

ENEWETAK/UJELANG LOCAL GOVERNMENT

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2004

ENEWETAK/UJELANG ATOLL LOCAL GOVERNMENT

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INDEPENDENT AUDITORS' REPORT

Mayor Jackson Ading
Enewetak/Ujelang Local Government
Republic of the Marshall Islands:

We have audited the accompanying financial statements of each major fund of the Enewetak/Ujelang Local Government (EULGOV) as of and for the year ended September 30, 2004, which collectively comprise a portion of EULGOV's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of EULGOV's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EULGOV's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of inadequacies in EULGOV's accounting records, we were unable to form an opinion regarding cash, receivables, amount due from General Fund, and accounts payable of the Enewetak Food and Agricultural Support Program Fund as of September 30, 2004.

Because of inadequacies in EULGOV's accounting records, management has not included the General Fund in EULGOV's financial statements. Accounting principles generally accepted in the United States of America require the General Fund to be presented as a major governmental fund and financial information about the General Fund to be part of the governmental activities. The amounts that would be reported in governmental fund financial statements for EULGOV's General Fund are not reasonably determinable.

Because of inadequacies in EULGOV's accounting records, management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for EULGOV's governmental activities are not reasonably determinable.

Because of the matter discussed in the third paragraph above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements of the Enewetak Food and Agricultural Support Program Fund as of and for the year ended September 30, 2004.

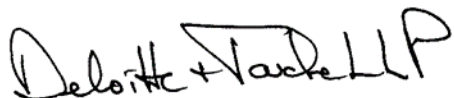
In our opinion, because of the omission of the General Fund, as discussed in the fourth paragraph above, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the General Fund of the Enewetak/Ujelang Local Government as of September 30, 2004, or the changes in financial position for the year then ended.

In addition, in our opinion, because of the effects of the matter discussed in the fifth paragraph above, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Enewetak/Ujelang Local Government as of September 30, 2004, or the changes in its financial position for the year then ended.

Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enjebi Community Trust Fund and the Claims Trust Fund of the Enewetak/Ujelang Local Government as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis as well as the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of EULGOV'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

November 27, 2019

ENEWETAK/UJELANG LOCAL GOVERNMENT

Balance Sheet
Governmental Funds
September 30, 2004

	Special Revenue	Permanent		
	Enewetak Food and Agricultural Support Program	Enjebi Community Trust	Claims Trust	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 17,338	\$ -	\$ -	\$ 17,338
Interest and dividends receivable	-	10,588	42,494	53,082
Other receivables	6,025	-	-	6,025
Due from General Fund	71,189	-	-	71,189
Restricted assets:				
Investments	-	7,372,134	30,027,206	37,399,340
	\$ <u>94,552</u>	\$ <u>7,382,722</u>	\$ <u>30,069,700</u>	\$ <u>37,546,974</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ <u>53,699</u>	\$ -	\$ -	\$ <u>53,699</u>
Commitment and contingencies				
Fund balance:				
Reserved for:				
Claims	-	-	30,069,700	30,069,700
Resettlement	-	7,382,722	-	7,382,722
Unreserved	<u>40,853</u>	<u>-</u>	<u>-</u>	<u>40,853</u>
Total fund balance	<u>40,853</u>	<u>7,382,722</u>	<u>30,069,700</u>	<u>37,493,275</u>
Total liabilities and fund balance	\$ <u>94,552</u>	\$ <u>7,382,722</u>	\$ <u>30,069,700</u>	\$ <u>37,546,974</u>

See accompanying notes to financial statements.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
 Governmental Funds
 Year Ended September 30, 2004

	<u>Special Revenue</u>	<u>Permanent</u>		
	Enewetak Food and Agricultural Support Program	Enjebi Community Trust	Claims Trust	<u>Total</u>
Revenues:				
Federal grants	\$ 1,689,018	\$ -	\$ -	\$ 1,689,018
Dividends and interest	-	169,092	809,506	978,598
Net change in fair value of investments	-	1,025,284	3,287,628	4,312,912
Other	<u>-</u>	<u>727</u>	<u>5,934</u>	<u>6,661</u>
Total revenues	<u>1,689,018</u>	<u>1,195,103</u>	<u>4,103,068</u>	<u>6,987,189</u>
Expenditures:				
Food program	1,639,317	-	-	1,639,317
Investment management	<u>-</u>	<u>89,742</u>	<u>413,800</u>	<u>503,542</u>
Total expenditures	<u>1,639,317</u>	<u>89,742</u>	<u>413,800</u>	<u>2,142,859</u>
Excess of revenues over expenditures	49,701	1,105,361	3,689,268	4,844,330
Other financing uses:				
Transfers out to General Fund	<u>-</u>	<u>(645,750)</u>	<u>(3,159,325)</u>	<u>(3,805,075)</u>
Net change in fund balance	49,701	459,611	529,943	1,039,255
Fund balance (deficit) at the beginning of the year	<u>(8,848)</u>	<u>6,923,111</u>	<u>29,539,757</u>	<u>36,454,020</u>
Fund balance at the end of the year	\$ <u>40,853</u>	\$ <u>7,382,722</u>	\$ <u>30,069,700</u>	\$ <u>37,493,275</u>

See accompanying notes to financial statements.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Notes to Financial Statements
September 30, 2004

(1) Organization

The Enewetak/Ujelang Local Government (EULGOV) was established pursuant to Public Law 1981-2, the Local Government Act of the Republic of the Marshall Islands and operates under the Constitution of the Enewetak/Ujelang Local Government. EULGOV is governed by an elected mayor and a fifteen-member Council.

(2) Summary of Significant Accounting Policies

The accompanying financial statements of EULGOV have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to government 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 EULGOV's accounting policies are described below.

A. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for EULGOV's major funds. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards.

EULGOV reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

B. Measurement Focus and Basis of Accounting

Governmental fund financial statements account for the general governmental activities of EULGOV and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, EULGOV considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Miscellaneous revenues from other financing sources are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Notes to Financial Statements
September 30, 2004

(2) Summary of Significant Accounting Policies, Continued

B. Measurement Focus and Basis of Accounting, Continued

EULGOV reports the following governmental fund types:

i. Special Revenue Funds

These funds account for specific revenue resources that have been aggregated according to enabling legislation to support specific governmental activities.

The special revenue fund of EULGOV is as follows:

- a. The Enewetak Food and Agricultural Support Program Fund - this fund accounts for all financial transactions of direct grants received from the U.S. Department of the Interior related to the provision of water-borne transportation of agricultural products to Enewetak including operations and maintenance of the vessel used for such purposes.

ii. Permanent Funds

These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used to support programs for the benefit of the government.

The permanent funds of EULGOV are as follows:

- a. The Claims Trust Fund - this fund accounts for funds received under Article II, Section 3, of the agreement between the Government of the United States and the Government of the Republic of the Marshall Islands for the implementation of Section 177 of the Compact of Free Association (the Compact). In accordance with Article II, Section 8, of the Compact, EULGOV executed the Enewetak/Ujelang Claims Trust agreement and established the Claims Trust Fund. Pursuant to Section 7.2 of the trust agreement, after the final payment was received on October 27, 2001, the Claims Trust Fund was required to distribute annually to the people of Enewetak between 15% and 35% of its net income. In addition, pursuant to Section 8.1 of the trust agreement, EULGOV may also invade up to 3% of the corpus of the Claims Trust Fund. Such invasion may occur in the event of an unforeseen natural disaster or other similar circumstance, as determined by the sole discretion of EULGOV, in order to prevent hardship to the people of Enewetak. An invasion of the corpus shall not occur more frequently than once every three years.
- b. The Enjebi Community Trust Fund - this fund accounts for United States Congress appropriations under United States Public Law 99-239, which was paid and distributed in accordance with an agreement between the Government of the United States, the Government of the Republic of the Marshall Islands and EULGOV to assist in the resettlement of Enjebi Island by the people of Enewetak.

EULGOV has omitted the General Fund from the governmental fund financial statements. The financial activities of the General Fund are considered material to the basic financial statements.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Notes to Financial Statements
September 30, 2004

(2) Summary of Significant Accounting Policies, Continued

C. Cash and Cash Equivalents

Cash and cash equivalents include cash held in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by EULGOV.

D. Investments

Investments are carried at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

E. Receivables

Receivables consist of amounts advanced to individuals, on an unsecured basis, substantially all of whom are situated in the Republic of the Marshall Islands. Receivables are stated net of allowances for uncollectable accounts.

F. Interfund Receivables/Payables

During the course of its operations, EULGOV records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

G. Restricted Assets

Certain assets of EULGOV are classified as restricted assets because their use is completely restricted by trust or loan pledge agreements. Specifically, investments recorded in the Enjebi Community Trust Fund and the Claims Trust Fund of \$7,372,134 and \$30,027,206, respectively, are restricted in that they are not available to be used in current operations.

H. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Notes to Financial Statements
September 30, 2004

(2) Summary of Significant Accounting Policies, Continued

J. New Accounting Standards

During fiscal year 2004, EULGOV implemented the following pronouncements:

- GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*, which establishes new financial reporting standards for state and local governments. The requirements of this statement result in a significant change in the financial reporting model used by governments, including statement formats and changes in fund types. In addition to the traditional fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. Due to inadequacies in EULGOV's accounting records, government-wide financial statements have not been presented.
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which amends certain note disclosures and adds additional note disclosure requirements related to GASB Statement Nos. 34 and 37.
- GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units (an amendment of GASB Statement No. 14)*, which provides additional guidance on GASB Statement No. 14, in determining whether an entity should be reported as a component unit based on nature and significance of its relationship with a primary government.
- GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, GASB Statement No. 40 requires certain disclosures of investments that have value that are highly sensitive to changes in interest rate.
- GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, which amends required supplemental information disclosure of adopted budget and actual amounts per GASB Statement No. 34. Should there be a perspective difference between these amounts and fund perspective revenues and expenditures, reconciliation is required.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets when its service utility has declined significantly and unexpectedly. The provisions of this Statement are effective for periods beginning after December 15, 2004. Management does not believe that the implementation of this statement will have a material effect on the financial statements of EULGOV.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of EULGOV.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Notes to Financial Statements
September 30, 2004

(2) Summary of Significant Accounting Policies, Continued

J. New Accounting Standards, Continued

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*, an amendment to NCGA Statement 1, which improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34. The provisions of this Statement are effective for periods beginning after June 15, 2005. Management does not believe that the implementation of this statement will have a material effect on the financial statements of EULGOV.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of EULGOV.

(3) Deposits and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

EULGOV does not have formal deposit and investment policies. Investments in the Enjebi Community Trust Fund and the Claims Trust Fund are governed by their respective trust agreements.

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, EULGOV'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. EULGOV does not have a deposit policy for custodial credit risk.

As of September 30, 2004, the carrying amount of EULGOV's total cash and cash equivalents were \$17,338 and the corresponding bank balances were \$17,338, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2004, bank deposits were fully FDIC insured. EULGOV 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.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Notes to Financial Statements
September 30, 2004

(3) Deposits and Investments, Continued

B. Investments

As of September 30, 2004, investments at fair value are as follows:

Enjebi Community Trust Fund:

Cash management	\$ 242,230
Unit investment trust	12,506
Mutual funds	1,468,901
Common equities	<u>5,648,497</u>
	<u>\$ 7,372,134</u>

Claims Trust Fund:

Cash management	\$ 2,288,134
Unit investment trust	27,231
Mutual funds	14,508,175
Common equities	<u>13,203,666</u>
	<u>\$ 30,027,206</u>

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, EULGOV will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. EULGOV's investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held in EULGOV's name by EULGOV's custodial financial institutions at September 30, 2004.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. EULGOV does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for EULGOV. As of September 30, 2004, there were no investments in any one issuer that exceeded 5% of total investments.

(4) Loans Payable

In 2001 and 2003, EULGOV obtained bank loans of \$2,585,000 and \$2,000,000, respectively, to fund distributions to the people of Enewetak. On July 27, 2004, the principal sums owing on these loan facilities were consolidated into one credit facility with an outstanding principal balance of \$3,700,000, interest at 6.3% per annum. Quarterly principal payments to be paid on the 27th day of October, January, April, and July commence October 27, 2004 in the amount of \$69,711 increasing to \$119,244 on October 27, 2013. The loan is collateralized by the assignment and pledge of certain investment holdings held by EULGOV in the Claims Trust Fund together with investment earnings to be received from the Claims Trust Fund. The term of the loan is for ten years and matures on July 27, 2014. As of September 30, 2004, the amount outstanding and payable on this loan totaled \$3,700,000.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Notes to Financial Statements
September 30, 2004

(4) Loans Payable, Continued

On July 27, 2004, EULGOV obtained a \$3,000,000 bank loan, interest at 6.3% per annum, to fund loans to the people of Enewetak. Quarterly principal payments to be paid on the 27th day of October, January, April, and July commence October 27, 2004 in the amount of \$56,523 increasing to \$96,684 on October 27, 2013. The loan is collateralized by the assignment and pledge of certain investment holdings held by EULGOV in the Claims Trust Fund together with investment earnings to be received by EULGOV from the Claims Trust Fund. The term of the loan is for ten years and matures on July 27, 2014. As of September 30, 2004, the amount outstanding and payable on this loan totaled \$3,000,000.

(5) Commitment

EULGOV entered into an office lease agreement for a term of five years commencing January 1, 2001. Annual rent payments amount to \$12,000.

(6) Contingencies

Sick Leave

It is EULGOV's policy to record the cost of sick leave when leave is actually taken and a liability is actually incurred. The accumulated estimated amount of unused sick leave at September 30, 2004 is not available.

Questioned Costs

EULGOV participates in a number of federally assisted grant programs and various other U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. EULGOV is considered to have responsibility for any questioned costs that may result from single audits of EULGOV for the fiscal years for which audits have not been performed. The ultimate disposition of any questioned costs can be determined only by final action of the grantor agency. Therefore, no provision for any liability that may result upon resolution of these matters has been made in the accompanying financial statements.

(7) Risk Management

EULGOV is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. EULGOV has elected to purchase commercial insurance from independent third parties for the risks of loss to which it believes it to be exposed. Settled claims have not exceeded this commercial coverage in any of the past three years.

(8) Subsequent Events

On November 20, 2007, EULGOV obtained an \$8,000,000 bank loan for the purpose of consolidating principal amounts owing on existing loan facilities into one credit facility and to provide additional funds for distribution to the people of Enewetak.

On March 31, 2016, EULGOV entered into a settlement agreement with Bank of America whereby Bank of America agreed to forgive the outstanding principal balance of \$4,541,985 associated with the \$8,000,000 loan.

ENEWETAK/UJELANG LOCAL GOVERNMENT

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

YEAR ENDED SEPTEMBER 30, 2004

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

Mayor Jackson Ading
Enewetak/Ujelang Local Government
Republic of the Marshall Islands:

We have audited the financial statements of each major fund of the Enewetak/Ujelang Local Government (EULGOV) as of and for the year ended September 30, 2004, which collectively comprise a portion of EULGOV's basic financial statements and have issued our report thereon dated November 27, 2019. Our report was qualified due to the inadequacy of accounting records regarding cash, receivables, amount due from General Fund, and accounts payable of the Enewetak Food and Agricultural Support Program Fund; the omission of the General Fund; and the omission of government-wide financial statements. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

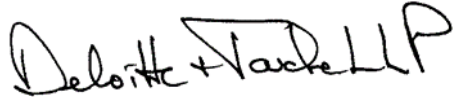
In planning and performing our audit, we considered EULGOV's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect EULGOV's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-001, 2004-002, 2004-003, 2004-004 and 2004-007.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above as items 2004-001, 2004-002, 2004-003, 2004-004 and 2004-007 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EULGOV'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 2004-005 and 2004-006.

This report is intended solely for the information and use of the Council, management, 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 + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

November 27, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Mayor Jackson Ading
Enewetak/Ujelang Local Government
Republic of the Marshall Islands:

Compliance

We have audited the compliance of the Enewetak/Ujelang Local Government (EULGOV) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2004. EULGOV's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of EULGOV's management. Our responsibility is to express an opinion on EULGOV's compliance based on our audit.

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 EULGOV'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 on EULGOV's compliance with those requirements.

As described in items 2004-007 through 2004-009 in the accompanying Schedule of Findings and Questioned Costs, EULGOV did not comply with requirements regarding allowable costs/cost principles, cash management, procurement and suspension and debarment, and reporting that are applicable to its major federal program. Compliance with such requirements is necessary, in our opinion, for EULGOV to comply with the requirements applicable to its major federal program.

In our opinion, except for the noncompliance described in the preceding paragraph, EULGOV complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004.

Internal Control Over Compliance

The management of EULGOV 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 EULGOV's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

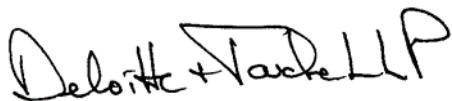
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect EULGOV's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-007 through 2004-009.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above as items 2004-007 through 2004-009 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund of EULGOV as of and for the year ended September 30, 2004, and have issued our report thereon dated November 27, 2019, which report was qualified due to the inadequacy of accounting records regarding cash, receivables, amount due from General Fund, and accounts payable of the Enewetak Food and Agricultural Support Program Fund; the omission of the General Fund; and the omission of government-wide financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise a portion of EULGOV's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 EULGOV. 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.

This report is intended solely for the information and use of the Council, management, federal awarding agencies, and the cognizant and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.



November 27, 2019

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
	<u>U.S. Department of the Interior</u>	
	Funds received in a direct capacity:	
15.875	Operation of the Enewetak Food and Agricultural Support Program	<u>\$ 1,639,317</u>

See accompanying notes to schedule of expenditures of federal awards.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2004

(1) Organization

The Enewetak/Ujelang Local Government (EULGOV) is a governmental entity governed by its own Constitution. All significant operations of EULGOV 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 EULGOV's cognizant agency for the Single Audit. EULGOV is the recipient of non-Compact of Free Association funds received from the U.S. Department of the Interior. These funds must be expended in accordance with grant awards and are subject to general U.S. federal requirements, including OMB's Circular A-87 and Circular A-102.

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of EULGOV 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. All expenses and capital outlays are reported as expenditures.

b. Indirect Cost Allocation

EULGOV has not entered into an approved indirect cost negotiation agreement covering fiscal year 2004. EULGOV did not charge federal programs for indirect costs during fiscal year 2004.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs
Year Ended September 30, 2004

Section I - Summary of Auditor's Results

1. The Independent Auditors' Report on the financial statements of the Enewetak/Ujelang Local Government expressed a disclaimer of opinion on the Enewetak Food and Agricultural Support Program Fund; an unqualified opinion on the financial statements of the Enjebi Community Trust Fund and the Claims Trust Fund; and an adverse opinion on the remaining reporting units.
2. Reportable conditions in internal control over financial reporting were identified, all of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, all of which are considered to be material weaknesses.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. EULGOV's major program is as follows:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Economic, Social and Political Development of the Territories and the Freely Associated States: Enewetak Food and Agricultural Support Program	15.875

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. EULGOV did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Section II - Financial Statement Findings

<u>Finding Number</u>	<u>Findings</u>
2004-001	Cash Reconciliations
2004-002	Receivables
2004-003	Accrued Expenditures
2004-004	Other Revenues
2004-005	External Financial Reporting
2004-006	External Financial Reporting
2004-007	Allowable Costs/Cost Principles

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Section III - Federal Award Findings and Questioned Costs

<u>Finding Number</u>	<u>CFDA #</u>	<u>Findings</u>	<u>Questioned Costs</u>
2004-007	15.875	Allowable Costs/Cost Principles	\$ -
2004-007	15.875	Procurement and Suspension and Debarment	\$ -
2004-008	15.875	Reporting	\$ -
2004-009	15.875	Cash Management	\$ -

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-001
Area: Cash Reconciliations

Criteria: Cash accounts should be reconciled on a monthly basis.

Condition: At September 30, 2004, the Food and Agriculture Support Program recorded cash of \$85,541; however, no reconciliation was provided for this account. Upon further investigation, we discovered two checking accounts used in support of the Program. The cash in these two accounts aggregate \$17,338. The balance, \$68,203, was discovered to actually be cash received by the program that has been deposited into EULGOV's general fund.

Cause: The cause of the above condition is the lack of established policies and procedures requiring the reconciliation of cash accounts and the recording of receivables from EULGOV's general fund.

Effect: The effect of the above condition is that cash accounts have been misstated throughout the year.

Recommendation: We recommend that management require that cash accounts be reconciled on a monthly basis and that cash be portrayed accurately in the financial statements.

Auditee Response and Corrective Action Plan: Cash accounts are now being reconciled on a monthly basis.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-002
Area: Receivables

Criteria: Receivables should be supported by a reconciled subsidiary ledger.

Condition: At September 30, 2004, the Food and Agriculture Support Program recorded \$71,189 in due from general fund; however, no reconciled subsidiary ledger was provided to support the balance.

Cause: The cause of the above condition is the lack of a reconciled subsidiary ledger for due from general fund.

Effect: The effect of the above condition is the possibility of a misstatement of the balance due from general fund.

Recommendation: A subsidiary ledger should be created that supports the due from general fund balance.

Auditee Response and Corrective Action Plan: Subsidiary ledgers are now being maintained for due fund from and due to accounts.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-003
Area: Accrued Expenditures

Criteria: Accrued expenditures should be supported by a subsidiary ledger.

Condition: At September 30, 2004, EULGOV Food and Support Program recorded \$53,699 in accrued liabilities. No reconciled subsidiary ledger was provided to support this balance until this matter was brought to management's attention through the presentation of the initial draft audit report. Upon receipt of the draft, a reconciliation was subsequently provided.

Cause: The cause of the above condition is the lack of a reconciled subsidiary ledger for accrued expenses.

Effect: The effect of the above condition is that accrued expenses were misstated throughout the year.

Recommendation: We recommend that management require that accrued expenses be supported by a detail subsidiary ledger throughout the year.

Auditee Response and Corrective Action Plan: A subsidiary ledger was supplied and will continue to be supplied for audits.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-004
Area: Other Revenues

Criteria: Revenues should be recorded in the general ledger as earned.

Condition: We were informed that the Kawewa vessel earned revenues from passenger and cargo sales; however, no revenues were recorded in the general ledger of the Food and Agriculture program during fiscal year 2004.

Cause: The cause of the above condition is that no such revenues were recorded in the general ledger.

Effect: The effect of the above condition is unrecorded revenue.

Recommendation: We recommend that management require that revenues earned be recorded in the financial statements.

Auditee Response and Corrective Action Plan: Employee responsible for recording and depositing revenue from KaWeWa failed to perform their assigned task and was removed. All revenues are now being recorded and posted to the correct revenue accounts.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-005
Area: External Financial Reporting

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires that the basic financial statements of the reporting entity include government-wide financial statements displaying information about the reporting government as a whole.

Condition: As of September 30, 2004, management did not present government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

Cause: The cause of the above condition is the lack of maintenance of general ledger accounting records detailing EULGOV's governmental activities.

Effect: The effect of the above condition is nonconformity with GASB Statement No. 34 resulting in a qualification in the opinion on the EULGOV financial statements.

Recommendation: We recommend that EULGOV conform to GASB Statement No. 34.

Auditee Response and Corrective Action Plan: The new administration hired accountant to maintain the books and prepare financial reports.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-006
Area: External Financial Reporting

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, requires that the financial statements of the reporting entity include all funds that are not legally separate, for financial reporting purposes, to be presented as part of a primary government.

Condition: As of September 30, 2004, management did not include the General Fund in EULGOV's financial statements. During the year ended September 30, 2004, transfers out were made from the Enewetak Claims Trust Fund to the General Fund for debt service payments, distribution to the people of Enewetak, and to fund General Fund operations of \$223,325, \$2,695,000 and \$241,000, respectively. In addition, transfers out were made from the Enjebi Community Trust Fund to the General Fund for General Fund operations of \$645,750.

Cause: The cause of the above condition is the lack of maintenance of detailed general ledger accounting records itemizing General Fund activities, including distribution payments to the people of Enewetak and General Fund operations.

Effect: The effect of the above condition is nonconformity with GASB Statement No. 14 resulting in a qualification in the opinion on the EULGOV financial statements.

Recommendation: We recommend that EULGOV conform to GASB Statement No. 14.

Auditee Response and Corrective Action Plan: The new administration hired accountant to maintain the books and prepare financial reports.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-007
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Enewetak Food and Agricultural Support Program
Area: Allowable Costs/Cost Principles
Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria: The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (the Common Rule) requires that all purchases less than \$100,000 require evidence of informal bidding procedures. OMB Circular requires that allowable costs be supported by adequate supporting documentation, such as invoices, contracts, etc.

Condition: Of nineteen non-payroll expenditures tested, totaling \$560,422, procurement of supplies and equipment from vendors for the following check numbers did not evidence support of informal procurement procedures.

<u>Check #</u>	<u>Amount</u>
1385	\$ 10,605
1390	2,325
18860	6,250
18918	4,760
19115	55,000
19121	4,155
19187	4,773
19400	55,514
19462	10,125
19640	5,770
19852	54,958
20016	16,080
20022	8,336
20026	6,250
20131	12,143
25319	49,914
27614	59,971
19872	3,615
20123	3,615
25190	3,615
26195	3,615
26884	3,615
27840	<u>3,615</u>
	<u>\$388,619</u>

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-007, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Enewetak Food and Agricultural Support Program
Area: Allowable Costs/Cost Principles
Procurement and Suspension and Debarment
Questioned Costs: \$0

Condition, Continued:

The following check numbers did not evidence supporting documentation.

<u>Check #</u>	<u>Amount</u>	
1385	\$10,605	(included above)
1390	2,325	(included above)
19121	4,155	(included above)
20016	16,080	(included above)
20022	8,336	(included above)
25189	<u>5,490</u>	(a questioned cost)
	<u>\$46,991</u>	

Additionally, upon commencement of our audit, we noted payments of \$42,175 charged to the Program that represent 100% of the cost of a consulting contract entered into with EULGOV that was procured without benefit of competitive procurement activities. The contract is to benefit EULGOV as a whole, yet all contract costs were charged to the Program. At a minimum, these costs should be subject to an allocation between the Program and EULGOV, based on actual hours expended on the Program, yet such had not occurred. After a draft was submitted to the entity, this amount was distributed sixty percent to the Program and forty percent to EULGOV. Management did not indicate how the above distribution scheme was derived and is not able to support the percentage charged to the Program based on evidence of actual hours worked.

Based on additional inquiry of management, we also discovered the following expenditures that were allocated to the program.

\$ 9,750 – represents an allocation of the Mayor’s salary to the program. The Mayor is an elected official.
4,500 – allocation of office space
\$14,250

The allocation of an elected official’s time to the Program does not appear to be an allowable cost. Additionally, without a documented basis for the allocation of office space to the Program, we are unable to conclude as to the validity of the allocation. However, no questioned costs for these two allocations arise since the Program reversed these charges in fiscal year 2005.

Cause: The cause of the above condition is the lack of support evidencing informal bidding procedures for procurement of goods and services. Additionally, there is a lack of source documentation for payment.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 2004-007, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Enewetak Food and Agricultural Support Program
Area: Allowable Costs/Cost Principles
Procurement and Suspension and Debarment
Questioned Costs: \$0

Effect: The effect of the above condition is the lack of informal bidding procedures requiring that the procurement of supplies and equipment conform to federal requirements. Additionally, we are unable to determine if costs of \$46,991 were allowed as there were no supporting documents substantiating the payment basis. No questioned costs result from this finding as such were subsequently resolved through a grantor determination letter dated July 9, 2014.

Recommendation: We recommend that the Program comply with federal procurement guidelines when procuring supplies and equipment. Additionally, all expenditures should be appropriately documented. The consultant contract should be allocated to the Program based on actual hours worked.

Prior Year Status: The lack of informal bidding procedures was reported as a finding in the Single Audits of EULGOV for fiscal years 1994 through 1998 and 2003.

Auditee Response and Corrective Action Plan: The previous administration did not adhere to Federal Procurement guidelines in particular informal bidding. The current administration during its first year in office has corrected these shortcomings and said guidelines are now being followed. Time sheets are now being maintained by council employees and contractors who work on more than one cost center, namely the support program and general fund.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2004

Finding No.: 2004-008
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Enewetak Food and Agricultural Support Program
Area: Reporting
Questioned Costs: \$0

Criteria: The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (the Common Rule) requires the quarterly submission of financial status reports (SF-269) and federal cash transactions reports (SF-272) based upon the financial accounting system of the grantee.

Condition: EULGOV was unable to provide copies of all quarterly financial status and federal cash transactions reports for the year ended September 30, 2004.

Cause: The cause of the above condition is that the reports do not appear to have been filed.

Effect: The effect of the above condition is that we were precluded from ensuring that the financial reports agree with the underlying financial records.

Recommendation: We recommend that EULGOV adhere to requirements and submit the quarterly financial status and federal cash transactions reports.

Auditee Response and Corrective Action Plan: Said recommendations noted and followed.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 2004-009
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Enewetak Food and Agricultural Support Program
Area: Cash Management
Questioned Costs: \$0

Criteria: Cash drawdowns from the grantor agency should be timed to coincide with the actual expenditure of funds. The drawdown should be timed to coincide with the clearing of checks in the grantee's bank account.

Condition: As of September 30, 2004, we determined that Program cash is being deposited to the EULGOV general fund. At September 30, 2004, approximately \$68,203 was so deposited. We have not been able to obtain sufficient information from EULGOV to determine the amount of interest that is refundable to the grantor.

Cause: Inadequate program records are maintained in support of program activities.

Effect: The effect of this condition is our inability to determine and calculate the amount of interest that should be refunded to the grantor.

Recommendation: EULGOV should obtain adequate accounting assistance and should reconstruct its records for the year to enable the Program to calculate the amount of interest that is to be repaid to the federal government by EULGOV.

Auditee Response and Corrective Action Plan: Said recommendations noted. EULGOV has employed a CPA to reconcile this account to determine if any interest should be accrued to the grantor for FY2004.

ENEWETAK/UJELANG LOCAL GOVERNMENT

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2004

Questioned Costs

There were no unresolved questioned costs for EULGOV as at September 30, 2004.

Unresolved Prior Year Findings

There were no unresolved prior year findings for EULGOV as at September 30, 2004.