

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

**(A SUB-RECIPIENT OF THE GOVERNMENT OF THE
REPUBLIC OF THE MARSHALL ISLANDS)**

**FINANCIAL STATEMENT
AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2016

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT

Year Ended September 30, 2016
Table of Contents

	<u>Page No.</u>
I. INDEPENDENT AUDITORS' REPORT	1
II. FINANCIAL STATEMENT:	
Statement of Cash Receipts and Disbursements	3
Notes to Financial Statement	4
III. INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE WITH LAWS AND REGULATIONS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Engagement to Conduct an Audit of Financial Statement in Accordance with <i>Government Auditing Standards</i>	5
Independent Auditors' Report on Compliance for the Sole Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	7
Schedule of Expenditures of Federal Awards	10
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	12
IV. CORRECTIVE ACTION PLAN	

INDEPENDENT AUDITORS' REPORT

Ms. Maybelline A. Bing
Secretary
Ministry of Finance, Banking and Postal Services
Government of the Republic of the Marshall Islands
Majuro, MH 96960:

Report on the Financial Statement

We were engaged to audit the accompanying statement of cash receipts and disbursements of the Kumit Bobrae Coalition, Inc. ("KBC") Strategic Prevention Framework - Partnership For Success Bobrae (Prevention) Project, funded by the CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance grant, for the year ended September 30, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2 to this financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on conducting the 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Because of inadequacies in the accounting records of KBC, we are unable to form an opinion regarding the amounts recorded as cash receipts and cash disbursements in the accompanying financial statement.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

Emphasis of Matters

Reporting Entity

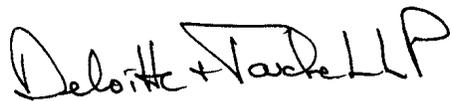
As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the KBC Strategic Prevention Framework - Partnership For Success Bobrae (Prevention) Project funded by the CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance grant, administered in a sub-recipient capacity by KBC, and is not intended to present fairly the results of operations of KBC in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2020, on our consideration of KBC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KBC's internal control over financing reporting or on compliance. That report is an integral part of an engagement to conduct an audit in accordance with *Government Auditing Standards* in considering KBC's internal control over financial reporting and compliance.



February 11, 2020

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP FOR SUCCESS
BOBRAE (PREVENTION) PROJECT

(CFDA 93.243 Substance Abuse and Mental Health Services -
Projects of Regional and National Significance)

Statement of Cash Receipts and Disbursements
Year Ended September 30, 2016

Cash Receipts:	
Federal program receipts	\$ <u>1,524,033</u>
Cash Disbursements:	
Coalition program	705,327
Personnel	195,083
Annual Bobrae Conference	161,844
Travel	156,642
Materials and supplies	131,239
Office rental	41,511
Equipment	38,558
Repairs and maintenance	22,020
Communications	10,202
Utilities	7,659
Other	<u>2,247</u>
Total cash disbursements	<u>1,472,332</u>
Excess of cash receipts over cash disbursements	<u>\$ 51,701</u>

See accompanying notes to financial statement.

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT

Notes to Financial Statement
September 30, 2016

(1) Organization

The Republic of the Marshall Islands (RepMar) Office of Single State Agency (RMISSA) within RepMar's Ministry of Health and Human Services is the government organization responsible for planning, organizing, delivering, and monitoring critical mental health and substance use disorder services in the Marshall Islands. The U.S. Department of Health and Human Services through its Substance Abuse and Mental Health Services Administration (SAMHSA) has awarded the Strategic Prevention Framework - Partnership For Success (SPF PFS) grant, CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance, to the RMISSA. The RMISSA has, in turn, entered into various sub-recipient agreements with community-based nonprofit organizations to administer these grant funds. The operations of the RMISSA are overseen by a Program Director within RepMar's Ministry of Health and Human Services.

Kumit Bobrae Coalition, Inc ("KBC") is a community-based nonprofit organization incorporated under the laws of the Republic of the Marshall Islands in March 2011. KBC has 7 coalitions throughout the Marshall Islands and is delegated by a seven-member Board of Directors committee. The Board of Directors is comprised of the chairs from each of the 7 coalition communities.

In 2015, the RMISSA entered into a sub-recipient agreement with KBC to administer the SPF PFS grant for a period of five years for the purpose of implementing the RMI Bobrae Project (Substance Abuse Prevention). The accompanying financial statement relates solely to those accounting records maintained by KBC for the RMI Bobrae Project, and do not incorporate any accounts related to other operations of KBC that may be accounted for by KBC.

(2) Summary of Significant Accounting Policies – Basis of Accounting

The financial statement of KBC has been prepared on the cash-basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The cash-basis of accounting differs from GAAP primarily because revenues are recognized when received rather than when earned and expenditures are recorded when paid rather than when incurred. The financial statement, therefore, presents only changes in cash and cash equivalents in the form of cash receipts and disbursements.

(3) Related Party Transactions

During the year ended September 30, 2016, KBC made \$37,230 of cash disbursements to the RMISSA Program Director for compensation and reimbursement of certain costs. Furthermore, KBC made \$190,377 of cash disbursements for certain goods and services purchased from a related party.

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

Ms. Maybelline A. Bing
Secretary
Ministry of Finance, Banking and Postal Services
Government of the Republic of the Marshall Islands
Majuro, MH 96960:

We were engaged to conduct an 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, of the statement of cash receipts and disbursements of the Kumit Bobrae Coalition, Inc. ("KBC") Strategic Prevention Framework - Partnership For Success Bobrae (Prevention) Project, funded by the CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance grant, for the year ended September 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated February 11, 2020. Our report stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statement due to inadequacies in the accounting records.

Internal Control Over Financial Reporting

In planning the engagement to audit the financial statement, we considered KBC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of KBC's internal control. Accordingly, we do not express an opinion on the effectiveness of KBC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002 and 2016-005, that we consider to be material weaknesses.

Compliance and Other Matters

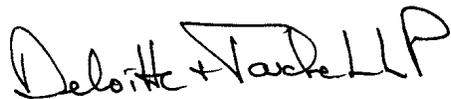
As part of obtaining reasonable assurance about whether KBC's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2016-002, 2016-003, 2016-005 and 2016-006.

KBC's Response to Findings

KBC's response to the findings identified in the engagement to audit the financial statement are described in the accompanying Corrective Action Plan. KBC's response was not subjected to the auditing procedures applied in the engagement to audit the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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



February 11, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE SOLE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Ms. Maybelline A. Bing
Secretary
Ministry of Finance, Banking and Postal Services
Government of the Republic of the Marshall Islands
Majuro, MH 96960:

Report on Compliance for the Sole Major Federal Program

We have audited Kunit Bobrae Coalition Inc. (KBC's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on KBC's sole major federal program for the year ended September 30, 2016. KBC's sole major federal program is CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance as identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for KBC's sole major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 KBC'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 qualified opinion on compliance for KBC's sole major federal program. However, our audit does not provide a legal determination of KBC's compliance.

Basis for Qualified Opinion on the Sole Major Federal Program

As described in Findings 2016-001 through 2016-004 in the accompanying Schedule of Findings and Questioned Costs, KBC did not comply with requirements regarding the following for CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance:

Finding #	Compliance Requirement
2016-001	Allowable Costs/Cost Principles
2016-002	Equipment and Real Property Management
2016-003	Procurement and Suspension and Debarment
2016-004	Reporting

Compliance with such requirements is necessary, in our opinion, for KBC to comply with the requirements applicable to that program.

Qualified Opinion on the Sole Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, KBC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the sole major federal program for the year ended September 30, 2016.

Other Matters

KBC’s response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. KBC’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of KBC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KBC’s internal control over compliance with the types of requirements that could have a direct and material effect on the sole major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the sole major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 KBC’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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.

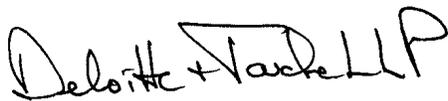
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 through 2016-004, that we consider to be material weaknesses.

KBC's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. KBC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We were engaged to audit the statement of cash receipts and disbursements of the KBC Strategic Prevention Framework - Partnership For Success Bobrae (Prevention) Project, funded by the CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance grant, for the year ended September 30, 2016, and have issued our report thereon dated February 11, 2020. Our report stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statement due to inadequacies in the accounting records. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the engagement to audit the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the inadequacies in the accounting records, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Schedule of Expenditures of Federal Awards in relation to the financial statement as a whole.



February 11, 2020

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Program From Republic of the Marshall Islands:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	MI-16-0260	\$ <u>1,472,332</u>

See accompanying notes to schedule of expenditures of federal awards.

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

(1) Organization

The Republic of the Marshall Islands (RepMar) Office of Single State Agency (RMISSA) within RepMar's Ministry of Health and Human Services is the government organization responsible for planning, organizing, delivering, and monitoring critical mental health and substance use disorder services in the Marshall Islands. The U.S. Department of Health and Human Services through its Substance Abuse and Mental Health Services Administration (SAMHSA) has awarded the Strategic Prevention Framework - Partnership For Success (SPF PFS) grant, CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance, to the RMISSA. The RMISSA has, in turn, entered into various sub-recipient agreements with community-based nonprofit organizations to administer these grant funds. The operations of the RMISSA are overseen by a Program Director within RepMar's Ministry of Health and Human Services.

Kumit Bobrae Coalition, Inc ("KBC") is a community-based nonprofit organization incorporated under the laws of the Republic of the Marshall Islands in March 2011. KBC has 7 coalitions throughout the Marshall Islands and is delegated by a seven-member Board of Directors committee. The Board of Directors is comprised of the chairs from each of the 7 coalition communities.

In 2015, the RMISSA entered into a sub-recipient agreement with KBC to administer the SPF PFS grant for a period of five years for the purpose of implementing the RMI Bobrae Project (Substance Abuse Prevention).

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of KBC under a program of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of KBC, it is not intended to and does not present the financial position, changes in net position, or cash flows of KBC.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash-basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The cash-basis of accounting differs from GAAP primarily because expenditures are recorded when paid rather than when incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The pass-through entity identifying number is presented where available. KBC has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statement audited was prepared in accordance with a comprehensive basis of accounting other than GAAP: Disclaimer

Internal control over financial reporting:

- | | | |
|----|--|---------------|
| 2. | Material weakness(es) identified? | Yes |
| 3. | Significant deficiency(ies) identified? | None reported |
| 4. | Noncompliance material to financial statement noted? | Yes |

Federal Awards

Internal control over the sole major federal program:

- | | | |
|----|--|---------------|
| 5. | Material weakness(es) identified? | Yes |
| 6. | Significant deficiency(ies) identified? | None reported |
| 7. | Type of auditors' report issued on compliance for the sole major federal program: | Qualified |
| 8. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 9. | Identification of the sole major federal program: | |

<u>CFDA #</u>	<u>Name of Federal Program</u>
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance

- | | | |
|-----|--|------------|
| 10. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$ 750,000 |
| 11. | Auditee qualified as low-risk auditee? | No |

Section II - Financial Statement Findings

Finding Number	Findings
2016-001	Cash Disbursements
2016-002	Capital Assets
2016-003	Procurement and Suspension and Debarment
2016-005	Accounting Policies and Procedures
2016-006	Conflict of Interest Policy

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Section III - Federal Award Findings and Questioned Costs

Finding Number	CFDA #	Findings	Questioned Costs
2016-001	93.243	Allowable Costs/Cost Principles	\$ 370,598
2016-002	93.243	Equipment and Real Property Management	\$ -
2016-003	93.243	Procurement and Suspension and Debarment	\$ 292,518
2016-004	93.243	Reporting	\$ -

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-001
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
 Federal Award No.: 5U79SP020711-02
 Questioned Costs: \$370,598

Area: Allowable Costs/Cost Principles
 Cash Disbursements

Criteria: Federal program expenditures should be in accordance with allowable costs/cost principles requirements and should be directly related to, and in accordance with, program intent and objectives.

Condition # 1: Of \$1,035,402 in non-payroll program expenditures, sixty (60) items totaling \$553,630 were tested, of which the following exceptions were noted:

<u>Item #</u>	<u>Check #</u>	<u>Questioned Cost</u>	<u>Item #</u>	<u>Check #</u>	<u>Questioned Cost</u>
1	614	\$ 2,035	17	2877	\$ 845
2	653	\$ 40,937	18	3064	\$ 13,462
3	654	\$ 25,207	19	3119	\$ 14,841
4	656	\$ 5,000	20	2738	\$ 17,083
5	2507	\$ 5,983	21	3298	\$ 6,990
6	2344	\$ 900	22	3120	\$ 3,521
7	2498	\$ 3,931	23	2281	\$ 700
8	2575	\$ 14,425	24	2292	\$ 1,290
9	2636	\$ 18,557	25	2944	\$ 800
10	2822	\$ 14,368	26	2977	\$ 700
11	2832	\$ 8,015	27	3651	\$ 400
12	2014	\$ 1,061	28	2390	\$ 200
13	2067	\$ 1,391	29	2440	\$ 3,354
14	2385	\$ 50,000	30	3037	\$ 3,450
15	2574	\$ 20,000	31	3226	\$ 4,246
16	2724	\$ 33,605	32	2193	\$ 3,344
					\$ <u>320,641</u>

For item #s 1 through 5, check files, including the related invoice/supplier statement or equivalent document, purchase order, and purchase requisition, were not provided. For item #s 6 through 11, no vendor invoices or other third party documents were provided. Furthermore, item #s 1 and 7 were program expenditures totaling \$5,966 representing reimbursement of certain costs to the RMISSA Program Director.

For item #s 12 through 22, no supporting purchase requisitions and/or purchase orders were provided. Furthermore, item #s 12 through 20 were program expenditures totaling \$152,288 for goods and services purchased from two related-party vendors.

For item #s 23 through 27, no approving or certifying signature for the travel authorizations was evident. For item #s 28 through 31, no approving signature on the purchase requisitions or purchase orders was evident.

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-001, Continued
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
Federal Award No.: 5U79SP020711-02
Questioned Costs: \$370,598

Area: Allowable Costs/Cost Principles
Cash Disbursements

Condition # 2: Of \$395,419 in payroll program expenditures, sixty (60) items totaling \$62,639 were tested, of which the following exceptions were noted:

<u>Item #</u>	<u>Check #</u>	<u>Amount and Questioned Cost</u>	<u>Item #</u>	<u>Check #</u>	<u>Amount</u>	<u>Questioned Cost</u>
1	2073	\$ 4,424	27	2148	\$ 1,000	\$ 1,000
2	3113	\$ 502	28	2180	\$ 595	\$ 595
3	3166	\$ 191	29	2189	\$ 3,312	\$ 3,312
4	3273	\$ 2,451	30	2647	\$ 1,440	\$ 1,440
5	2094	\$ 2,000	31	2665	\$ 288	\$ 288
6	3085	\$ 288	32	2720	\$ 192	\$ 192
7	3157	\$ 288	33	2901	\$ 264	\$ 264
8	3235	\$ 384	34	3480	\$ 80	\$ 80
9	3351	\$ 228	35	3551	\$ 1,300	\$ 1,300
10	3405	\$ 384	36	3749	\$ 162	\$ 162
11	3659	\$ 320	37	2212	\$ 702	\$ 1
12	2602	\$ 702	38	617	\$ 702	\$ 1
13	2750	\$ 800	39	2460	\$ 149	\$ 10
14	2826	\$ 842	40	2799	\$ 218	\$ -
15	1912	\$ 4,116	41	2855	\$ 429	\$ -
16	2086	\$ 1,587	42	3069	\$ 467	\$ 8
17	2490	\$ 2,654	43	3627	\$ 182	\$ 7
18	2678	\$ 702	44	3716	\$ 394	\$ -
19	3071	\$ 2,654	45	2419	\$ 80	\$ -
20	3437	\$ 212	46	1925	\$ 227	\$ -
21	2074	\$ 665	47	2521	\$ 381	\$ 147
22	2081	\$ 1,488	48	3529	\$ 172	\$ 25
23	2100	\$ 400	49	2734	\$ 500	\$ 500
24	2115	\$ 600	50	3309	\$ 600	\$ 600
25	2128	\$ 1,000	51	3347	\$ 2,000	\$ 2,000
26	2138	\$ 595	52	3207	\$ 1,082	\$ 185
			53	3668	\$ 7,363	\$ 7,363
					\$ 54,758	\$ 49,957

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No.: 2016-001, Continued
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
Federal Award No.: 5U79SP020711-02
Questioned Costs: \$370,598

Area: Allowable Costs/Cost Principles
Cash Disbursements

Condition # 2, Continued:

For item #s 1 through 11, check files were not provided.

For item # 12, no approving signature on the employee timesheet was evident.

For item #s 13 through 15, there was no approving signature on the employee timesheets and no contract/PAF was provided.

For item #s 16 through 36, the contract/PAF and/or timesheet of the employees were missing.

For item #s 37 through 44, employee net pay was incorrectly calculated and the employee timesheet was manually prepared.

For item #s 45 and 46, hours worked per the employee timesheet did not agree with hours paid per the Employee Pay Stub.

For item #s 47 and 48, hourly pay rate per the Employee Contract did not agree with hourly pay rate per Employee Pay Stub for calculation.

For item #s 49 through 51, the timesheet of the employee was missing and the cost may be unallowable due to advance payments (employees are paid hourly).

For item # 52, the employee's hourly rate in the employee contract did not agree to the hourly rate used in the Employee Pay Stub for calculation. The employee's timesheet also included 54 overtime hours worked in one pay-period; however, the employee only worked 79 regular hours.

For item # 53, the related invoice, cash receipt, tax return, or equivalent document was not provided.

Cause: KBC lacks internal controls over the required attendant documentation to substantiate that expenditures charged are directly related to the program and are in accordance with program intent and objectives.

Effect: KBC is in noncompliance with allowable costs/cost principles requirements. Accordingly, questioned costs of \$370,598 result. Furthermore, due to inadequacies in the accounting records, we are unable to form an opinion on the financial statements.

Recommendation: KBC management should establish and implement internal control policies and procedures over recordkeeping so that expenditures are evidenced by documentation to substantiate that the expenditures directly relate to and are in accordance with program intent and objectives.

Views of Auditee and Planned Corrective Actions: KBC agrees with the finding and describes corrective action in the Corrective Action Plan.

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No. : 2016-002
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
Federal Award No.: 5U79SP020711-02
Questioned Costs: \$0

Area: Equipment and Real Property Management
Capital Assets

Criteria: Section 313 of 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance), states that procedures for managing equipment will, as a minimum, meet the following requirements:

- a. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date and cost of the property, the percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
- b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years;
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated;
- d. Adequate maintenance procedures must be developed to keep the property in good condition; and
- e. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Condition # 1: Fixed asset records do not meet the criteria above and the records are not effectively maintained since updates to the records do not occur on a regular basis.

Condition # 2: The entity has not established policies and procedures governing property maintenance and has not effectively implemented a maintenance plan.

Condition # 3: Of \$1,035,402 in non-payroll program expenditures, sixty (60) items totaling \$553,630 were tested, of which twelve (12) items totaling \$164,536 were for purchase of construction materials; however, no capital assets were reported, and we were unable to physically sight the constructed assets. Further, the accountant represented to us that these expenditures were for the construction of capital assets on a privately owned island. No lease agreement was provided for the use of this land and we could not assess whether such was allowable per the grant agreement or the entity that has ownership of the constructed assets.

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No. : 2016-002, Continued
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
 Federal Award No.: 5U79SP020711-02
 Questioned Costs: \$0

Area: Equipment and Real Property Management
 Capital Assets

Condition # 3, Continued:

<u>Item #</u>	<u>Check #</u>	<u>Amount</u>	<u>Item #</u>	<u>Check #</u>	<u>Amount</u>
1	610	\$ 12,585	7	2811	\$ 18,749
2	653	\$ 40,937	8	2816	\$ 5,887
3	654	\$ 25,207	9	2961	\$ 4,500
4	1974	\$ 17,435	10	3298	\$ 6,990
5	1975	\$ 15,619	11	3459	\$ 4,649
6	2507	\$ 5,983	12	3679	\$ 5,995
					\$ <u>164,536</u>

Cause: KBC lacks adequate internal control policies and procedures to satisfy compliance with federal property rules and regulations and lacks procedures governing property maintenance.

Effect: KBC is in noncompliance with applicable equipment and real property management requirements. No questioned costs are presented at this finding because Item #s 2, 3 and 10 totaling \$73,134 were questioned for noncompliance with allowable costs/cost principles requirements at Finding No. 2016-001; and item #s 1, 4 through 9, 11 and 12 totaling \$91,402 were questioned for noncompliance with procurement and suspension and debarment requirements at Finding No. 2016-003.

Recommendation: KBC should establish and implement internal control policies and procedures over compliance with applicable equipment and real property management requirements. Management should perform an inventory of fixed assets as a basis for recording all assets, complete such inventory in accordance with applicable property rules and regulations, and develop adequate maintenance procedures in order to keep property in good condition. We further recommend that management identify the capital assets that KBC constructed on the privately owned island and that the Office of the Attorney General, the Office of the Auditor-General, and the federal funding agency subject this matter to further follow-up audits.

Views of Auditee and Planned Corrective Actions: KBC agrees with the finding and describes corrective action in the Corrective Action Plan.

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No. : 2016-003
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
 Federal Award No.: 5U79SP020711-02
 Questioned Costs: \$292,518

Area: Procurement and Suspension and Debarment

Criteria: Section 318 of the Uniform Guidance states that subrecipients of federal funds may follow local procurement laws, provided that they meet the standards identified within 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 three 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 \$878,000 in non-payroll program expenditures, sixty (60) items totaling \$592,830 were tested. For the following items, supporting documentation was inadequate to evidence the procurement process:

<u>Item #</u>	<u>Check #</u>	<u>Amount</u>	<u>Item #</u>	<u>Check #</u>	<u>Amount</u>
1	653	\$ 40,937	16	2200	\$ 7,533
2	654	\$ 25,207	17	2246	\$ 3,647
3	656	\$ 5,000	18	610	\$ 12,585
4	2507	\$ 5,983	19	611	\$ 8,576
5	2518	\$ 2,670	20	634	\$ 16,420
6	2778	\$ 109	21	2284	\$ 2,982
7	3219	\$ 3,709	22	2324	\$ 2,239
8	3368	\$ 783	23	2374	\$ 285
9	3679	\$ 5,995	24	2385	\$ 50,000
10	1910	\$ 400	25	2387	\$ 3,894
11	1974	\$ 17,435	26	2428	\$ 1,743
12	1975	\$ 15,619	27	2479	\$ 1,596
13	1983	\$ 1,317	28	2500	\$ 20,335
14	2021	\$ 4,812	29	650	\$ 20,000
15	2121	\$ 4,470	30	2574	\$ 20,000

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No. : 2016-003, Continued
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
 Federal Award No.: 5U79SP020711-02
 Questioned Costs: \$292,518

Area: Procurement and Suspension and Debarment

Condition, Continued:

<u>Item #</u>	<u>Check #</u>	<u>Amount</u>	<u>Item #</u>	<u>Check #</u>	<u>Amount</u>
31	2575	\$ 14,425	45	3064	\$ 13,462
32	2583	\$ 1,804	46	3073	\$ 2,052
33	2636	\$ 18,557	47	3119	\$ 14,841
34	2658	\$ 1,600	48	3129	\$ 856
35	2724	\$ 33,605	49	3205	\$ 14,425
36	2738	\$ 17,083	50	3206	\$ 3,308
37	2811	\$ 18,749	51	3227	\$ 4,614
38	2812	\$ 5,252	52	3293	\$ 12,600
39	2816	\$ 5,887	53	3302	\$ 680
40	2822	\$ 14,368	54	3370	\$ 9,979
41	2831	\$ 1,697	55	3397	\$ 807
42	2876	\$ 4,909	56	3459	\$ 4,649
43	2961	\$ 4,500	57	3561	\$ 7,684
44	3037	\$ 3,450	58	3568	\$ 24,495
			59	3585	\$ 2,818
					\$ <u>569,436</u>

For item #s 1 through 9, record of procurement was not provided.

For item #s 10 through 59, no evidence of competitive procurement as stipulated in the RMI Procurement Code was on file. Item # 15, totaling \$4,470, represents reimbursement of certain costs to the RMISSA Program Director. Item #s 16, 24, 30, 35, 36, 45 and 47, totaling \$156,524, represent goods and services purchased from two related-party vendors.

Item #s 1-4, 24, 30, 31, 35, 36, 40, 44, 45, and 47, totaling \$276,918, were questioned for noncompliance with allowable costs/cost principles requirements at Finding No. 2016-001; therefore, these items are not included as questioned costs for noncompliance within the procurement and suspension and debarment requirement in this finding.

Cause: KBC lacks adequate internal control policies and procedures over the required procurement processes and documentation to satisfy compliance with applicable procurement requirements.

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No. : 2016-003, Continued
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
Federal Award No.: 5U79SP020711-02
Questioned Costs: \$292,518

Area: Procurement and Suspension and Debarment

Effect: KBC is in noncompliance with applicable procurement requirements, and questioned costs of \$569,436 result, of which \$276,918 are questioned at Finding No. 2016-001. Therefore, questioned costs of \$292,518 are presented at this finding.

Recommendation: KBC should establish and implement policies and procedures over compliance with applicable procurement requirements. KBC should perform and document proper procurement processes.

Views of Auditee and Planned Corrective Actions: KBC agrees with the finding and describes corrective action in the Corrective Action Plan.

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No. : 2016-004
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
Federal Award No.: 5U79SP020711-02
Questioned Costs: \$0

Area: Reporting

Criteria: Financial Reports are required to be submitted to the Pass-Through Entity on an annual basis.

Condition: KBC has not established policies and procedures over reporting requirements, and reports submitted did not accurately represent disbursements for the year as the reports were incomplete. A total of five (5) checks totaling \$585 were missing from the reports due to human error.

Cause: KBC lacks adequate internal control policies and procedures to facilitate compliance with reporting requirements.

Effect: KBC is in noncompliance with reporting requirements. No questioned costs are reported as condition relates to inadequate file maintenance and lack of policies and procedures over reporting rather than from requested cash draws exceeding expenditures incurred.

Recommendation: Management should establish and implement adequate internal control policies and procedures requiring verification of the accuracy of the reports submitted and data retention and file maintenance of report submissions.

Views of Auditee and Planned Corrective Actions: KBC agrees with the finding and describes corrective action in the Corrective Action Plan.

KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No. : 2016-005

Area: Accounting Policies and Procedures

Criteria: Section 303 of the Uniform Guidance states that non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: There are no written accounting policies and procedures and internal controls over financial reporting. The general ledger is maintained on an Excel spreadsheet, and there is no review of entered data. Further, there are no apparent controls in place to authorize and to identify transactions with related parties.

Cause: KBC management did not enforce compliance with internal control requirements of the Uniform Guidance.

Effect: KBC is in noncompliance with the Uniform Guidance internal control requirements over accounting and financial reporting. Furthermore, due to resulting inadequacies in the accounting records, we are unable to form an opinion on the financial statements.

Recommendation: Management should establish and implement formal accounting policies and procedures and internal controls over financial reporting.

Views of Auditee and Planned Corrective Actions: KBC agrees with the finding and describes corrective action in the Corrective Action Plan.

**KUMIT BOBRAE COALITION, INC.
STRATEGIC PREVENTION FRAMEWORK - PARTNERSHIP
FOR SUCCESS BOBRAE (PREVENTION) PROJECT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2016

Finding No. : 2016-006

Area: Conflict of Interest Policy

Criteria: Section 112 of the Uniform Guidance states that the Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.

Condition: KBC did not provide the required disclosure documentation. KBC made cash disbursements to the RMISSA Program Director of \$37,230 for compensation and reimbursement of certain costs. The Program Director was also employed by the Government of the Republic of the Marshall Islands within the Ministry of Health and Human Services and was compensated for that position as a full-time employee. Furthermore, KBC made \$190,377 of cash disbursements for certain goods and services purchased from related-party vendors.

Cause: KBC lacks internal controls over compliance with conflict of interest policies.

Effect: KBC is noncompliance with the Uniform Guidance conflict of interest requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation: Management should establish and implement formal conflict of interest policies in accordance with applicable requirements of the Uniform Guidance.

Views of Auditee and Planned Corrective Actions: KBC agrees with the finding and describes corrective action in the Corrective Action Plan.



KUMIT BOBRAE COALITION INC.
 PO BOX 661 MAJURO, MH 96960
 Republic of the Marshall Islands
 Email: leilaniperen@gmail.com or jinanana76@gmail.com

**CORRECTIVE ACTION PLAN
 2 CFR § 200.511(c)
 Year Ended September 30, 2016**

Finding Number	CFDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2016-001	93.243	Allowable Costs/Cost Principles Cash Disbursements	\$370,598	KBC agrees with Finding. KBC will make sure all transactions/expenditures are properly supported and in compliance with the program intent and objectives. KBC will also purchase a time clock for Majuro employees to use in order to ensure correct hours worked by each employee. Implementation of corrective actions will take effect immediately.	September 30, 2020	Leilani Peren, Acting Director, and Newton Matthew, Accountant
2016-002	93.243	Equipment and Real Property Management Capital Assets	\$0	KBC agrees with Finding. KBC will perform an inventory of all fixed assets within the year and record them in the accounting system. A fixed asset register will be produced in order to assess conditions of all assets.	September 30, 2020	Newton Matthew, Accountant
2016-003	93.243	Procurement and Suspension and Debarment	\$292,518	KBC agrees with Finding. The Procurement Policy of KBC will be revised and corrective measures will be amended into the policy accordingly to comply with the RMI Procurement Code. KBC will monitor all purchases and services rendered to be in compliance within the policy. All documentations related to these transactions will be inspected to justify all actual costs incurred.	September 30, 2020	Leilani Peren, Acting Director, and Newton Matthew, Accountant
2016-004	93.243	Reporting	\$0	KBC agrees with Finding. Management will require all Financial Reports to be submitted on time to Secretary of Finance annually. KBC will establish policies and procedures in order to meet and comply with reporting requirements.	September 30, 2020	Leilani Peren, Acting Director, and Newton Matthew, Accountant

Finding Number	CFDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2016-005		Accounting Policies and Procedures	\$0	KBC agrees with Finding. In order to prepare and ensure comprehensive and compliant financial reports, we will establish and operate a reliable system for collecting, recording and reporting financial transactions. A written accounting policy and procedure will be put in place as a regulatory guideline. As mentioned in the audit finding, agency has no accounting system and transactions were done manually. To correct this, we have already installed in mid-November 2019, the QuickBooks NGO accounting software and hired an accountant to input all manually produced checks. Timeline to complete this task will be within the year as there was no system in place and all transactions were done manually for 5 years.	September 30, 2020	Newton Matthew, Accountant
2016-006		Conflict of Interest Policy	\$0	KBC agrees with Finding. Management will establish a Conflict of Interest Policy as soon as possible to ensure purchases and services are not in any way connected or implicated to any related third parties. Policy will be included in the manual/reference document that lists all the current policies and procedures applicable within the entity.	September 30, 2020	KBC Board of Directors and KBC Management