio station.

Alleged conflict of interest

Petitioners alleged that the former Governor's actions to arrange for leasing of the radio station presented a conflict of interest. The petitioners claimed that the former governor showed favoritism in selecting the applicant and that he would receive private gain if the station were leased to the applicant. The Commission ruled that because no evidence could be found to substantiate any conflict of interest, such allegations were unfounded.

Public interest

Petitioners claimed that leasing of the radio station would not be in the best interest of the territory. The

primary basis for this claim was that the general public of American Samoa opposed the application. The Commission ruled that the public interest issue should not be confused with popularity. Therefore, the Commission concluded that since the applicant is qualified--legally, technically, and financially--it failed to see how the denial of the only pending application for a commercial radio operation would serve any aspect of public interest.

LIABILITIES OF THE AMERICAN SAMOAN DEVELOPMENT CORPORATION

The American Samoan Development Corporation is a private corporation established in 1962 under the laws of American Samoa. Its stated purpose is to function

> "as a vehicle for the development of the Territory of American Samoa by Samoans, and through which a substantial part of the proceeds of resources development will be reinvested in progressively diversified ventures for the enhancement of the American Samoan economy."

For its finances the Corporation was authorized to sell 50,000 shares of capital stocks to Samoan investers at $10 a share. It could also increase the number of shares available to 500,000.

The Corporation does not have a complete record of shares of capital stock issued. As of June 30, 1977, 110,089 shares were identified as issued and outstanding; however, reconciliation of stock records and stock owners is an ongoing effort.

Little known of the Corporation's early activities

Because of poor records management and a fire which destroyed stock records in 1973, little is known of the Corporation's early activities. The Corporation invested in several retail duty-free shops which were apparently unsuccessful since most are no longer in operation. Its principal asset is the 190-room Rainmaker Hotel. The Rainmaker is the only major hotel in American Samoa.

Role of the American Samoan Development Bank

The American Samoan Development Bank, created by the Samoan legislature, exists and operates solely for the benefit of the public. In this role the Bank is chartered to provide the Samoan people with lending and investment facilities to assist in the promotion of private enterprise and investment facilities and to meet the needs of a developing economy.

The bank is the Corporation's major stockholder, with 87,942 shares, or 78 percent of the total known to be issued.

The remaining shares were issued to about 1,300 Samoan investors.

The Development Bank became the major stockholder in 1969 when assets from the commercial Bank of American Samoa, which included 52,469 shares of the Corporation stock, were transferred to it. In the following years the Development Bank made several loans to the Corporation mostly for operating capital for the Rainmaker Hotel, which were subsequently converted to equity.

The Development Bank is a major influence in the operations of the Corporation and its major asset, the Rainmaker Hotel. In fact, until recently the hotel was managed by the Director of the Development Bank.

The Corporation's financial position

The Corporation has operated at a net loss since its inception. The financial statement for the year ending June 30, 1977, shows a deficit of about $724,000, or a book value per share of stock of minus $6.58. The Corporation is unable to meet its long-term debt obligations which were over $3.1 million as of June 1977. Over $430,000 of the debt was past due as of November 1977. An analysis of major debts as of June 30, 1977, is shown on the following pages.

Mortgage notes payable (collateralized by leasehold improvements, furnishings, and leasehold interests):

Bank of Hawaii: Eight percent per annum first mortgage; interest only payable to June 29, 1978; $8,002 per month thereafter, including interest, payable for 15 years to July 29, 1993.	$837,000
Economic Development Administration: Four percent per annum second mortgage; payable at $6,217 per month, including interest, to March 4, 1991, when the balance of approximately $56,000 becomes due. Principal payments are in arrears in the amount of $97,551.	946,040
Economic Development Administration: Four and one-fourth percent per annum third mortgage; payable at $1,610 per month, including interest, to March 4, 1991, when the balance of approximately $15,000 becomes due. Principal payments are in arrears in the amount of $23,884.	244,470
Economic Development Administration: Six percent per annum fourth mortgage; $5,601 per month including interest payable to May 30, 1993, at which time the unpaid balance and interest becomes due. Principal payments are in arrears in the amount of $58,198.	750,000
	$2,777,510

Notes payable:

Bank of Hawaii--8 percent: Interest only payable to November 1, 1977, $2,150 per month thereafter, including interest payable for 15 years to October 1, 1992, guaranteed by majority stockholder.	$125,000

Economic Development Administration--2 percent Unsecured, $3,380 per month, including interest commencing February 5, 1975, and the balance due on February 4, 1978. Principal payments are in arrears in the amount of $83,167.	105,182
	$230,182
Due to GAS: Amount consists primarily of utility billings from prior years, noninterest bearing with monthly payments of $1,000	$137,000

Principal payments due on long-term debt for the next five fiscal years are as follows:

Year	Amount
1978	a/$366,200
1979	114,800
1980	120,700
1981	127,200
1982	134,100
	$863,000

a/Includes payments in arrears totaling $262,800.

Issues surrounding Corporation's debt

We identified several issues regarding the Corporation which have an impact on the territory's development and relationship with the Federal Government. These include (1) questionable management by its board of directors, (2) its role in promoting tourism in American Samoa, and (3) efforts to resolve its debt.

The Corporation's management

Complete records of stock issued by the Corporation are unavailable, a stockholders' meeting held in December 1977 was the first since 1969 (the articles of incorporation required one each year), no dividends have ever been paid, and the stock has always carried a negative value.

The articles of incorporation established a voting trust empowered to exercise the voting rights of the stockholders

which included election of the board of directors. Three of the five members of the voting trust were authorized to be appointed by the Governor and serve at his discretion. Therefore, the former governors, and through them the Secretary of the Interior, bore a major part of the responsibility for the management of the Corporation's operations.

The Corporation's economic development

The Rainmaker Hotel is the only major hotel in American Samoa and thus a key element in GAS' plans to encourage tourism as one means to develop the economy. The former manager estimates the hotel needs to carry a minimum average occupancy rate of 70 percent to pay off its debt and effectively operate. During 1977 the occupancy rate was 59 percent. Because of lack of funds and proper maintenance, a rehabilitation program is needed. Prospects of the Corporation achieving occupancy rates needed to successfully operate the hotel are not good, especially since the only major U.S. air carrier to American Samoa was at the time of our visit operating only two flights a week.

Proposals to resolve the Corporation's debt

GAS officials claim that the Corporation's debt cannot be resolved without Federal assistance. They have recently proposed that GAS purchase Economic Development Administration mortgage notes on a discounted basis to remedy a major portion of the long-term debt. In addition, they suggest that the debt of the first mortgage, held by the Bank of Hawaii, be assumed by the Development Bank. Even if the current debt structure can be remedied and all legal problems resolved, it is uncertain whether the hotel can be operated and maintained without incurring greater debts. It appears that if GAS owns the hotel, future subsidies for the hotel would be required.

AMERICAN SAMOA'S TELEVISION STATION KVZK

KVZK television is a noncommercial station owned and operated by GAS. Broadcast authority is granted by the Department of the Interior. KVZK television operates with a fiscal year 1978 budget slightly over $900,000, including a $350,000 grant to support educational television from the Corporation for Public Broadcasting.

Television was introduced to American Samoa in 1964 as the central part of the educational system. Large-scale use of television as the principal means of instruction continued until 1970. At that time, the role of instructional television changed from the primary educational method to a supplemental tool for classroom teachers.

Criticism of instructional television has focused on the poor test results of secondary level students. Available data shows that the average Samoan student is several years behind stateside U.S. counterparts. As a result, teachers are given discretion in using television as a teaching tool. According to GAS officials, no recent studies have been made on actual utilization of the instructional television system.

According to GAS, KVZK television is one of the major education, information, and entertainment sources for the people of American Samoa. It broadcasts on three channels, 18 hours per day, 7 days a week, throughout most of the year. The station has a broadcast range of approximately 80 miles and serves an estimated 96 percent of the American Samoan community. During daytime hours (7:30 a.m. to 3:00 p.m.) on weekdays, the station is devoted entirely to in-school, instructional television. Beginning at 3:00 p.m. weekdays, KVZK television begins its late afternoon and evening schedule of broadcasting on two channels with the third channel signing on at 7:30 p.m. The following is a weekly breakdown of programing hours:

	Hours per week
In-school (instructional)	75
Public broadcasting system (PBS)	54
National broadcasting company (NBC)	68
American broadcasting company (ABC)	27
Local programs	6
Other (free films, syndicated shows)	4
	234

APPENDIX IV

Recently, KVZK TV has initiated efforts to receive television programing via satellite. The station plans to receive direct satellite feeds in 1978.

GOVERNMENTAL STRUCTURE OF TERRITORIES ADMINISTERED BY THE DEPARTMENT OF THE INTERIOR

The Department of the Interior has varying administrative responsibilities in the territories of American Samoa, Guam, the Virgin Islands, and the Trust Territory of the Pacific Islands. The Congress has enacted organic legislation for the Virgin Islands and Guam which provides for a systematic organized form of government and confers certain powers of self-government to these territories. The Constitution of American Samoa, which was approved by the Secretary of the Interior in 1967, is the basic law of this territory.

American Samoa's executive branch is organized in a manner similar to Guam and the Virgin Islands. The governors are elected by the people. The qualifications of these governors vary slightly.

The Trust Territory of the Pacific Islands is administered under terms of the Trusteeship Agreement between the United States and the Security Council of the United Nations. In the Trust Territory, the High Commissioner is appointed by the President with the consent of the Senate.

The legislatures of American Samoa and the Trust Territory of the Pacific Islands are bicameral; whereas, Guam and the Virgin Islands are unicameral. All legislators of the four territories are elected by popular vote, except for the Senators in American Samoa, who are elected by local custom.

The composition of the courts and the appointment of judges vary considerably among the territories. In American Samoa judicial powers are vested in the high court and district courts. In the Trust Territory these powers are in the high court, district courts, and community courts. The Secretary of the Interior appoints chief justices to the high courts of these territories. In Guam the courts of justice consist of the district court of Guam, the police court, the island court, and commissioners courts. The Virgin Islands courts are the district court of the Virgin Islands and the municipal Court. The President appoints U.S. district judges to district courts in these areas.

The following table presents information in more detail on the governmental structure of the territories.

Governmental structure of territories administered by the Department of the Interior

	American Samoa	Guam	Virgin Islands	Trust Territory of the Pacific Islands
Branches of Government:				
Executive:				
Administered by	elected Governor	elected Governor	elected Governor	High Commissioner appointed by the U.S. President with consent of the Senate.
Term of Office	4 years	4 years	4 years	Not Applicable
Qualifications	1) a U.S. national or U.S. citizen, 2) a bonafide resident of the territory for 5 years immediately preceding the election, and 3) at least 35 years of age.	1) a U.S. citizen and a bonafide resident of the territory for at least 5 consecutive years immediately preceding the election, and 2) at least 30 years of age.	1) a U.S. citizen and a bonafide resident of the territory for at least 5 consecutive years immediately preceding the election, and 2) at least 30 years of age.	Not Applicable
Legislative:				
No. of Houses	Bicameral	Unicameral	Unicameral	Bicameral
No. of Senators	18 elected by Samoan custom	21 elected	15 elected	14 elected
Term of Office	4 years	2 years	2 years	4 years
No. of Representatives	1/ 20 elected	Not Applicable	Not Applicable	25 elected
Term of Office	2 years	Not Applicable	Not Applicable	2 years
Senators' qualifications	1) U.S. national, 2) at least 30 years of age, 3) domiciled in the territory for at least 5 years and a bonafide resident thereof for at least 1 year before his election, and 4) a registered Matai of a Samoan family who fulfills his obligation in the county from which he is elected.	1) a U.S. citizen, 2) at least 25 years of age, and 3) domiciled in the territory for at least 5 years prior to the sitting of the legislature.	1) a U.S. citizen, 2) at least 21 years of age, 3) a bonafide resident of the territory for at least 3 years preceding the date of the election, and 4) a qualified voter of the territory.	1) a citizen of the Trust Territory for 5 years, 2) at least 25 years of age, and 3) a bonafide resident of the District from which he is elected for at least 1 year before his election.
Representatives' qualifications	1/ At least 25 years old and meet the same qualifications as Senators except they need not be a registered Matai.	Not Applicable	Not Applicable	Same as Senators.

1/Swains Island may also elect one nonvoting delegate to the House of Representatives. This delegate must have all of the qualifications of a representative except that in lieu of residence in a Representative district, he shall have been a bonafide resident of Swains Island for at least 1 year preceding his election.

APPENDIX V

Branches of Government:	American Samoa	Guam	Virgin Islands	Trust Territory of the Pacific Islands
Judicial:				
Territorial Judicial powers vested in	High Court and District Courts	District Court, Police Court, Island Court, and Commissioners Courts	U.S. District Court and Municipal Court	High Court, District Courts, and Community Courts
High court	A Chief Justice and an Associate Justice are appointed by the Secretary of the Interior. The Chief Justice has overall responsibility for administering the courts. At least five Associate Judges are appointed to the High Court by the Governor to hold office during good behavior. These individuals may be removed by the Chief Justice for cause upon recommendation of the Governor.	The District Court of Guam consists of a U.S. District judge appointed by the U.S. President and any other judges assigned by the U.S. Chief Justice or the Chief Judge of the 9th Judicial Circuit of the United States.	In the U.S. District Court, the Chief Judge is the judge with the most continuous service and is under 70 years of age. The U.S. President appoints two U.S. District judges for 8 years.	In the High Court, the Chief Justice and Associate Judges are appointed by the Secretary of the Interior.
Lower courts	In the District Courts village magistrates are elected by village councils for 2 years.	In the Island Court, the Chief Judge and other judges are appointed by the Governor for 5-year terms. A judge appointed by the Governor presides over proceedings of the Police Court; Commissioners Courts are held by the Commissioners of the several districts of the territory.	The six judges of the Municipal Court are appointed by the Governor for 4-year terms. One of these judges is designated by the Governor as presiding judge of the Municipal Court.	The High Commissioner appoints the District Court Judges. Community Court Judges are appointed by the District administrator of the district in which the municipality is located.

APPENDIX V

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

July 7, 1978

Mr. Henry Eschwege
Director
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege:

In accordance with your letter of June 16, 1978, to the Secretary of Interior, we have reviewed your draft report to the Chairman, House Subcommittee on National Parks and Insular Affairs, Committee on Interior and Insular Affairs, entitled "American Samoa Needs Effective Aid to Improve Government Operations and Become Self-Sufficient."

[See GAO note 1, p. 86.]

By way of general observations, many of the comments and recommendations of the draft report will be helpful to the newly elected Governor of the Government of American Samoa and to the Department of the Interior in providing for a more effective governmental structure and for programs of economic and political development. It should be pointed out, however, that the people of American Samoa, acting through their locally approved Constitution and their locally elected Legislature and Governor, exercise nearly complete self-government. The Department of the Interior does not administer the territory, and the basic decision-making and formulation of policies and programs rests with the local government.

At the same time, the Department of the Interior stands ready to assist the Government of American Samoa in this process, to the limit of its authority and the availability of its resources. We agree that the proper role of the Department of the Interior and the Federal government needs clarification, and we are proceeding within the Department of the Interior to do that.

We agree that Samoa, like the other territorial areas, needs technical assistance and support in a wide range of program areas, and we are interested in providing that assistance. The Administration's proposed bill, introduced as S 2955 would, if enacted, facilitate that effort.

Recognizing the serious financial problems that have developed in the territory, we have provided for the appointment of a Government Comptroller who is charged with assisting the Government of Samoa with improving its financial systems, as well as with simply auditing the various activities of the territory.

Lastly, we also agree with the conclusions of the report that order must be brought out of the chaos of Federal grant programs that have been extended to the territories. Again, the Department of the Interior is prepared to assist the territorial governments and is working with the Interagency Committee on Territorial Assistance to bring this about. However, each Federal agency tends to believe in its own programs, but each tends, understandably, to concentrate on its grant programs as they apply throughout the United States, thereby usually ignoring the peculiar problems of the territories. The basic point of decision-making as to the value of any Federal Grant program, and as to whether a given territory should or should not participate, is in the territorial government itself. Vesting in the Secretary of the Interior review authority over federal grants and the determination whether any given grant should be available to any given territory, deprives elected officials of some of their responsibility and assigns it to appointed officials who may have little or no appreciation of the real needs of the territory. It would also lead to a large increase in the Federal bureaucracy required to review and decide upon the

multitude of grants available to the territories. The survey of 1977 Federal programs conducted by the Office of Territorial Affairs shows that Samoa alone participated in 167 such programs and was eligible to participate in 533. The provisions of Title V of Public Law 95-134, authorizing grant consolidation, will be helpful in helping the territories to deal with these programs. The Office of Territorial Affairs in reviewing the annual budget request of American Samoa will attempt to review the total programs of the local government including grants from other Federal agencies to the extent that they are available.

I will turn now to comments directed to more particular points.

Page 4, Paragraph 2. The Office of Territorial Affairs is responsible for overseeing, but not for "administering" the territorial government. The Government of American Samoa does that.

Page 14, Paragraph 1. We concur in general with the General Accounting Office opinion that "frequent changes in the Government of American Samoa's leadership have also hampered development planning continuity ... During the 13 different administrations since 1951 priorities changed at various times and priority directions stated by one administration were not necessarily continued by the next administration." The average for each appointed Governor has been two years per term. However, it should be noted that from 1951 to the present three of the appointed Governors served approximately 6 years each. We believe also that the General Accounting Office report should note that the newly adopted practice in Samoa of electing the Governor every four years guarantees the possibility that there will be a turnover in leadership at least that often. This is basic to the American political process.

Page 16, Paragraph 4. We agree that the Samoan economy is becoming increasingly reliant on outside sources. However, it should be noted that U.S. tariff laws and regulations are partly to blame for some of the problems of developing Samoan industries or manufacturing. We have been informed that the "slacks" factory closed down because of a particular U.S. customs interpretation. Local incentives involving American markets cannot succeed if U.S. regulations make such incentives unattractive.

Page 18, Paragraph 2. We are unable to confirm that $26.5 million or 46% of the Capital Improvement Project funds provided by the Federal Government were unobligated. Our records reflect that, as of December 31, 1977, about $31.3 million in Capital Improvement Project funds remained unobligated for all years from Fiscal Year 1973 through fiscal year 1978, and that $13.9 of that amount is Department of the Interior grant money. As the following table illustrates, $9.8 million of Department of the Interior grant funds relate primarily to FY 1976 and FY 1977, while $4.1 million of the total remains unobligated against the current year appropriation.

	1973	144,081
	1974	786,119
	1975	(2,647)
	1976	4,954,072
	1977	3,958,409
Subtotal		9,840,034
	1978	4,073,933
		13,913,967

Similar aging ratios exist for other federal agency grants and local revenue that make up the balance of $17.3 million in unobligated Capital Improvement Project funds.

In the past Capital Improvement Project contracts were delayed in large part in order to complete the necessary architectural and engineering effort. In the future we plan to have our initial planning completed so that construction contracts may be awarded in the year in which funds are provided.

Page 27, Paragraph 3. We agree that American Samoa, like each of the territories, appears unable to support the magnitude and direction of the Federal grant programs being provided. Participation in these programs poses serious problems of management and administration. While initial attempts have been made by Congress to consolidate grants being made to territorial governments, other solutions may have to be considered if the territories are to achieve efficient fund utilization and effective grant management. As noted previously, we do not believe that giving a veto to this Department would be either effective or consistent with Samoa's current state of political development. We will consider grants when reviewing the American Samoa budget request.

Page 31, Paragraph 1. We agree that the Department of the Interior has not exerted sufficient oversight and has not provided sufficient technical assistance to help Samoa, and for that matter each of the other territories, to achieve greater self-sufficiency. However, since an island territory, like most states, could never become economically independent, it is necessary to define clearly what is meant by economic self-suffiency.

We believe that the Government of American Samoa should have the basic responsibility for establishing goals and priorities for American Samoa's development. To better enable the Department of the Interior to assist the territories in this effort, we have recommended that the Congress explicitly provide authority for the Secretary to provide technical assistance in program planning, budgeting, economic development, or any other subject within the responsibility of the territorial government. This clear authority is lacking at present. The Administration proposal, which also strengthens the authority and responsibilities of the Government Comptrollers, has been introduced in the Senate as S 2955. It has not been introduced in the House.

Page 31, Paragraph 2. The Department of the Interior agrees that there ought to be a current, relatively detailed articulation of its role and responsibilities with respect to the territories. While the Presidential Review Memorandum (PRM) process is one means of achieving that, there are others approximately as effective -- such as the preparation by the Department of the Interior of a policy statement, followed by clearance by the interested agencies of the Executive Branch.

[See GAO note 2, p. 86.]

Page 34, Paragraph 1. While we remain hopeful about grants consolidation, as authorized by Title V of

Public Law 95-134, the Department of Interior is without authority to effect it. Thus it is incorrect to refer to the exercise of our "oversight and assistance responsibilities ... over all Federal funds provided for the territory's development."

Page 34, Paragraph 3 through Page 35. The Department of the Interior does not and should not, "administer" the territory's political, economic, and social development. The report applauds the Department of the Interior for making progress in "self-government", which can only be defined as a greater amount of local decision - making. The report then turns around and implies that the Department of the Interior should take back some of that decision-making. The General Accounting Office would substitute the judgment of the Secretary of the Interior for that of the elected Governor and the elected Legislature.

[See GAO note 2, p. 86.]

If the Secretary finds that a program is not fully justified, cannot be effectively administered, or is disruptive of the Samoan customs---all findings made some 6,000 miles from the scene by persons who possibly have never been to Samoa or at best have been there a short time--he presumably would block the grant even though it might have been requested by the elected officials of Samoa. This would be incompatible with our basic policy of encouraging self-government.

Page 36, Paragraph 3 and Page 37, Paragraph 1. Without question, the Department of the Interior needs more information on Federal grants and their effects on the several territories that participate in them. Unfortunately, the General Accounting Office did not reflect in its report the effort that this Department put forth last fall to develop information on Federal grants. The Department's report is the only full review that has been made by any agency of the Federal Government. We want to maintain and to increase this information

and will attempt to do so through the Interagency Committee on Territorial Assistance. However, the implication of the General Accounting Office recommendation is that Interior should have a veto over grant applications. It should not, owing to the detrimental effect such a veto would have on self government.

Page 37, Paragraph 2. The Department of the Interior agrees that management and audit cognizance within the Department of the Interior of other Federal agency grant funds for American Samoa, as well as all territories, would improve the audit and evaluation process. Efforts are underway to determine the workload involved and to work out arrangements under which the Government Comptroller will take over more of these audits.

Page 40, Paragraph 1. The Department of the Interior takes exception to the statement that we have taken minimal action to motivate the Government of American Samoa to establish fiscal responsibility over Federal and local funds. The Department of the Interior has in fact been aware for many years that several critical financial and system deficiencies exist in American Samoa. These conditions were made known to the General Accounting Office in some detail before it commenced its review. While reiteration of these conditions in the draft report is useful, several additional comments would also be appropriate, to describe the actions which have been taken by the Department of the Interior since the start of this administration to initiate corrective action:

1. A Financial Management Task Force was established within the Department of the Interior and sent to American Samoa on July 19, 1977, to assist in the documentation of the automated accounting system. This includes the preparation of desk procedures and flow charts and the update and simplification of the accounting manual. The team completed its tasks by the end of October 1977. These desk procedures were approved and are currently being implemented.

2. A team of professional auditors (one from the Office of the Comptroller of the Virgin Islands and two from the Office of the Comptroller of Guam) was sent to American Samoa in September 1977. Their primary function was to supervise and assist the Government of American Samoa in-house team in its efforts to purify all accounting data prior to the close of the fiscal year. The team completed this task in November 1977.

3. On the 30th of October, 1977 a Department of the Interior System Accountant was sent to American Samoa to assist in the year-end closing. This included, but was not limited to, preparation of the year-end journal entries and the status of fund reports. In addition, with the assistance of the auditors from the Virgin Islands and Guam, this individual reviewed the financial management practices and procedures of the Government of American Samoa. He concluded that adequate controls have not been in effect to insure that the federal funds in question have been properly utilized, accounted for, and reported. This conclusion was confirmed by the auditors on detail from the Comptroller's offices in Guam and the Virgin Islands. In this regard, it is unfortunate that the General Accounting Office staff was unable to provide a certification of funds as was originally envisioned.

4. The Director of Audit and Investigation initiated a revenue audit in October 1977. This included but was not limited to a review of the accounting and internal control procedures for revenues collected by the Department of Port Authority. He concluded among other things that local revenues had been understated and that this might have an impact on the federal funds justified before the Congress.

5. The Secretary of the Interior has established a Government Comptroller for American Samoa, and a reprogramming letter was submitted to the House and Senate Appropriation Committee Chairmen on December 22, 1977 to provide funds for this office. Our Acting Government Comptroller was on the job in American Samoa by the time the elected Governor was inaugurated on January 3, 1978. As described in Secretarial Order 3009, the Government Comptroller for American Samoa will perform a post-audit function and provide technical assistance in all aspects of financial management and administration. In this regard efforts are underway to initiate improvements in grants accounting, accounts payable, payroll, and disbursing systems, as well as to enhance ADP operations.

[See GAO note 2, p. 86.]

[See GAO note 2, p. 86.]

Page 58, Paragraph 1. The General Accounting Office believes ... "it is desirable organizationally to keep the two functions (audit and technical assistance) separate to preserve the integrity of audit objectivity and that the Secretary should consider using a separate organization to administer technical assistance".

The Department of the Interior agrees in principle with the philosophy that those individuals charged with the responsibility for design of a financial management system should not, because of inherent biases, audit the efficiency or effectiveness of such systems. We agree also that if human and fund resources are available, it is ideal to separate audit from technical

assistance. However, in light of the very limited resources provided to establish the Government Comptroller's function in American Samoa and the likely continued need for Federal austerity, it will probably not be possible to reach that ideal. Accordingly, the Government Comptroller will assign separate individuals to review and recommend the design for a particular system. Ultimate approval of this system will be vested jointly in the Governor and the Office of Territorial Affairs. Once approval is obtained, the Comptroller's technical assistance staff will effect implementation of the system design and provide for all necessary related training. Audits to measure the effectiveness and accuracy of the system in question will be conducted by audit personnel who were not involved in the original design and training efforts.

Page 73, Paragraph 4 through Page 74 last paragraph. We concur in general with the General Accounting Office recommendations which call for the Secretary of the Interior to assist American Samoa in developing and carrying out a comprehensive manpower development program including a hiring, employment and training program for the Government of American Samoa. We want to emphasize that such assistance will be limited to the extent of our available resources and authority. (As noted above, this ability in the latter case would be greatly enhanced with the enactment of S 2955 or its equivalent.) We do not concur however, with the General Accounting Office's opinion that the Government of American Samoa's manpower problem can be solved by assigning Interior Civil Service employees on specific tours of duty. Federal employees generally do not operate the kinds of programs and services that are the responsibility of State or territorial governments. Their turnover rate could be expected to approximate that of the contract employee turnover rate, of which the General Accounting Office has complained. There is an imbalance in the wages and fringe benefits that would be paid Federal employees and those rates within the competence of the Government of American Samoa, unless the Federal subsidy were to be greatly increased. As a corollary, the number of personnel slots and grade levels for the Department of the Interior would have to be very substantially increased to make up for those individuals on rotation. Moreover, this concept conflicts with our policy of maximum self-government for American Samoa.

There is no question that greater use of the Intergovernmental Personnel Act could be used by American Samoa, and the Department of the Interior is ready to assist in that process. This should be done on a selective basis and targeted on those skills that Federal employees might have. But the Government of American Samoa should not be denied recourse to State and local governments and private industry for needed personnel skills.

In closing, we would like to emphasize once more that the Department of the Interior does not administer American Samoa, and it cannot do so consistent with the Samoan Constitution. Our efforts to assist Samoa must take a form that is consistent with the political development that Samoa has achieved.

Although we have not commented specifically on the digest attached to the draft report, there are statements that we believe should be altered because of the remarks provided in our preceding paragraphs.

We appreciate the opportunity you have afforded us to comment on the draft report.

Sincerely yours,

Larry Meierotto
Deputy Assistant Secretary
Policy, Budget and Administration

GAO note 1: This paragraph was deleted because it referred to comments expected from the Governor of American Samoa and the Government Comptroller which were subsequently submitted to GAO by DOI. (See p. 87.)

GAO note 2: Deleted comments related to matters presented in the draft report that have been revised in the final report.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

July 11, 1978

Henry Eschwege
Director
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege:

As an adendum to our response dated July 7, 1978, attached are additional comments submitted by Governor Peter Coleman and Comptroller Steve Jones on your draft report entitled American Samoa Needs Effective Aid to Improve Government Operations and Become Self-Sufficient.

GAO note: Thirty-one pages of comments by the Governor of American Samoa on this report have not been reproduced here but are summarized in appropriate sections of the report--primarily at the end of chapters 2, 3, and 4. The Government Comptroller's comments are addressed as part of the Department of the Interior's comments in our report and also have not been reproduced here.

Sincerely yours,

Ruth G. Van Cleve

Mrs. Ruth G. Van Cleve
Director
Office of Territorial Affairs

Attachment

(14001)