

MARSHALL ISLANDS JUDICIARY FUND
(A GOVERNMENTAL FUND OF THE REPUBLIC
OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

MARSHALL ISLANDS JUDICIARY FUND

Years Ended September 30, 2018 and 2017
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INDEPENDENT AUDITORS' REPORT

Honorable Carl B. Ingram
Chief Justice of the High Court
Republic of the Marshall Islands:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall Islands Judiciary Fund, a governmental fund of the Republic of the Marshall Islands, which comprise the balance sheets as of September 30, 2018 and 2017, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall Islands Judiciary Fund as of September 30, 2018 and 2017, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Marshall Islands Judiciary Fund and are not intended to present fairly the financial position and results of operations of the Republic of the Marshall Islands in conformity with accounting principles generally accepted in the United States of America.

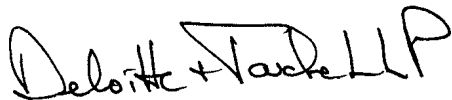
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section III of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information set forth in Section III of the foregoing table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, on our consideration of the Marshall Islands Judiciary Fund'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 purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marshall Islands Judiciary Fund's internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshall Islands Judiciary Fund's internal control over financial reporting and compliance.



May 14, 2019

MARSHALL ISLANDS JUDICIARY FUND

Balance Sheets
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash	\$ 471,257	\$ 432,457
Accounts receivable	2,146	4,269
	<u>\$ 473,403</u>	<u>\$ 436,726</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Other liabilities and accruals	\$ 925	\$ 5,605
Contingency		
Fund balance:		
Committed	<u>472,478</u>	<u>431,121</u>
Total liabilities and fund balance	<u>\$ 473,403</u>	<u>\$ 436,726</u>

See accompanying notes to financial statements.

MARSHALL ISLANDS JUDICIARY FUND

Statements of Revenues, Expenditures, and Changes in Fund Balance
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Nitijela appropriation	\$ 1,006,252	\$ 950,281
Court fines and fees	129,334	95,884
Interest	2,322	1,829
Other	15,617	40,007
Total revenues	<u>1,153,525</u>	<u>1,088,001</u>
Expenditures:		
Salaries, wages and benefits	679,065	638,398
Capital outlay	106,021	8,069
Leased housing	72,000	71,250
Supplies and materials	48,167	44,559
Communications	45,244	37,873
Travel	42,473	53,578
Professional services	40,774	28,515
Utilities	37,239	39,033
POL	10,802	11,110
Repairs and maintenance	6,362	8,190
Training	6,289	10,935
Insurance	5,554	1,982
Subscriptions	5,060	4,038
Miscellaneous	7,118	16,310
Total expenditures	<u>1,112,168</u>	<u>973,840</u>
Net change in fund balance	41,357	114,161
Fund balance at the beginning of the year	<u>431,121</u>	<u>316,960</u>
Fund balance at the end of the year	<u>\$ 472,478</u>	<u>\$ 431,121</u>

See accompanying notes to financial statements.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2018 and 2017

(1) Organization

The Marshall Islands Constitution vests the country's judicial power in an independent judiciary. The Marshall Islands judiciary (the Judiciary) includes the supreme court, high court, traditional rights court, district court, and community courts as well as a judicial service commission and court staff. The Judiciary officially commenced operation on March 3, 1982, assuming judicial functions in the Marshall Islands that had been discharged by the Trust Territory of the Pacific Islands courts.

The Marshall Islands Judiciary Fund (the Judiciary Fund), a governmental fund of the Republic of the Marshall Islands (RepMar), was established pursuant to the Judiciary Fund Act 1989, as amended. The objective of the Judiciary Fund is to establish a more efficient means for administration of funds received by the Judiciary and for related purposes. The Judiciary Fund is primarily funded through operational appropriations from the Nitijela (the RepMar Legislature).

The Chief Justice of the High Court and the Clerk of the Courts acting together are responsible for opening and maintaining bank accounts as is necessary for the efficient operation of the Judiciary and for setting policy, strategy and financial guidelines for the day-to-day operations of the Judiciary.

The accompanying financial statements relate solely to those accounting records maintained by the Judiciary, and do not incorporate any accounts related to any other departments or agencies of RepMar that may be accounted for by RepMar's Treasury. The Judiciary Fund is considered to be a blended component unit (a governmental fund) of RepMar.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Judiciary Fund's accounting policies are described below.

Measurement Focus and Basis of Accounting

The Judiciary Fund reports its financial position and the results of operations in one governmental fund. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds). The Judiciary Fund's special revenue fund consists of the following:

- i. Operations Fund - This fund was established to account for monies received by the Judiciary Fund for operational purposes appropriated by RepMar as well as general fees, fines or other sums collected by the Court.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

- ii. Legal Aid Fund - This fund was established to account for monies received by the Judiciary Fund for the provision of legal aid services to those who cannot afford the cost of legal representation.

No external restrictions are imposed with respect to fund balance amounts recorded by the Legal Aid Fund. Instead, fund balance amounts of the Legal Aid Fund are considered committed for designated purposes internally imposed by the Court.

Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Judiciary Fund considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

Cash

The deposit and investment policies of the Judiciary Fund are governed by 3 MIRC 7, *Investments of Public Funds*, and 11 MIRC 1, *Financial Management*. Custodial credit risk is the risk that in the event of a bank failure, the Judiciary Fund's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Judiciary Fund does not have a deposit policy for custodial credit risk.

For purposes of the balance sheets, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2018 and 2017, the carrying amounts of cash were \$471,257 and \$432,457, respectively, and the corresponding bank balances were \$471,336 and \$432,790, respectively. Of the bank balances, \$5,998 and \$168, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amounts of \$465,338 and \$432,622, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2018 and 2017, bank deposits in the amount of \$5,998 and \$168, respectively, were FDIC insured. The Judiciary Fund does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Compensated Absences

The Judiciary Fund recognizes expenditures for annual leave and sick leave when leave is actually taken. Accordingly, unused annual leave and sick leave are not included as an obligation within the balance sheet unless such leave is expected to be liquidated with expendable available financial resources, at which time expenditures and related fund liabilities would be recognized.

Fund Balance

Fund balance classifications are based on the extent to which the Judiciary Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both the restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of the unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

Taxes

The Judiciary Fund and related transactions are not subject to any tax, rate, charge, or impost under any other law.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain balances in the 2017 presentation have been reclassified to conform to the 2018 presentation.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2018, the Judiciary Fund implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(3) Risk Management

The Judiciary Fund is exposed to various risks of loss related to torts; theft of; errors and omissions; injuries to employees; and natural disasters. The Judiciary Fund has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed with respect to the use of motor vehicles. For other risks of loss to which it is exposed, the Judiciary Fund has elected not to purchase commercial insurance. Instead, the Judiciary Fund believes it is more economical to manage its risks internally. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses have resulted from the Judiciary Fund's risk management activities for the past years.

(4) Related Party Transactions

The Judiciary Fund is a governmental fund of RepMar and is thus affiliated with all RepMar-owned and affiliated entities. During the years ended September 30, 2018 and 2017, the Judiciary Fund recognized on-behalf payments as contributions from RepMar, totaling \$679,065 and \$638,398, respectively, representing payroll and related expenditures that RepMar paid directly on behalf of the Judiciary Fund.

During the years ended September 30, 2018 and 2017, the operations of the Judiciary Fund were funded by appropriations from RepMar of \$1,006,252 and \$950,281, respectively, of which \$327,187 and \$311,883, respectively, represented cash payments received by the Judiciary Fund.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2018 and 2017

(5) Contingency

The Judiciary Fund receives a substantial amount of its revenue from annual RepMar appropriations. A significant reduction in the level of budgetary support from RepMar, if this were to occur, may have an effect on the Judiciary Fund's programs and activities. For the year ended September 30, 2019, RepMar appropriated funding to the Judiciary Fund in the amount of \$1,086,678 for the purpose of funding programs and activities of the Judiciary Fund.

MARSHALL ISLANDS JUDICIARY FUND

Combining Balance Sheet
September 30, 2018

	<u>Operations</u>	<u>Legal Aid</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 195,926	\$ 275,331	\$ 471,257
Accounts receivable	2,146	-	2,146
	<u>\$ 198,072</u>	<u>\$ 275,331</u>	<u>\$ 473,403</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Other liabilities and accruals	\$ 925	-	\$ 925
Fund balance:			
Committed	197,147	275,331	472,478
Total liabilities and fund balance	<u>\$ 198,072</u>	<u>\$ 275,331</u>	<u>\$ 473,403</u>

See accompanying independent auditors' report.

MARSHALL ISLANDS JUDICIARY FUND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended September 30, 2018

	<u>Operations</u>	<u>Legal Aid</u>	<u>Total</u>
Revenues:			
Nitijela appropriation	\$ 995,002	\$ 11,250	\$ 1,006,252
Court fines and fees	77,021	52,313	129,334
Interest	1,131	1,191	2,322
Other	<u>12,522</u>	<u>3,095</u>	<u>15,617</u>
Total revenues	<u>1,085,676</u>	<u>67,849</u>	<u>1,153,525</u>
Expenditures:			
Salaries, wages and benefits	679,065	-	679,065
Capital outlay	106,021	-	106,021
Leased housing	72,000	-	72,000
Supplies and materials	48,167	-	48,167
Communications	45,244	-	45,244
Travel	42,473	-	42,473
Professional services	31,879	8,895	40,774
Utilities	37,239	-	37,239
POL	10,802	-	10,802
Repairs and maintenance	6,362	-	6,362
Training	6,289	-	6,289
Insurance	5,554	-	5,554
Subscriptions	5,060	-	5,060
Miscellaneous	<u>7,048</u>	<u>70</u>	<u>7,118</u>
Total expenditures	<u>1,103,203</u>	<u>8,965</u>	<u>1,112,168</u>
Net change in fund balance	(17,527)	58,884	41,357
Fund balance at the beginning of the year	<u>214,674</u>	<u>216,447</u>	<u>431,121</u>
Fund balance at the end of the year	\$ <u><u>197,147</u></u>	\$ <u><u>275,331</u></u>	\$ <u><u>472,478</u></u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Carl B. Ingram
Chief Justice of the High Court
Republic of the Marshall Islands:

We have audited, 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, the financial statements of the Marshall Islands Judiciary Fund, which comprise the balance sheet as of September 30, 2018, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marshall Islands Judiciary Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall Islands Judiciary Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marshall Islands Judiciary Fund's internal control.

A deficiency in internal control 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 material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2018-001, that we consider to be material weaknesses.

Compliance and Other Matters

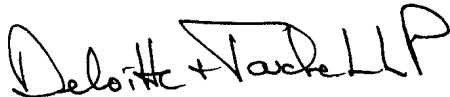
As part of obtaining reasonable assurance about whether the Marshall Islands Judiciary Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Judiciary's Response to Findings

The Judiciary's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Judiciary's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Stach LLP". The signature is written in a cursive, flowing style.

May 14, 2019

MARSHALL ISLANDS JUDICIARY FUND

Schedule of Findings and Responses Year Ended September 30, 2018

Finding No.: 2018-001
Area: Financial Reporting

Criteria: Timely financial reporting should be facilitated by internal control conducive to the preparation and independent review of reconciliations of significant general ledger accounts.

Condition: The Judiciary did not close fiscal year September 30, 2018 financial information (trial balance and subsidiary ledgers) until March 12, 2019.

Cause: The cause of the above condition is the lack of timely closing of the year-end financial statements with review and reconciliation of significant general ledger accounts.

Effect: The effect of the above condition is the non-timely provision of trial balance for audit.

Recommendation: We recommend that the Judiciary implement internal control procedures to facilitate timely general ledger reconciliation processes.

Auditee Response and Corrective Action Plan: The Judiciary agrees with the auditor's comments and recommendation. The following actions will be taken to correct or improve the situation. It will be the Chief Clerk's responsibility to ensure that the reconciliation of the Judiciary's bank accounts is carried out by the Finance Officer at the end of each month. In case of technical difficulties (a major cause of the delay/current finding), a manual reconciliation shall be performed (outside QuickBooks) using the Judiciary's backup excel spreadsheets and the documents supporting the reconciliation shall be printed and certified.

MARSHALL ISLANDS JUDICIARY FUND

Unresolved Prior Year Findings
Year Ended September 30, 2018

There are no unresolved prior year findings from prior year audits of the Marshall Islands Judiciary Fund.