

REPUBLIC OF THE MARSHALL ISLANDS

**INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2010

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

His Excellency Jurelang Zedkaia
President
Republic of the Marshall Islands:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2010, which collectively comprise RepMar's basic financial statements and have issued our report thereon dated June 28, 2011. Our report includes a reference to other auditors. We conducted our audit 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. Other auditors audited the financial statements of the Marshall Islands National Telecommunications Authority, as described in our report on RepMar's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that is reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Marshall Islands Scholarship, Grant and Loan Board, the Health Care Revenue Fund, the Marshall Islands Health Fund, the Nuclear Claims Tribunal, the Marshall Islands Social Security Administration, and the discretely presented component units, which were all audited by us, with the exception of the Marshall Islands National Telecommunications Authority, as discussed above. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the entities that were audited by us. Other auditors issued a separate report on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the Marshall Islands National Telecommunications Authority. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered RepMar's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RepMar'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, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs (pages 12 through 33), we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1, 2010-3, 2010-4 and 2010-8 through 2010-12 to be material weaknesses.

Compliance and Other Matters

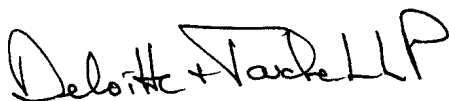
As part of obtaining reasonable assurance about whether RepMar's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-4, 2010-5 and 2010-8.

We noted certain matters that we reported to management of RepMar in a separate letter dated June 28, 2011.

RepMar's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit RepMar's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the Honorable Members of the Nitijela, federal awarding agencies, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

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June 28, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

His Excellency Jurelang Zedkaia
President
Republic of the Marshall Islands:

Compliance

We have audited the Republic of the Marshall Islands' (RepMar) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of RepMar's major federal programs for the year ended September 30, 2010. RepMar's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 12 through 33). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of RepMar's management. Our responsibility is to express an opinion on RepMar's compliance based on our audit.

As discussed in Note 2b to the Schedule of Expenditures of Federal Awards, RepMar's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2010. Our audit, described below, did not include the operations of the entities identified in Note 2b as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RepMar's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of RepMar's compliance with those requirements.

As described in items 2010-1 through 2010-4, 2010-6 and 2010-7 in the accompanying Schedule of Findings and Questioned Costs, RepMar did not comply with requirements regarding allowable costs/cost principles, cash management, equipment and real property management, procurement and suspension and debarment, period of availability of federal funds, and subrecipient monitoring that are applicable to its Compact of Free Association Sector Grants (CFDA # 15.875) major program. Compliance with such requirements is necessary, in our opinion, for RepMar to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, RepMar complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Compact of Free Association Sector Grants (CFDA # 15.875) major program. Also, in our opinion, RepMar complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Compact of Free Association Section 212 Kwajalein Impact and Use (CFDA # 15.875) major program for the year ended September 30, 2010.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-4 and 2010-5.

Internal Control Over Compliance

Management of RepMar is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered RepMar's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RepMar's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

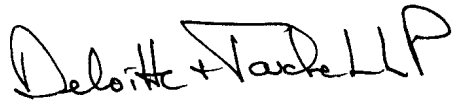
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 through 2010-7 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of RepMar as of and for the year ended September 30, 2010, and have issued our report thereon dated June 28, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise RepMar's basic financial statements. We did not audit the financial statements of the Marshall Islands National Telecommunications Authority, which represents 22%, 11% and 13%, respectively, of the assets, net assets and operating revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshall Islands National Telecommunications Authority, is based on the report of the other auditors. The accompanying Schedule of Expenditures of Federal Awards (pages 7 and 8) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of RepMar. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

RepMar's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit RepMar's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the Honorable Members of the Nitijela, federal awarding agencies, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, slightly stylized font.

June 28, 2011

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Programs Selected for Audit
in Accordance with OMB Circular A-133
Year Ended September 30, 2010

The following list specifies programs selected for detailed compliance testing in accordance with applicable OMB Circular A-133 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Description</u>	<u>Amount of Expenditures</u>
U.S. Department of the Interior	15.875	Economic, Social, and Political Development of the Territories:	
		Compact of Free Association, As Amended, Public Law 99-239, Sector Grants:	
		Section 211(a)(1) Education	\$ 11,139,882
		Supplemental Education Grant	6,651,245
		Section 211(a)(2) Health	7,939,079
		Section 211(a)(4)Public Sector Capacity Building	260,972
		Section 211(b)(1) Ebeye Special Needs	3,090,413
		Section 211(b)(2) Landowners Special Needs	1,666,373
		Section 211(b)(3) Kwajalein Environment	247,228
		Section 211(d)(1)Public Infrastructure Development	13,307,975
		Section 211(d)(2) Infrastructure Maintenance	<u>579,484</u>
			<u>44,882,651</u>
		Compact of Free Association, As Amended, Public Law 99-239:	
		Section 212 Kwajalein Impact and Use	<u>12,373,142</u>
		Total program expenditures tested	\$ <u>57,255,793</u>
		Total federal program expenditures	\$ <u>67,364,900</u>
		% of total federal program expenditures tested	<u>85%</u>

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
GENERAL FUND AND REIMBURSABLE FUND:		
<u>U.S. Department of Commerce:</u>		
11.460	Special Oceanic and Atmospheric Projects	\$ <u>379,064</u>
U.S. FEDERAL GRANTS FUND:		
<u>U.S. Department of Agriculture:</u>		
10.567	Food Distribution Program on Indian Reservations	\$ 511,795
10.664	Cooperative Forestry Assistance	<u>57,975</u>
	Total U.S. Department of Agriculture	<u>569,770</u>
<u>U.S. Department of the Interior:</u>		
15.875	Economic, Social and Political Development of the Territories:	
	Four Atoll Health Care	985,233
	Auditor-General Training Grant	10,440
	EPPSO Technical Assistance Grant	2,547
	MEC Meter Maintenance Program	181,780
	MIVA Medium-term Tourism Development	15,006
	RMI Orientation Program	39,728
	Utrok Atoll Improvement Project	<u>75,419</u>
	Sub-total CFDA # 15.875	1,310,153
15.904	Historic Preservation Fund Grants-In-Aid	<u>126,557</u>
	Total U.S. Department of the Interior	<u>1,436,710</u>
<u>U.S. Small Business Administration:</u>		
59.037	Small Business Development Center	<u>22,409</u>
<u>U.S. Department of Homeland Security:</u>		
97.042	Emergency Management Performance Grant	<u>2,272</u>
<u>U.S. Department of Education:</u>		
84.027	Special Education-Grants to States	<u>1,878,145</u>
<u>U.S. Department of Health and Human Services:</u>		
93.003	Public Health and Social Services Emergency Fund	883,359
93.069	Public Health Emergency Preparedness	359,481
93.110	Maternal and Child Health Federal Consolidated Programs	514,011
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	118,236
93.118	Acquired Immunodeficiency Syndrome (AIDs) Activity	66,932
93.163	Health Services in the Pacific Basin	480,158
93.163	ARRA - Health Services in the Pacific Basin	257,997
93.217	Family Planning-Services	343,702
93.230	Consolidated Knowledge Development and Application (KD&A) Program	6,802
93.268	Immunization Grants	1,381,208
93.268	ARRA - Immunization Grants	8,646
93.889	National Bioterrorism Hospital Preparedness Program	286,828
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	66,251
93.958	Block Grant for Community Mental Health Services	93,060
93.959	Block Grants for Prevention and Treatment of Substance Abuse	371,442
93.977	Preventive Health Services-Sexually Transmitted Diseases Control Grants	156,764
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	100,341
93.988	ARRA - Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	7,161
93.991	Preventive Health and Health Services Block Grant	<u>1,701</u>
	Total U.S. Department of Health and Human Services	<u>5,504,080</u>
	TOTAL U.S. FEDERAL GRANTS FUND	\$ <u>9,413,386</u>

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2010

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
COMPACT SECTOR GRANTS FUND:		
	<u>U.S. Department of the Interior:</u>	
15.875	Economic, Social and Political Development of the Territories:	
	Compact of Free Association Program, As Amended, Sector Grants:	
	Section 211(a)(1) Education Sector	\$ 11,139,882
	Supplemental Education Grant	6,651,245
	Section 211(a)(2) Health Sector	7,939,079
	Section 211(a)(4) Public Sector Capacity Building	260,972
	Section 211(b)(1) Ebeye Special Needs	3,090,413
	Section 211(b)(2) Landowners Special Needs	1,666,373
	Section 211(b)(3) Kwajalein Environment	247,228
	Section 211(d)(1) Public Infrastructure Development	13,307,975
	Section 211(d)(2) Infrastructure Maintenance	579,484
	TOTAL COMPACT SECTOR GRANTS FUND	\$ 44,882,651
SECTION 212 KWAJALEIN LANDOWNERS FUND:		
	<u>U.S. Department of the Interior:</u>	
15.875	Economic, Social and Political Development of the Territories:	
	Compact of Free Association Program, As Amended:	
	Section 212 Kwajalein Impact and Use	\$ 12,373,142
SECTION 213 AUDIT FUND:		
	<u>U.S. Department of the Interior:</u>	
15.875	Economic, Social and Political Development of the Territories:	
	Compact of Free Association Program, As Amended:	
	Section 213 Audit	\$ 316,657
	TOTAL FEDERAL PROGRAM EXPENDITURES	\$ 67,364,900

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

(1) Scope of Audit

The Republic of the Marshall Islands (RepMar) is a governmental entity governed by its own Constitution. All significant operations of RepMar are included in the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as RepMar's cognizant agency for the Single Audit.

a. Programs Subject to Single Audit

Schedules of Expenditures of Federal Awards are presented for each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- U.S. Department of the Interior
- U.S. Small Business Administration

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of RepMar and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. For federal direct assistance grants, authorizations represent the total allotment or grant award received. For Compact of Free Association programs, authorizations represent total current year allotments plus any prior year excess over program expenditures. All expenses and capital outlays are reported as expenditures.

b. Reporting Entity

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, RepMar's reporting entity is defined in Note 1A to its September 30, 2010 basic financial statements; except that the Marshall Islands Scholarship, Grant and Loan Board, the Health Care Revenue Fund, the Marshall Islands Health Fund, the Nuclear Claims Tribunal, the Marshall Islands Social Security Administration, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by RepMar, as defined above, for the year ended September 30, 2010.

c. Matching Costs

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedule of Expenditures of Federal Awards.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2010

(2) Summary of Significant Accounting Policies, Continued

d. Subgrantees

Certain program funds are passed through RepMar to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees, outside of RepMar's control, utilized the funds. The following is a summary of program funds that are passed through to subgrantee organizations:

<u>Grantor/Grant Title CFDA No.</u>	<u>Subgrantee</u>	<u>2010 Amount of Pass-through</u>
<u>U.S. Department of the Interior - CFDA #15.875</u>		
Compact of Free Association, As Amended, Education Sector Grant	College of the Marshall Islands	\$ 1,118,450
Compact of Free Association, As Amended, Supplemental Education Grant	College of the Marshall Islands	\$ 125,000
Compact of Free Association, As Amended, Public Infrastructure Development	College of the Marshall Islands	\$ 4,088,968
Compact of Free Association, As Amended, Health Sector	Majuro Atoll Waste Company, Inc.	\$ 318,500
Compact of Free Association, As Amended, Education Sector Grant	Marshall Islands Scholarship, Grant and Loan Board	\$ 471,924
Compact of Free Association, As Amended, Supplemental Education Grant	Marshall Islands Scholarship, Grant and Loan Board	\$ 963,623
Compact of Free Association, As Amended, Ebeye Special Needs Sector Grant	Marshall Islands Scholarship, Grant and Loan Board	\$ 100,000

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2010

(2) Summary of Significant Accounting Policies, Continued

e. Indirect Cost Allocation

RepMar has not entered into an approved indirect cost negotiation agreement covering fiscal year 2010. RepMar did not charge federal programs for indirect costs during fiscal year 2010.

f. CFDA # 15.875

CFDA # 15.875 represents the Office of Insular Affairs (OIA), U. S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Compact of Free Association (the Compact), which is a treaty, and is not a federal program. The Compact is comprised of various funded programs, each with separate compliance requirements. To maximize audit coverage of OIA funding, the OIG has recommended that programs administered under CFDA # 15.875 be grouped by like compliance requirements and such groupings be separately evaluated as major programs.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs
Year Ended September 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued: | Unqualified |
| | Internal control over financial reporting: | |
| 2. | Material weakness(es) identified? | Yes |
| 3. | Significant deficiency(ies) identified? | None reported |
| 4. | Noncompliance material to financial statements noted? | Yes |

Federal Awards

- | | | |
|-----|--|---------------|
| | Internal control over major programs: | |
| 5. | Material weakness(es) identified? | Yes |
| 6. | Significant deficiency(ies) identified? | None reported |
| 7. | Type of auditors' report issued on compliance for major programs: | |
| | CFDA # 15.875 Sector Grants | Qualified |
| | CFDA # 15.875 Section 212 Kwajalein Impact and Use | Unqualified |
| 8. | Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes |
| 9. | Identification of major programs: | |
| | <u>CFDA #</u> <u>Name of Federal Program</u> | |
| | 15.875 Economic, Social and Political Development of the Territories:
Compact of Free Association, As Amended, Sector Grants | |
| | 15.875 Economic, Social and Political Development of the Territories:
Compact of Free Association, As Amended, Section 212
Kwajalein Impact and Use | |
| 10. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$2,020,947 |
| 11. | Auditee qualified as a low-risk auditee? | No |

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Section II - Financial Statement Findings

<u>Finding Number</u>	<u>Findings</u>	<u>Refer Page #</u>
2010-1	Allowable Costs/Cost Principles	14 - 15
2010-3	Equipment and Real Property Management	18 - 19
2010-4	Allowable Costs/Cost Principles	20 - 22
	RMI Procurement Code	
2010-5	RMI Procurement Code	23 - 25
2010-8	Expenditures/RMI Procurement Code	28 - 29
2010-9	Bank Reconciliations	30
2010-10	General Ledger Journal Entries	31
2010-11	Bank Wire Transfers	32
2010-12	General Ledger Account Reconciliations	33

Section III - Federal Award Findings and Questioned Costs

<u>Finding Number</u>	<u>CFDA #</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
2010-1	15.875	Allowable Costs/Cost Principles	\$ 434,282	14 - 15
2010-2	15.875	Cash Management	Undeterminable	16 - 17
2010-3	15.875	Equipment and Real Property Management	\$ -	18 - 19
2010-4	10.567/	Allowable Costs/Cost Principles	\$ 18,706	20 - 22
	15.875/	Procurement and Suspension and Debarment	\$ 629,840	
	84.027/		\$ 26,305	
	93.003/		\$ 8,671	
	93.069/		\$ 47,659	
	93.110/		\$ 15,336	
	93.118/		\$ 16,450	
	93.163/		\$ 38,450	
	93.268/		\$ 94,554	
	93.889/		\$ 31,995	
	93.938/		\$ 14,082	
	93.958/		\$ 2,552	
	93.959/		\$ 4,906	
	93.977/		\$ 51,690	
	93.988		\$ 2,062	
2010-5	93.003/	Procurement and Suspension and Debarment	\$ 170,000	23 - 25
	93.069/		\$ 170,600	
	93.217/		\$ 8,323	
	93.889		\$ 155,500	
2010-6	15.875	Period of Availability of Federal Funds	\$ 301,338	26
2010-7	15.875	Subrecipient Monitoring	\$ -	27

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-1
 Federal Agency: U.S. Department of the Interior
 CFDA Program: 15.875 Economic, Social and Political Development of the Territories,
 Compact Sector Grants
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$434,282

Criteria: Expenditures incurred under federal programs should be in accordance with allowable costs/cost principles and should be directly related to, and in accordance with, program intent and objectives.

Condition: Of \$28,774,027 in non-payroll expenditures for the Compact Sector Grants, ninety (90) items, totaling \$10,592,882, were tested. We noted the following expenditures that were not supported by the underlying check voucher files:

<u>Fund</u>	<u>Check #</u>	<u>Account #</u>	<u>Account Name</u>	<u>PO #</u>	<u>APV #</u>	<u>Amount</u>	
510100	77730	03219	Construction	C0305701	140183	\$ 39,087	
410102	77159	01520	Contractual Services	C0327201	139262	342	
510100	76693	03219	Construction	P3588001	138509	19,222	
410110	73023	03134	Equipment	P3330901	130225	174,375	
410100	72380	02325	Repairs	P3378401	130063	1,250	
410110	71625	02115	Leased and Rental Housing	C0303501	128272	2,182	
410102	71116	01520	Contractual Services	C0232501	127045	171,600	
						Questioned Costs	\$ 408,058

During the year ended September 30, 2010, we examined check disbursements for program expenditures recorded for the National Training Council, which aggregated \$806,169. Of this amount, we examined endorsements on check vouchers for expenditures that aggregated \$759,771. Our procedures were limited to examining endorsements notated on the respective check vouchers and comparing such with the respective check payees. Based on our procedures, we noted certain inconsistencies that existed between the endorsements and check payees for the following federal expenditures recorded within the Compact Supplemental Education Grant Fund (Fund 410102):

<u>Fund #</u>	<u>APV #</u>	<u>Check #</u>	<u>Amount</u>	<u>Fund #</u>	<u>APV #</u>	<u>Check #</u>	<u>Amount</u>
410102	125930	70503	\$ 4,750	410102	134299	74520	\$ 7,387
410102	129181	71954	6,500	410102	137593	76175	7,587
			Questioned Costs				Questioned Costs
			\$ 11,250				\$ 14,974

In addition, we noted certain inconsistencies that existed between the endorsements and check payees for the following non-federal expenditures recorded within the Resident Workers Training Account Fund (Fund 200340):

<u>Fund #</u>	<u>APV #</u>	<u>Check #</u>	<u>Amount</u>	<u>Fund #</u>	<u>APV #</u>	<u>Check #</u>	<u>Amount</u>
200340	125947	70509	\$ 2,500	200340	134832	74775	\$ 6,830
200340	132699	73600	\$ 7,500	200340	136187	75602	\$ 11,500

Cause: The cause of the above condition is the lack of attendant documentation supporting expenditures charged to a Federal program, ensuring that such expenditures are directly related to the program and are in accordance with program intent and objectives, and the lack of adequate internal control policies and procedures over the distribution of vendor check payments.

Effect: The effect of the above condition is noncompliance with allowable costs/cost principles standards. A questioned cost of \$434,282 exists.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 2010-1, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories,
Compact Sector Grants
Area: Allowable Costs/Cost Principles
Questioned Costs: \$434,282

Recommendation: We recommend that management ensure that expenditures incurred under federal programs are evidenced by supporting documentation indicating that such expenditures are directly related to and in accordance with program intent and objectives. Furthermore, we recommend that RepMar ensure that check payments are distributed to vendors or to their authorized representatives.

Auditee Response and Correction Action Plan: We agree with the audit finding and recommendation. Our corrective action plan will require the Accounts Payable Supervisor to ensure all check vouchers are supported with adequate documentation prior to printing of checks using a checklist the Accounts Payable Supervisor will be tasked with ensuring adequacy of the supporting documents. On a monthly basis, the Deputy of Chief of Accounting/ Compliance officer will undertake/ spot check to ensure compliance with this corrective measure. Existing internal controls throughout the procurement chain does address this finding as evidenced in the following:

- With the aid of a checklist, the Chief of Procurement is required to ensure that documentation is adequate to comply with the requirements under the Fiscal Procedures Agreement and the Procurement Code.
- With the aid of the checklist, Grant/Fund coordinators are tasked to ensure compliance with grant/fund condition, there is adequate fund in the affected budget, and
- With a checklist, the accounts payable supervisor is tasked to ensure documentation adequacy.

Continuous training will be established to enhance skills on documentation requirement and fraud prevention. The Assistant Secretary of Budget, Procurement and Supplies and the Assistant Secretary of Accounting are also tasked to run periodic checks of the entire procurement system, inclusive of documentation adequacy.

To ensure check payments are distributed to vendors or to their authorized representatives, our plan for corrective action will require the Ministry of Finance through the National Treasurer to ensure that Treasury Section creates a list of all authorized vendor representatives. The Treasury Section will make sure check payments are distributed only to those authorized representatives. Monitoring for compliance with this process will be undertaken by the Deputy Chief of Accounting/ Compliance Officer on a monthly basis. Results of this monitoring exercise are to be present to the Assistant Secretary of Accounting and Administration to initiate corrective action where necessary. The following actions are anticipated to align current practices with the recommendations:

- Public announcement on the need to register vendor representatives with Treasury Section.
- Actual registration of authorized representatives with Treasury.
- Development of a policy statement on check distribution, basically establishing that only authorized representative of an institution will be allowed to pick up checks at the Ministry of Finance
- Annexing policy statement into the Standard Operating Procedure Manual

Implementation of tighten process will start on September 2011.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-2
 Federal Agency: U.S. Department of the Interior
 CFDA Program: 15.875 Economic, Social and Political Development of the Territories,
 Compact Sector Grants
 Area: Cash Management
 Questioned Costs: Undeterminable

Criteria: Article IV, Section 5(b)(2) of the Fiscal Procedures Agreement (FPA) states that all infrastructure projects and projects that are not funded by Operational Grants will be paid on the basis of accrued expenditures, provided the Government of the Republic of the Marshall Islands maintains procedures to minimize the time elapsing between transfer of funds and their disbursement.

Condition: Of \$14,829,327 in non-payroll expenditures for the Compact Sector Public Infrastructure and the Landowners Special Needs Grants, thirty-six (36) items, totaling \$7,749,796, were tested. We noted the following infrastructure project expenditures that were not paid in a manner that minimized the time elapsed between transfer of funds and their disbursement:

<u>Check</u> <u>#</u>	<u>Amount</u>	<u>Cash</u> <u>Disbursement</u> <u>Drawdown #</u>	<u>Drawdown</u> <u>Deposit</u> <u>Date</u>	<u>Date</u> <u>Cleared</u>	<u># of</u> <u>days</u> <u>Elapsed</u>
70396	\$ 27,184	CD-003-2010	11/13/09	11/20/09	6
70564	\$ 1,139,759	CD-004-2010	11/18/09	11/27/09	8
71100	\$ 120,063	CD-005-2010	12/16/09	12/21/09	4
71164	\$ 50,707	CD-005-2010	12/16/09	12/22/09	5
71923	\$ 106,427	CD-006-2010	01/12/10	01/19/10	6
71927	\$ 15,496	CD-006-2010	01/12/10	01/15/10	2
71984	\$ 200,184	CD-007-2010	01/19/10	01/22/10	2
72265	\$ 582,468	CD-008-2010	01/28/10	02/03/10	5
72653	\$ 58,782	CD-009-2010	02/12/10	02/16/10	3
72658	\$ 141,668	CD-009-2010	02/12/10	02/19/10	6
72669	\$ 87,874	CD-007-2010	01/19/10	03/19/10	58
73386	\$ 91,637	CD-010-2010	03/19/10	03/26/10	6
73397	\$ 157,394	CD-010-2010	03/19/10	03/25/10	5
73406	\$ 205,520	CD-010-2010	03/19/10	04/05/10	16
74247	\$ 18,171	CD-011-2010	04/15/10	04/23/10	7
74661	\$ 34,922	CD-007-2010	01/19/10	05/07/10	107
75145	\$ 163,048	CD-013-2010	05/14/10	05/24/10	9
75148	\$ 248,612	CD-013-2010	05/14/10	05/24/10	9
75149	\$ 68,957	CD-013-2010	05/14/10	05/24/10	9
75661	\$ 772,531	CD-014-2010	06/03/10	06/10/10	6
75927	\$ 121,385	CD-015-2010	06/11/10	06/21/10	9
75998	\$ 46,338	CD-015-2010	06/11/10	06/22/10	10
76724	\$ 100,490	CD-016-2010	07/13/10	07/20/10	6
76821	\$ 227,484	CD-017-2010	07/16/10	07/21/10	4
77730	\$ 39,087	CD-020-2010	08/12/10	08/17/10	4
78156	\$ 674,597	CD-021-2010	08/26/10	09/02/10	6
78645	\$ 52,346	CD-022-2010	09/15/10	09/21/10	5
78654	\$ 95,501	CD-022-2010	09/15/10	09/21/10	5
80018	\$ 44,125	CD-001-2011	10/18/10	10/26/10	7
80021	\$ 99,215	CD-001-2011	10/18/10	10/29/10	10

We estimated a total interest liability of \$244 for the above draw downs based on the yield of 13-week U.S. Treasury bills. As this amount is below \$10,000, such is not reported as a questioned cost.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 2010-2, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories,
Compact Sector Grants
Area: Cash Management
Questioned Costs: Undeterminable

Condition, Continued: Additionally, on March 17, 2010, RepMar paid \$1,000,000 (check # 73255) to the Marshalls Energy Company, Inc. (MEC), representing payments for future fuel purchases for the Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR). Of the total check amount, \$1,000,000 represented advance payments to MEC for approximately 4 months of KAJUR fuel usage. At September 30, 2010, the remaining prepaid balance amounted to \$242,156.

Cause: The cause of the above condition is the lack of a formal methodology and procedures over the drawdown of Federal funds to ensure compliance with FPA cash management requirements.

Effect: The effect of the above condition is noncompliance with FPA cash management requirements.

Recommendation: We recommend that the Ministry of Finance establish a formal methodology governing the drawdown of Federal funds to minimize the time elapsed between the receipt of Federal funds and the date applicable payments clear the bank.

Auditee Response and Corrective Action Plan: We partially agree with the finding and fully agree with the recommendation. Not only does the relevant provision of the Fiscal Procedure Agreement covers the period from transfer of fund to its disbursement but the Ministry of Finance has no control over the check after its release. Time lapse between check release and bank clearance are determined by the actions of the recipient alone.

Nonetheless, our corrective action plan will involve eliminating all non-value added activities between receipts of federal funds and disbursement of checks. The Ministry will also explore ways to ensure payments for Infrastructure Projects are made in accordance with Article II, Section 5(b)(2).

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-3
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories,
Compact Sector Grants
Area: Equipment and Real Property Management
Questioned Costs: \$0

Criteria: Article VI , Section 1(f)(4) of the Fiscal Procedures Agreement (FPA) states that procedures for managing equipment, whether acquired in whole or in part with grant funds, will meet the following requirements:

- a. Property records must be maintained, which include (1) a description of the property, (2) a serial number or other identification number, (3) the source of property, (4) who holds title, (5) the acquisition date and cost of the property, (6) the percentage of United States funding used in the purchase, (7) the location, use and condition of the property, and (8) any ultimate disposition data including the date of disposal and sale price.;
- b. A physical inventory of the property must be taken and the results reconciled with the property records at least every two years;
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property;
- d. Adequate maintenance procedures must be developed to keep the property in good condition; and
- e. If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Condition: No inventory of fixed assets has been performed to ensure compliance with applicable equipment management requirements.

Cause: The cause of the above condition is the lack of adequate internal control policies and procedures to ensure compliance with federal property rules and regulations.

Effect: The effect of the above condition is noncompliance with federal equipment management requirements.

Recommendation: We recommend that the Ministry of Finance perform an inventory of RepMar's fixed assets as a basis for recording all assets in the financial statements and to ensure that it is in compliance with applicable federal property rules and regulations.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-3, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories,
Compact Sector Grants
Area: Equipment and Real Property Management
Questioned Costs: \$0

Prior Year Status: Lack of a complete fixed assets listing was reported as a finding in the Single Audits of RepMar for fiscal years 1988 through 2009.

Auditee Response and Corrective Action Plan: We agree with the finding and recommendation. The Ministry of Finance through the Office of Procurement and Supply Division made a physical inventory count of RMI's fixed assets. However, due to time constraints, they were not able to physically count all the fixed assets that RMI is accountable for. However, the process will continue with the Chief of Supply leading a team to undertake the physical count and record all assets in a manner that complies with Article VI, Section 1 to 4 of Fiscal Procedures Agreement.

In addition, the Ministry of Finance through the Assistant Secretary of Accounting and Administration, will work closely with our financial system provider (IDC) to jump-start the use of the fixed assets module that the financial software is capable of doing. This will include the valuation of RMI's fixed assets in addition to actual count, recording valuation and management of these assets.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-4
 CFDA Program: USDA 10.567 Food Distribution Program
 DOI 15.875 Economic, Social and Political Development of the Territories, Compact Sector Grants
 ED 84.027 Special Education Grants to States
 HHS 93.003 Public Health and Social Services Emergency Fund
 HHS 93.069 Public Health Emergency Preparedness
 HHS 93.110 Maternal and Child Health Federal Consolidated Programs
 HHS 93.118 Acquired Immunodeficiency Syndrome Activity
 HHS 93.163 Health Services in the Pacific Basin
 HHS 93.268 Immunization Grants
 HHS 93.889 National Bioterrorism Hospital Preparedness Program
 HHS 93.938 Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems
 HHS 93.958 Block Grant for Community Mental Health Services
 HHS 93.959 Block Grants for Prevention and Treatment of Substance Abuse
 HHS 93.977 Preventive Health Services-Sexually Transmitted Diseases Control Grants
 HHS 93.988 Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems

Area: Allowable Costs/Cost Principles
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$1,003,258

Criteria: Expenditures incurred under federal programs should be in accordance with allowable costs/cost principles and should be directly related to and in accordance with program intent and objectives. Furthermore, section 3016.36 of 7 CFR 3016, section 80.36 of 34 CFR 80, and section 92.36 of 45 CFR 92, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, and Article VI, Section 1(j)(1) of the Fiscal Procedures Agreement (FPA) states that RepMar may use its own procedures for procurement, whether done by government or its Sub-Grantees, provided that they meet the standards identified in these sections.

Condition: For the year ended September 30, 2010, we examined Accounts Payable Vouchers for seven (7) vendors with expenditures that aggregated \$1,938,796. Our procedures included scrutiny of supporting documentation, which documentation included attendant purchase requisitions, price quotations, vendor invoices, and paid check copies. Based on our procedures, we noted various matters that include potentially altered purchase requisitions, potentially altered price quotations, missing grant files/disbursement files, payments for goods that have been represented as not being received, and payments for services that have been represented as not being performed. The following exceptions were noted within the Federal Grants Fund (Fund # 600350):

CFDA #	PO #	Amount	CFDA #	PO #	Amount	CFDA #	PO #	Amount
10.567	P3616901	\$ 3,391	93.110	P3323501	\$ 7,800	93.889	P3402401	\$ 23,995
10.567	P3476001	\$ 3,315	93.110	P3279602	\$ 7,536	93.889	P3427502	\$ 8,000
10.567	P3710601	\$ 12,000	93.118	P3246701	\$ 8,500	93.938	P3256901	\$ 3,893
84.027	P3599201	\$ 4,445	93.118	P3246801	\$ 7,950	93.938	P3438501	\$ 2,980
84.027	P3599201	\$ 2,493	93.163	P3293701	\$ 23,450	93.938	P3438601	\$ 3,876
84.027	P3672901	\$ 4,303	93.163	P3573501	\$ 15,000	93.938	P3605201	\$ 3,333

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-4, Continued
Questioned Costs: \$1,003,258

Condition, Continued:

<u>CFDA #</u>	<u>PO #</u>	<u>Amount</u>	<u>CFDA #</u>	<u>PO #</u>	<u>Amount</u>	<u>CFDA #</u>	<u>PO #</u>	<u>Amount</u>
84.027	P3672901	\$ 4,145	93.268	P3333501	\$ 9,855	93.959	P3225001	\$ 2,301
84.027	P3436001	\$ 4,840	93.268	P3333401	\$ 6,780	93.959	P3421901	\$ 2,605
84.027	P3554601	\$ 2,762	93.268	P3430501	\$ 6,000	93.977	P3417901	\$ 6,255
84.027	P3555001	\$ 3,317	93.268	P3513001	\$ 3,000	93.977	P3417701	\$ 7,252
93.003	P3385401	\$ 8,671	93.268	P3456201	\$ 9,863	93.977	P3417801	\$ 7,305
93.069	P3239201	\$ 8,241	93.268	P3496601	\$ 23,000	93.977	P3456301	\$ 8,520
93.069	P3239101	\$ 10,788	93.268	P3275201	\$ 8,882	93.977	P3325701	\$ 8,782
93.069	P3323401	\$ 9,330	93.268	P3279502	\$ 8,135	93.977	P3386401	\$ 5,499
93.069	P3427501	\$ 13,650	93.268	P3333701	\$ 2,500	93.977	P3385901	\$ 3,095
93.069	P3427501	\$ 5,650	93.268	P3540801	\$ 16,539	93.977	P3385301	\$ 4,982
93.988	P3285003	\$ 2,062	93.958	P3285007	\$ 2,552			

The following exceptions were noted within the Compact Sector Grants Funds (Fund #s 410100, 410102, 410110, 410150, and 510100):

<u>Fund #</u>	<u>PO #</u>	<u>Amount</u>	<u>Fund #</u>	<u>PO #</u>	<u>Amount</u>	<u>Fund #</u>	<u>PO #</u>	<u>Amount</u>
410100	P3255701	\$ 5,835	410100	P3644701	\$ 3,310	410100	P3288301	\$ 8,000
410100	P3255701	\$ 2,735	410100	P3643201	\$ 2,409	410100	P3419601	\$ 10,000
410100	P3417201	\$ 8,000	410100	P3650901	\$ 3,446	410100	P3556601	\$ 5,660
410100	P3525501	\$ 2,995	410100	P3649801	\$ 11,428	410100	P3540902	\$ 3,285
410100	P3519701	\$ 5,000	410100	P3705301	\$ 2,003	410102	P3420901	\$ 2,500
410100	P3216001	\$ 2,355	410100	P3706601	\$ 3,894	410102	P3593301	\$ 2,000
410100	P3225901	\$ 15,913	410100	P3705401	\$ 2,202	410102	P3230501	\$ 2,658
410100	P3200101	\$ 5,059	410100	P3710101	\$ 2,543	410102	P3315401	\$ 5,975
410100	P3256101	\$ 5,860	410100	P3249601	\$ 6,081	410102	P3321901	\$ 2,209
410100	P3384501	\$ 2,953	410100	P3718403	\$ 3,540	410102	127937	\$ 5,556
410100	P3380901	\$ 4,091	410100	P3718402	\$ 2,250	410102	127939	\$ 2,095
410100	P3381001	\$ 2,079	410100	P3718401	\$ 2,000	410102	127940	\$ 8,039
410100	P3400801	\$ 2,990	410100	P3226401	\$ 22,150	410102	P3396801	\$ 8,787
410100	P3481701	\$ 10,340	410100	P3314601	\$ 2,045	410102	P3415901	\$ 16,924
410100	P3482601	\$ 4,256	410100	P3338301	\$ 3,500	410102	P3408801	\$ 8,600
410100	P3526101	\$ 4,485	410100	P3419501	\$ 2,920	410102	P3429001	\$ 3,013
410100	P3536001	\$ 4,120	410100	P3556701	\$ 2,734	410102	P3426001	\$ 7,183
410100	P3536101	\$ 3,120	410100	P3556701	\$ 2,088	410102	P3429301	\$ 14,027
410100	P3559301	\$ 3,748	410100	P3556701	\$ 2,692	410102	P3482301	\$ 2,009
410100	P3599501	\$ 5,058	410100	P3693401	\$ 5,682	410102	P3511401	\$ 18,761
410102	P3511201	\$ 10,475	410102	P3692701	\$ 2,597	410110	P3294201	\$ 4,196
410102	P3533901	\$ 5,950	410102	P3518401	\$ 10,400	410110	P3294001	\$ 7,975
410102	P3545101	\$ 6,815	410102	P3537201	\$ 72,585	410150	Q1049901	\$ 8,995
410102	P3541101	\$ 2,166	410102	124943	\$ 22,950	410150	Q1068601	\$ 2,594
410102	P3595801	\$ 2,685	410102	P3458001	\$ 21,690	410150	Q1049701	\$ 2,565
410102	P3646901	\$ 4,552	410102	P3540901	\$ 29,993	410150	Q1065001	\$ 5,894
410102	P3650201	\$ 4,531	410102	P3540901	\$ 26,708	410150	Q1165101	\$ 4,066
410102	P3655801	\$ 3,651	410110	P3424601	\$ 5,033	410150	Q1181401	\$ 5,540
410102	P3696101	\$ 3,567	410110	P3272401	\$ 4,944	510100	P3456901	\$ 2,396
410102	P3698601	\$ 8,800	410110	P3598601	\$ 8,337			

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-4, Continued
Questioned Costs: \$1,003,258

Cause: The cause of the above condition is the lack of attendant documentation supporting expenditures charged to a Federal program and ensuring that such expenditures are directly related to the program and are in accordance with program intent and objectives, and the lack of adequate internal control policies and procedures requiring the documentation of procurement procedures to ensure compliance with federal procurement requirements.

Effect: The effect of the above condition is noncompliance with allowable costs/cost principles and procurement standards. Questioned costs exist, as follows:

<u>CFDA #</u>	<u>QC Amount</u>
10.567	\$ 18,706
15.875	629,840
84.027	26,305
93.003	8,671
93.069	47,659
93.110	15,336
93.118	16,450
93.163	38,450
93.268	94,554
93.889	31,995
93.938	14,082
93.958	2,552
93.959	4,906
93.977	51,690
93.988	<u>2,062</u>
	<u>\$ 1,003,258</u>

Recommendation: We recommend that RepMar ensure that expenditures incurred under federal programs are evidenced by supporting documentation indicating that such expenditures are directly related to and in accordance with program intent and objectives. Furthermore, we recommend that RepMar ensure supporting documentation is adequate to comply with federal procurement requirements. Specifically, supporting documentation should indicate the history of procurement, including the rationale for and method of procurement, the contractor selection or rejection, and the basis for the contract price.

Auditee Response and Correction Action Plan: We agree with the finding and recommendation. For FY 2011, tighter controls are being instituted and adequate documentation is being maintained to ensure compliance with US Federal procurement requirements as stipulated in the Financial Procedures Agreement.

Stricter documentation procedures will be established (into the Standard Operating Procedures). These procedures will take into account the maximum requirements under the Financial Procedures Agreement and the Procurement Code. Similarly, supervisory and monitoring processes will be established and reflected in the Standard Operating Procedures.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-5
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.003 Public Health and Social Services Emergency Fund
 93.069 Public Health Emergency Preparedness
 93.217 Family Planning-Services
 93.889 National Bioterrorism Hospital Preparedness Program
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$504,423

Criteria: Section 92.36 of 45 CFR 92, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, states that RepMar may use its own procedures for procurement, whether done by government or its Sub-Grantees, provided that they meet the standards identified in this section.

RepMar's Procurement Code states the following:

- (a) Section 124 - unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.
- (b) Section 127 - procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures promulgated by RepMar's Policy Office. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. RepMar's Ministry of Finance has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.
- (c) Section 128 - a contract may be awarded for a supply, service, or construction item without competition when it is determined in writing that there is only one source for the required supply, service, or construction item.

Condition: Of \$11,359,316 in non-payroll expenditures for the Grants Assistance Fund (excluding the Compact Sector Grants), twenty eight (28) items, totaling \$3,144,622, were tested. We noted the following items where supporting documentation was inadequate to evidence the procurement process:

<u>Item #</u>	<u>Fund #</u>	<u>CFDA #</u>	<u>PO #</u>	<u>G/L Account Name</u>	<u>Amount</u>
1	600350	93.217	P3581501	Other Supplies/Materials	\$ 8,323
2	700370	N/A	C0321901	Contractual Services	\$ 84,402
3	600350	93.069	P3585301	Equipment	\$ 98,000
	600350	93.889	P3585302	Equipment	\$ 78,000
	600350	93.003	P3585303	Equipment	\$ 25,000
	600350	93.003	P3585304	Equipment	\$ 25,000
4	700370	N/A	P3571701	Vehicles	\$ 31,275
5	600350	93.889	P3391101	Equipment	\$ 77,500
	600350	93.003	P3391102	Equipment	\$ 120,000
	600350	93.069	P3391103	Equipment	\$ 72,600
6	600350	93.069	P3323401	Equipment	\$ 9,330

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-5, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.003 Public Health and Social Services Emergency Fund
93.069 Public Health Emergency Preparedness
93.217 Family Planning-Services
93.889 National Bioterrorism Hospital Preparedness Program
Area: Procurement and Suspension and Debarment
Questioned Costs: \$504,423

Condition, Continued:

For item # 1, three informal price quotations were not on file. In addition, the purchase price for items listed on the vendor invoice did not agree with the price quotation received from the vendor. Accordingly, questioned costs in the amount of \$8,323 are reported.

For item # 2, the method of procurement utilized was competitive sealed proposal as provided under Section 126 of RepMar's Procurement Code; however, no documentation was provided to support the use of this method in lieu of the competitive sealed bidding method. Furthermore, no documentation was provided evidencing that adequate public notice of the Request for Proposal was given. As the funding source is non-federal, no questioned costs are reported.

For item # 3, procurement was not supported by competitive sealed bidding or any other appropriate methodology, thus purchase appears to have been sole sourced. Accordingly, questioned costs in the amount of \$226,000 are reported.

For item # 4, this item has been reported as a deficiency and matter of noncompliance within Finding 2010-8. As the funding source is non-federal, no questioned costs are reported.

For item # 5, procurement was not supported by competitive sealed bidding or any other appropriate methodology, thus purchase appears to have been sole sourced. Accordingly, questioned costs in the amount of \$270,100 are reported.

For item # 6, this item has been reported as a deficiency and matter of noncompliance within Finding 2010-4, including questioned costs in the amount of \$9,330.

Cause: The cause of the above condition is the lack of adequate internal control policies and procedures requiring the documentation of procurement procedures to ensure compliance with federal procurement requirements.

Effect: The effect of the above condition is noncompliance with procurement standards. Questioned Costs exist, as follows:

<u>CFDA #</u>	<u>QC Amount</u>
93.069	\$ 170,600
93.217	8,323
93.889	155,500
93.003	<u>170,000</u>
	\$ <u>504,423</u>

Recommendation: We recommend that RepMar ensure supporting documentation is adequate to comply with federal procurement requirements. Specifically, supporting documentation should indicate the history of procurement, including the rationale for and method of procurement, the contractor selection or rejection, and the basis for the contract price.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 2010-5, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.003 Public Health and Social Services Emergency Fund
93.069 Public Health Emergency Preparedness
93.217 Family Planning-Services
93.889 National Bioterrorism Hospital Preparedness Program
Area: Procurement and Suspension and Debarment
Questioned Costs: \$504,423

Auditee Response and Correction Action Plan: We agree with the finding and recommendation. The Ministry of Finance's Procurement and Supply Division established a policy allied by improved working procedures to ascertain appropriate internal control. In that respect, the Procurement and Supply Unit will take stringent measures by ensuring that the process of procuring and supplying, including observation of the relevant procedures as disclosed in the Procurement Code, are strictly followed and complied with accordingly.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 2010-6
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories,
Compact Sector Grants
Area: Period of Availability of Federal Funds
Questioned Costs: \$301,338

Criteria: The grant award for the FY 2011 RMI Health Sector Grant stipulates that the effective date of the grant is October 1, 2010 through September 30, 2011. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period.

Condition: At September 30, 2010, RepMar was liable for certain expenditures in the amount of \$301,338, representing utility charges for the months of July 2010 to September 2010, and which were subsequently paid (check # 79861) on October 20, 2010. These expenditures were recorded in fiscal year 2011 within Fund 410110 (Cost Center # CB3001) against the FY 2011 RMI Health Sector Grant. An audit adjustment was proposed to record these as accrued expenditures at September 30, 2010 within Fund 410110.

Cause: The cause of the above condition is the obligation of Sector Grant Funds for services that were incurred outside of the funding period.

Effect: The effect of the above condition is noncompliance with period of availability requirements as stipulated in the grant award. A questioned cost of \$301,338 exists.

Recommendation: We recommend RepMar comply with the period of availability requirements as stipulated in the grant award for the FY 2011 RMI Health Sector Grant.

Auditee Response and Corrective Action Plan: We agree with the finding and recommendation. Our plan of action for FY 2011 will include monitoring Compact expenditures to ensure proper accrual within the grant period.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 2010-7
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories,
Compact Sector Grants
Area: Subrecipient Monitoring
Questioned Costs: \$0

Criteria: Article VI, Section 1(a)(1) of the Fiscal Procedures Agreement (FPA) states that fiscal control and accounting procedures of RepMar, as well as its Sub-Grantees, shall be sufficient to: (i) permit the preparation of reports required by the FPA and the Compact, as amended; and (ii) permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used in compliance with the provisions of the Compact, as amended, and applicable agreements. Furthermore Article VI, Section 1(k)(1) of the FPA states that RepMar shall ensure that: (i) every Sub-Grant includes any clauses required by the Compact, as amended, the sector Grant awards, and the FPA; (ii) Sub-Grantees are aware of the requirements imposed upon them by the Compact, as amended, the sector Grants and the FPA; and (iii) Sub-Grantee can meet the financial management standards of the FPA.

Condition: During the year ended September 30, 2010, RepMar sub-granted Supplemental Education Grant awards amounting to \$963,623 to the Marshall Islands Scholarship Grant and Loan Board (MISGLB) and \$125,000 to the College of the Marshall Islands (CMI); however, no Sub-Grant agreements or Memoranda of Understanding were executed with MISGLB and CMI for the aforementioned funding. As separate OMB Circular A-133 Audits are performed on these entities, no questioned costs result.

Cause: The cause of the above condition is the lack of adequate internal control policies and procedures requiring 1) the execution of Sub-Grant agreements with Sub-Grantees; and 2) compliance with special tests and provisions of the FPA.

Effect: The effect of the above condition is noncompliance with specific provisions of the FPA.

Recommendation: We recommend that RepMar comply with the specific provisions of the FPA and execute Sub-Grant agreements with all Sub-Grantees.

Auditee Response and Corrective Action Plan: We agree with the finding and recommendation. Our corrective action plan will involve the Ministry of Finance through the Secretary of Finance and the Chairman of the Audit Resolutions Committee, to ensure that RepMar comply with the provisions of the FPA and require sub-grant agreements or MOU with all Sub-Grantees prior to any release of payments. Our anticipated completion date of our corrective action plan is on September 30, 2011.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-8
Area: Expenditures/RMI Procurement Code

Criteria: Expenditures incurred should be supported by valid and authorized documentation evidencing actual goods and services provided. Furthermore, the procurement of goods and services should be in accordance with RepMar’s Procurement Code.

Condition: During the year ended September 30, 2010, we examined Accounts Payable Vouchers for seven (7) vendors with expenditures that aggregated \$1,938,796. Our procedures included scrutiny of supporting documentation, which documentation included attendant purchase requisitions, price quotations, vendor invoices, and paid check copies. Based on our procedures, we noted various matters that include potentially altered purchase requisitions, potentially altered price quotations, missing grant files/disbursement files, payments for goods that have been represented as not being received, and payments for services that have been represented as not being performed. The following exceptions were noted within the General Fund (Fund # 100100), Ministry of Justice Fund (Fund # 200332), European Union Grants Fund (Fund # 700100), and ROC Projects Fund (Fund 700370):

<u>Fund #</u>	<u>PO #</u>	<u>Amount</u>	<u>Fund #</u>	<u>PO #</u>	<u>Amount</u>	<u>Fund #</u>	<u>PO #</u>	<u>Amount</u>
100100	P3323201	\$ 2,140	100100	P3476401	\$ 3,000	700370	P3517501	\$ 14,000
100100	P3323201	\$ 3,460	100100	P3502301	\$ 2,677	700370	P3571701	\$ 14,950
100100	P3263301	\$ 2,395	100100	P3632901	\$ 10,000	700370	P3571701	\$ 31,275
100100	P3269201	\$ 3,470	100100	P3483901	\$ 25,951	700370	P3571701	\$ 31,275
100100	P3389901	\$ 2,532	100100	P3505101	\$ 3,450	700370	P3506301	\$ 22,950
100100	P3394401	\$ 9,900	100100	P3589301	\$ 20,000	700370	P3509701	\$ 23,950
100100	P3404401	\$ 6,305	100100	P3710602	\$ 12,950	700370	P3529601	\$ 5,500
100100	P3478401	\$ 2,595	100100	131140	\$ 4,616	700370	P3528201	\$ 28,080
100100	P3494801	\$ 2,916	200332	P3209301	\$ 4,345	700370	P3610301	\$ 25,500
100100	P3627601	\$ 3,003	700100	P3579801	\$ 3,000	700370	P3625701	\$ 24,650
100100	P3677101	\$ 9,900	700100	124790	\$ 2,032	700370	P3650501	\$ 4,150
100100	P3248401	\$ 28,000	700100	P3387501	\$ 3,000	700370	P3650401	\$ 25,500
100100	P3312701	\$ 28,000	700370	P3302801	\$ 21,850	700370	P3667801	\$ 24,690
100100	P3350301	\$ 28,000	700370	P3469601	\$ 29,500			
100100	P3364501	\$ 29,000	700370	P3517601	\$ 33,850			

Cause: The cause of the above condition is the lack of attendant documentation supporting expenditures and the lack of adequate internal control policies and procedures requiring the documentation of procurement procedures to ensure compliance with RepMar’s Procurement Code.

Effect: The effect of the above condition is the possibility of invalid expenditures, the payment for goods and services not provided, and noncompliance with RepMar’s procurement standards.

Recommendation: We recommend that RepMar ensure that expenditures incurred are evidenced by supporting documentation indicating that such expenditures are valid and have been actually provided. Furthermore, we recommend that RepMar ensure supporting documentation is adequate to comply with RepMar’s procurement requirements. Specifically, supporting documentation should indicate the history of procurement, including the rationale for and method of procurement, the contractor selection or rejection, and the basis for the contract price.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-8, Continued
Area: Expenditures/RMI Procurement Code

Auditee Response and Correction Action Plan: The Chief of Procurement and Supply and Chief of Accounting have been designated as the Ministry's officials' in-charge to develop procedures and adequate internal control policies to ensure proper documentation, as well to ensure compliance with allowable costs/ cost principles and the procurement requirements as stipulated under the *FPA*. In addition to that, the Accounts Payable Division, being the last division in process, will screen incoming requests to ensure all adequate and required supporting documentations are provided and attached to requests prior to printing of checks.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-9
Area: Bank Reconciliations

Criteria: Adequate internal control policies and procedures should be established to require the recording of unrecorded transactions identified during the bank reconciliation process to facilitate accurate financial reporting.

Condition: At September 30, 2010, the Ministry of Finance identified unrecorded transactions during the bank reconciliation process as follows:

<u>G/L Account #</u>	<u>Account Name</u>	<u>Unrecorded Deposits</u>	<u>Unrecorded Disbursements</u>	<u>Net Unrecorded Amount</u>
100100-013010	General Account	\$ 526,177	\$ 355,965	\$ 170,212
100100-013015	Ebeye General Account	\$ 421,763	\$ 658,449	\$ (236,686)
100100-013020	Payroll Account	\$ 200,000	\$ -	\$ 200,000

Audit adjustments were proposed to record the related revenue and expenditure amounts associated with these unrecorded transactions.

Cause: The cause of the above condition is the lack of timely preparation and independent verification of monthly bank reconciliations and of timely follow up on unrecorded reconciling items.

Effect: The effect of the above condition is the material misstatement of revenue and expenditure amounts resulting in inaccurate financial reporting.

Recommendation: We recommend that management establish policies and procedures requiring timely preparation and independent verification of monthly bank reconciliations and timely follow up on unrecorded reconciling items.

Auditee Response and Corrective Action Plan: We agree with the finding. Our plan of action includes the Accounting Department to incorporate in the Ministry-wide standard operating procedures (SOP) the timeline to finish each monthly bank-reconciliation. The Accounting Department will ensure all monthly bank reconciliations are complete at the end of the following month. This will require the Accounting Department to have all the bank accounts available online for easy access of bank statements. Our anticipated completion date or our corrective action plan is on September 30, 2011.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-10
Area: General Ledger Journal Entries

Criteria: Adequate accounting controls necessitate segregation of duties. Journal entries and adjustments should accordingly be approved and be recorded by separate individuals.

Condition: Authorization and independent review of journal entries during the year ended September 30, 2010, were not documented.

Cause: The cause of the above condition is the lack of adequate internal control policies and procedures to ensure that all manual journal entries to the general ledger are subjected to independent review and approval by a designated person.

Effect: The effect of the above condition is a possible misstatement of financial statement balances and the recording of unauthorized transactions.

Recommendation: We recommend that management establish policies and procedures pertaining to the authorization and independent review of journal entries.

Prior Year Status: The lack of adequate independent review and approval of journal entries was reported as a finding in the Single Audit of RepMar for fiscal year 2009.

Auditee Response and Corrective Action Plan: We agree with the finding. Our action plan include the MOF management team to establish procedures in the Ministry-wide procedures which will require the Assistant Secretary of Accounting and Administration to make sure all journal entries are independently reviewed prior to booking on the financial system. Our anticipated completion date of our corrective action plan is on September 30, 2011.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 2010-11
Area: Bank Wire Transfers

Criteria: Controls over wire transfers should be adequate to ensure that amounts transmitted as reimbursement represent expenditures incurred.

Condition: During the year ended September 30, 2010, the Ministry of Finance overpaid the Fiji Embassy in the amount of \$111,000 due to an error in the wire transfer process. On March 30, 2010, the Ministry of Finance wired funds in the amount of \$123,161 to the Fiji Embassy bank account for expenditures totalling \$12,161. This error was never addressed by the Ministry of Finance and was presented on the September 2010 bank reconciliation as an unrecorded transaction. Furthermore, the Ministry of Finance processed subsequent reimbursement requests through wire transfer instead of offsetting such against the overpayment as the timely completion and independent verification of monthly bank reconciliations did not occur. Accordingly, we proposed an audit adjustment to record this amount as a prepayment to be offset by future Fiji Embassy expenditures.

Cause: The cause of the above condition is the lack of adequate internal control policies and procedures requiring the independent verification by a designated person of wire transfers prior to remittance, and the lack of timely preparation and independent verification of monthly bank reconciliations.

Effect: The effect of the above condition is possible misappropriation of RepMar cash balances and the recording of unauthorized transactions.

Recommendation: We recommend that management establish policies and procedures requiring independent verification of wire transfers prior to transmittal. Furthermore, we recommend that management establish policies and procedures requiring timely preparation and independent verification of monthly bank reconciliations.

Auditee Response and Corrective Action Plan: We agree with the finding. Our action plan include the MOF management team to include in the Ministry-wide standard operating procedures (SOP) procedures requiring independent verification of wire transfer prior to transmittal. The Chief Accountant will be responsible to ensure all wire transfer are reviewed independently and verified prior to transmittal. In addition, the Assistant Secretary of Accounting and Administration will be responsible to ensure that all monthly bank reconciliations are complete on a timely basis and are verified and reviewed independently. Our anticipated completion date or our corrective action plan is on September 30, 2011.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2010

Finding No.: 2010-12
Area: General Ledger Account Reconciliations

Criteria: All significant general ledger accounts should be analyzed on a periodic basis to ensure all revenue and expenditure activities are recorded and to facilitate accurate financial reporting.

Condition: During the year ended September 30, 2010, the following general ledger accounts were neither reconciled nor adjusted for the entire fiscal year:

<u>G/L Account #</u>	<u>Account Name</u>	<u>Unadjusted Account Balance</u>	<u>Adjusted Account Balance</u>	<u>Variance</u>
100100-15030	Receivable - MIDB	\$ 2,628,328	\$ 1,722,916	\$ 905,412
100100-29510	Prepayments	\$ 2,921,184	\$ 764,961	\$ 2,156,223
100100-50205	BOMI Loan Payable	\$ 201,219	\$ -	\$ 201,219
300618-15020	Compact Trust Fund	\$ 37,396,848	\$ 40,961,484	\$ (3,564,636)
510100-21012	A/R - Compact	\$ 1,375,407	\$ 2,223,602	\$ (848,195)
510130-21012	A/R - Compact	\$ 273,870	\$ 571,249	\$ (297,379)
510100-55050	Retention Payable	\$ 955,922	\$ 851,921	\$ 104,001
600350-21010	A/R - Federal Grants	\$ (348,691)	\$ (314,697)	\$ (33,994)
985000-77010	ADB Loans Payable	\$ 58,509,672	\$ 56,688,655	\$ 1,821,017

The above condition was resolved through the performance of alternative auditing procedures, which resulted in proposed audit adjustments to correct these general ledger accounts.

Cause: The cause of the above condition is the lack of adequate internal control policies and procedures requiring the timely preparation and independent verification of significant general ledger accounts.

Effect: The effect of the above condition is the material misstatement of revenue and expenditure amounts resulting in inaccurate financial reporting.

Recommendation: We recommend that management establish policies and procedures requiring timely preparation and independent verification of significant general ledger accounts.

Auditee Response and Corrective Action Plan: We agree with the finding. Ministry of Finance thorough the Accounting Department will create and incorporate procedures in the Ministry-wide standard operating procedures (SOP) that will require Assistant Secretary of Accounting and Administration to ensure all GL accounts are independently verified prior to any adjustments made to such accounts. Our anticipated completion date or our corrective action plan is on September 30, 2011.

REPUBLIC OF THE MARSHALL ISLANDS

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2010

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2010:

	<u>Questioned Costs</u>		
	<u>RepMar</u>	<u>Subrecipient</u>	<u>Total</u>
Questioned costs of RepMar as previously reported:			
Fiscal year 2007 Single Audit	\$ 710,185	\$ -	\$ 710,185
Fiscal year 2008 Single Audit	645,618	-	645,618
Fiscal year 2009 Single Audit	<u>1,360,234</u>	<u>-</u>	<u>1,360,234</u>
	2,716,037	-	2,716,037
Less questioned costs resolved in fiscal year 2010:			
Questioned costs of fiscal year 2007 Single Audit reported in:			
Finding No. 2007-2 (2)	(118,491)	-	(118,491)
Finding No. 2007-3 (2)	(127,497)	-	(127,497)
Finding No. 2007-4 (2)	(179,482)	-	(179,482)
Finding No. 2007-5 (2)	(16,679)	-	(16,679)
Finding No. 2007-6 (1)	(119,989)	-	(119,989)
Finding No. 2007-6 (2)	(46,174)	-	(46,174)
Finding No. 2007-7 (2)	(19,712)	-	(19,712)
Finding No. 2007-10 (2)	<u>(82,161)</u>	<u>-</u>	<u>(82,161)</u>
	2,005,852	-	2,005,852
Questioned costs of fiscal year 2010 Single Audit	<u>2,243,301</u>	<u>-</u>	<u>2,243,301</u>
Unresolved questioned costs of RepMar at September 30, 2010	\$ <u>4,249,153</u>	\$ <u>-</u>	\$ <u>4,249,153</u>

- (1) Questioned costs considered resolved as RepMar received a final determination letter from the U.S. Department of Agriculture, Food and Nutrition Services.
- (2) Questioned costs considered resolved as RepMar considers these findings are no longer valid as they were reported to federal agencies on June 30, 2008, which is in excess of the two year threshold under OMB Circular A-133, Section 315(b)(4).

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report (pages 12 through 33).