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July 31, 2019

Dr. Theresa Koroivulaono
President
College of the Marshall Islands

Dear Dr. Koroivulaono:

In planning and performing our audit of the financial statements of the College of the Marshall Islands (the College) as of and for the year ended September 30, 2018 (on which we have issued our report dated July 31, 2019), in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, we considered the College's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the College's internal control over financial reporting and other matters as of September 30, 2018 that we wish to bring to your attention.

We have also issued a separate report to the Board of Regents, also dated July 31, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Board of Regents, others within the organization, and the Office of the Auditor-General and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the College for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I - DEFICIENCIES

We identified, and have included below, deficiencies involving the College's internal control over financial reporting as of September 30, 2018 that we wish to bring to your attention:

Journal Entries

The College has not established policies and procedures that indicate which type of journal entries should be forwarded to the Chief Financial Officer (CFO) for review and approval. We recommend that the College establish policies and procedures that specify the journal entry transaction types that will be provided to the CFO for review and approval. This matter was discussed in our previous letters to management in the 2008 through 2017 audits.

Late filing of Withholding and Social Security Taxes

The College filed and paid income taxes withheld in a manner inconsistent with 48 MIRC Chapter 1, Income Tax Act of 1989, Section 105.

Examination of withholding tax payments (Form 1178) revealed the following:

Payroll period	Date Filed	Date Paid
11/05/17 - 12/02/17	01/05/2018	01/05/2018
01/01/18 - 01/28/18	03/08/2018	03/09/2018
02/26/18 - 03/25/18	04/27/2018	04/27/2018
03/26/18 - 04/22/18	05/16/2018	05/17/2018
04/23/18 - 05/20/18	06/12/2018	06/14/2018
08/13/18 - 09/09/18	10/26/2018	10/26/2018

Form 1178 is due within two weeks following the preceding four week pay period. The College was noncompliant with this requirement. Further, we noted that payroll periods used by the College for purposes of submission of Form 1178 reporting are not consistent with the College's actual payroll periods.

Examination of employer's quarterly tax return for contributions withheld revealed the following:

QTR ending	Date Filed	Date Paid
03/31/2018	04/11/2018	04/17/2018
06/30/2018	07/11/2018	07/11/2018
09/30/2018	10/22/2018	11/15/2018

MISSA tax deadline is the 10th of the first month of the following quarter. The College was noncompliant with this requirement.

We recommend management file and timely remit MISSA taxes and RMI withholding tax payments in accordance with established requirements. Further, we recommend tax returns be reviewed prior to filing.

SECTION II - OTHER MATTERS

Other matters related to our observations concerning operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention are as follows:

Fixed Assets

Tests of fixed assets noted the following:

1. The following fixed assets were not located, but were represented to be operational, and were included in the fixed asset register as of September 30, 2018:

Line #	Asset Type	Asset Description	Cost
396	FQ	WARDROPE 36"X24"X74"	$ 915
1709	VE	Kia Bongo-III Truck Double Cab (used)	$ 21,950
2217	AC	9K BTU Inverter Seer 22 Split Unit A/C	$ 950
2397	AC	18K BTU Solar Hybrid Inverter Split Unit A/C	$ 1,495
2570	AC	Air Condition Physical Plants	$ 5,985

2. The following fixed assets did not have a CMI tag or serial number traceable to the fixed asset register:

Line #	Asset Type	Asset Description	Cost
267	FQ	40-FOOT SHIPPING CONTAINER	$ 4,000
468	FQ	FLUID EQUIPMENT SWRO-20GPM REVERSE OSMOSIS PLANT SYSTEM	$168,800
484	FQ	FEDCO 30 HP PUMP FOR RO UNIT	$ 60,370
710	FQ	SIMBABY INFANT MANIKIN	$ 26,995
817	FQ	BREMCA MAIN SWITCHBOARD	$ 62,515
828	FQ	BASKETBALL POST	$ 2,159
1336	FQ	Water Supply Pump	$ 23,282
2101	CP	Latitude Notebook Laptop	$ 1,006
2612	EQ	Laundry & Dryer Machines Coin Operated	$ 11,967

3. Tests of fixed asset disposals indicated disposal forms of the following assets which did not have a CMI tag or serial number traceable to the fixed asset register:

Line #	Asset Type	Asset Description	Cost
210	CP	SWITCH/HUB 24 PORTS 4400 SE	$ 687
1139	CP	Purchase of IBM Server	$ 10,561

We recommend that fixed assets be tagged and, when not practicable, tag numbers be maintained with the related purchase order. Also, we recommend that fixed asset disposals be supported by approved disposal forms. This matter was discussed in our previous letter to management for fiscal year 2017.

SECTION III - DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The College's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.