

**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)**

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**FINANCIAL STATEMENT  
AND  
INDEPENDENT AUDITORS' REPORT**

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**YEAR ENDED SEPTEMBER 30, 2017**

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

Year Ended September 30, 2017  
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## **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, 2017, 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*

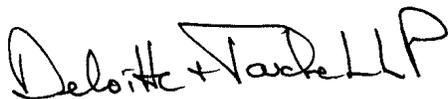
As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the KBC Strategic Prevention Framework - Partnership For Success Bobrae (Prevention) Project funded by the CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National 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 21, 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.

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

February 21, 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, 2017

Cash Receipts:	
Federal program receipts	<u>\$ 1,081,806</u>
Cash Disbursements:	
Coalition program	404,278
Personnel	289,205
Materials and supplies	120,477
Equipment	96,980
Annual Bobrae conference	80,000
Travel	79,499
Office rental	45,138
Repairs and maintenance	19,640
Communications	9,784
Utilities	950
Other	<u>2,170</u>
Total cash disbursements	<u>1,148,121</u>
Deficiency of cash receipts under cash disbursements	<u>\$ (66,315)</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, 2017

(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, 2017, KBC paid \$29,730 in cash to the RMISSA Program Director for compensation and reimbursement of certain costs. Furthermore, KBC paid \$124,016 in cash for compensation and purchase of certain goods and services from related parties.

KBC has entered into a lease agreement with a KBC Board member for the Rita KBC Center office at \$400 per month. During the year ended September 30, 2017, KBC paid \$4,800 in cash to the KBC Board member for office rent.

**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, 2017, and the related notes to the financial statement, and have issued our report thereon dated February 21, 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 2017-001, 2017-002 and 2017-005, that we consider to be material weaknesses.

## Compliance and Other Matters

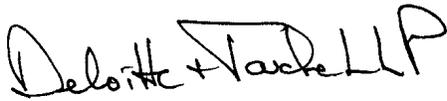
As part of obtaining reasonable assurance about whether KBC's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 2017-002, 2017-003, 2017-005 and 2017-006.

## 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.

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

February 21, 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, 2017. 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 2017-001 through 2017-004 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:

<b>Finding #</b>	<b>Compliance Requirement</b>
2017-001	Allowable Costs/Cost Principles
2017-002	Equipment and Real Property Management
2017-003	Procurement and Suspension and Debarment
2017-004	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, 2017.

## **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.

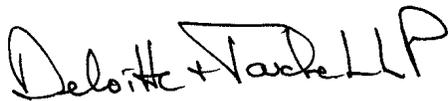
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material 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 2017-001 through 2017-004, 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, 2017, and have issued our report thereon dated February 21, 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 21, 2020

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

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

<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-16-1104	\$ <u>1,148,121</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, 2017

(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, 2017. 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, Continued  
Year Ended September 30, 2017

**Section III - Federal Award Findings and Questioned Costs**

<u>Finding Number</u>	<u>CFDA #</u>	<u>Findings</u>	<u>Questioned Costs</u>
2017-001	93.243	Allowable Costs/Cost Principles	\$ 318,096
2017-002	93.243	Equipment and Real Property Management	\$ -
2017-003	93.243	Procurement and Suspension and Debarment	\$ 44,924
2017-004	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, 2017

Finding No.: 2017-001  
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.: 5U79SP020711-03  
Questioned Costs: \$318,096

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 \$632,767 in non-payroll program expenditures, sixty (60) items totaling \$259,714 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	4499	\$ 20,000	20	5183	\$ 350
2	3883	\$ 280	21	5191	\$ 350
3	4838	\$ 23,995	22	4997	\$ 250
4	4867	\$ 23,995	23	4994	\$ 250
5	4738	\$ 316	24	4746	\$ 500
6	5353	\$ 99	25	5102	\$ 350
7	5214	\$ 386	26	5186	\$ 350
8	4984	\$ 64	27	5359	\$ 875
9	4870	\$ 125	28	4930	\$ 80
10	5677	\$ 78	29	3987	\$ 2,534
11	4820	\$ 23,995	30	5527	\$ 840
12	4800	\$ 15,303	31	4875	\$ 54
13	4865	\$ 80,000	32	3907	\$ 245
14	4002	\$ 1,798	33	5688	\$ 2,074
15	4277	\$ 913	34	3986	\$ 600
16	4478	\$ 479	35	5760	\$ 80
17	3985	\$ 242	36	4755	\$ 1,258
18	4888	\$ 126	37	5654	\$ 210
19	4528	\$ 1,595	38	3999	\$ 1,701
			39	4524	\$ 24,995
					\$ <u>231,735</u>

For item # 1, the expenditure pertained to a grant given to a church that was directed and approved by the SSA office. The nature of the expenditure was not evident as to whether such meets program objectives.

For item # 2, no check file, including the related invoice/supplier statement or equivalent document, purchase order, and purchase requisition, was provided.

For item #s 3 through 11, no vendor invoices or other third-party documents were provided.

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

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2017

Finding No.: 2017-001, 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.: 5U79SP020711-03  
 Questioned Costs: \$318,096

Area: Allowable Costs/Cost Principles  
 Cash Disbursements

Condition # 1, Continued:

For item #s 12 through 19, no supporting purchase requisitions and/or purchase orders were provided. Furthermore, item #s 13 through 19 were program expenditures totaling \$85,153 for goods and services purchased from two related-party vendors. Item # 13 pertains to the acquisition of promotional supplies such as pens, rubber bracelets, mugs, shirts, etc. for an annual conference. No receiving report was provided to ascertain if promotional supplies were received.

For item #s 20 through 26, no boarding passes or trip reports were provided to evidence that travel occurred.

For item #s 27 and 28, the expenditures pertained to participant support costs for which no underlying documentation, such as contracts or equivalent to support the hourly pay rate, were provided.

For item #s 29 through 38, no approving or certifying signature on the purchase requisitions or purchase orders was evident. Item # 34 pertains to the acquisition of a washing machine as a prize giveaway for a sports club community league.

For item #s 3, 4, 11 and 39, the expenditures pertained to the acquisition of vehicles for which no specific grantor approval was evident.

Condition # 2: Of \$458,737 in payroll program expenditures, sixty (60) items totaling \$47,163 were tested, of which the following exceptions were noted:

<u>Item #</u>	<u>Check #</u>	<u>Amount</u>	<u>Questioned Cost</u>	<u>Item #</u>	<u>Check #</u>	<u>Amount</u>	<u>Questioned Cost</u>
1	3894	\$ 159	\$ 159	15	5303	\$ 149	\$ 149
2	4184	\$ 291	\$ 291	16	4268	\$ 200	\$ 200
3	4144	\$ 342	\$ 342	17	4794	\$ 80	\$ 80
4	4750	\$ 849	\$ 849	18	5270	\$ 102	\$ 102
5	5360	\$ 768	\$ 768	19	3935	\$ 132	\$ 132
6	5202	\$ 2,266	\$ 2,266	20	3830	\$ 64	\$ 64
7	5637	\$ 258	\$ 160	21	4281	\$ 720	\$ 720
8	3874	\$ 150	\$ 150	22	4115	\$ 396	\$ 396
9	5280	\$ 346	\$ 346	23	4732	\$ 160	\$ 160
10	5432	\$ 593	\$ 593	24	5607	\$ 210	\$ 210
11	5805	\$ 693	\$ 693	25	4395	\$ 500	\$ 500
12	4598	\$ 502	\$ 502	26	5733	\$ 60	\$ 60
13	5224	\$ 168	\$ 168	27	5609	\$ 570	\$ 570
14	4354	\$ 480	\$ 480	28	4937	\$ 242	\$ 242

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

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2017

Finding No.: 2017-001, 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.: 5U79SP020711-03  
 Questioned Costs: \$318,096

Area: Allowable Costs/Cost Principles  
 Cash Disbursements

Condition # 2, Continued:

<u>Item #</u>	<u>Check #</u>	<u>Amount</u>	<u>Questioned Cost</u>	<u>Item #</u>	<u>Check #</u>	<u>Amount</u>	<u>Questioned Cost</u>
29	4521	\$ 45	\$ 45	36	4773	\$ 206	\$ 30
30	5566	\$ 130	\$ 130	37	4251	\$ 200	\$ 20
31	4969	\$ 75	\$ 75	38	3867	\$ 107	\$ 8
32	5564	\$ 300	\$ 300	39	5158	\$ 158	\$ 158
33	5276	\$ 7,450	\$ 1,490	40	5066	\$ 48	\$ 48
34	5731	\$ 210	\$ 31	41	3866	\$ 187	\$ 187
35	4797	\$ 351	\$ 13	42	5627	\$ 214	\$ 214
						<u>\$ 21,131</u>	<u>\$ 14,101</u>

For item #s 1 through 3, no check files pertaining to participant support costs were provided.

For item #s 4 through 16, no contract/PAF and/or timesheet of the employees were provided.

For item #s 17 through 32, the expenditures pertained to participant support costs for which no underlying documentation, such as contracts or equivalent to support the hourly pay rate, were provided.

For item #s 33 through 38, employee net pay was incorrectly calculated, and the employee timesheet was manually prepared. Furthermore, item # 33 for program expenditures of \$7,450 represented compensation costs for the RMISSA Program Director.

For item #s 39 through 42, there was no approving signature on the employee timesheets.

Condition # 3: During the year ended September 30, 2017, the construction of a seawall at the Rita KBC Center office was completed, which included expenditures for supplies and materials totaling \$4,916 and \$43,974 for participant support costs. Furthermore, other construction-related activities for a Woja Project occurred, which included expenditures totaling \$13,764 for supplies and materials and \$11,253 for participant support costs. No specific grantor approval for these construction activities was evident. The total participant support costs of \$73,907 include \$1,647 that are reported in Condition # 2 above as item #s 1 through 3, 24, 27 and 31, resulting in questioned costs of \$72,260 presented at this condition.

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

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2017

Finding No.: 2017-001, 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.: 5U79SP020711-03  
Questioned Costs: \$318,096

Area: Allowable Costs/Cost Principles  
Cash Disbursements

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 \$318,096 result. Furthermore, due to inadequacies in the accounting records, we are unable to form an opinion on the financial statements.

Identification as a Repeat Finding: Finding 2016-001

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, 2017

Finding No. : 2017-002  
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.: 5U79SP020711-03  
Questioned Costs: \$0

Area: Equipment and Real Property Management  
Capital Assets

Criteria: Section 313 of 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and 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.

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 reported as the conditions relate to inadequate property records and maintenance procedures rather than unallowable asset acquisitions.

Identification as a Repeat Finding: Finding 2016-002

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

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2017

Finding No. : 2017-002, 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.: 5U79SP020711-03  
Questioned Costs: \$0

Area: Equipment and Real Property Management  
Capital Assets

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.

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, 2017

Finding No. : 2017-003  
 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.: 5U79SP020711-03  
 Questioned Costs: \$44,924

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 \$559,199 in non-payroll program expenditures, sixty (60) items totaling \$246,280 were tested. For the following items, supporting documentation was inadequate to evidence the procurement process:

<u>Questioned</u>			<u>Questioned</u>		
<u>Item #</u>	<u>Check #</u>	<u>Cost</u>	<u>Item #</u>	<u>Check #</u>	<u>Cost</u>
1	3784	\$ 230	17	5858	\$ 675
2	4987	\$ 94	18	3909	\$ 75
3	5201	\$ 168	19	5743	\$ 1,926
4	4499	\$ 20,000	20	4141	\$ 2,250
5	4524	\$ 24,995	21	4195	\$ 530
6	4820	\$ 23,995	22	4277	\$ 913
7	4838	\$ 23,995	23	4836	\$ 1,270
8	4865	\$ 80,000	24	4210	\$ 230
9	4867	\$ 23,995	25	5095	\$ 520
10	5121	\$ 150	26	3994	\$ 400
11	5764	\$ 40	27	4006	\$ 800
12	5429	\$ 750	28	5053	\$ 971
13	3781	\$ 1,116	29	4383	\$ 2,001
14	5576	\$ 450	30	5074	\$ 786
15	4414	\$ 250	31	4595	\$ 400
16	4547	\$ 803	32	4934	\$ 183

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

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2017

Finding No. : 2017-003, 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.: 5U79SP020711-03  
 Questioned Costs: \$44,924  
 Area: Procurement and Suspension and Debarment

Condition, Continued:

<u>Item #</u>	<u>Check #</u>	<u>Questioned Cost</u>	<u>Item #</u>	<u>Check #</u>	<u>Questioned Cost</u>
33	5552	\$ 6,244	47	5595	\$ 846
34	4981	\$ 432	48	5107	\$ 864
35	5200	\$ 60	49	4404	\$ 800
36	5210	\$ 550	50	5676	\$ 4,101
37	5359	\$ 875	51	3987	\$ 2,534
38	5355	\$ 125	52	5484	\$ 50
39	5759	\$ 80	53	4988	\$ 200
40	4875	\$ 54	54	3988	\$ 249
41	5106	\$ 4,722	55	3783	\$ 2,960
42	4193	\$ 832	56	4640	\$ 362
43	5588	\$ 322	57	3815	\$ 1,200
44	5755	\$ 125	58	4869	\$ 34
45	4948	\$ 1,582	59	3974	\$ 666
46	4360	\$ 300	60	4812	\$ 150
					<u>\$ 246,280</u>

For item #s 1 through 9, no record of procurement was provided.

For item #s 10 through 59, no evidence of competitive procurement as stipulated in the RMI Procurement Code was on file. Item #s 8, 10, 16, 22, 23, 28, 30, 42, 46, 53 and 59, totaling \$86,891, represent goods and services purchased from related-party vendors.

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

Effect: KBC is in noncompliance with applicable procurement requirements, and questioned costs of \$246,280 result, of which \$201,356 are questioned at Finding No. 2017-001. Therefore, questioned costs of \$44,924 are presented at this finding.

Identification as a Repeat Finding: Finding 2016-003

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, 2017

Finding No. : 2017-004  
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.: 5U79SP020711-03  
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 forty eight (48) checks totaling \$38,747 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 the condition relates to inadequate file maintenance and lack of policies and procedures over reporting rather than from requested cash draws exceeding expenditures incurred.

Identification as a Repeat Finding: Finding 2016-004

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, 2017

Finding No. : 2017-005

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.

Identification as a Repeat Finding: Finding 2016-005

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, 2017

Finding No. : 2017-006

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 \$29,730 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 cash disbursements of \$124,016 for compensation and purchase of certain goods and services from related-party vendors and \$4,800 for leased office rent from a KBC Board member.

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.

Identification as a Repeat Finding: Finding 2016-006

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.



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**CORRECTIVE ACTION PLAN  
 2 CFR § 200.511(c)  
 Year Ended September 30, 2017**

<b>Finding Number</b>	<b>CFDA No.</b>	<b>Compliance Requirement</b>	<b>Questioned Cost</b>	<b>Corrective Action Plan</b>	<b>Completion Date</b>	<b>Responsible Person</b>
2017-001	93.243	Allowable Costs/Cost Principles  Cash Disbursements	\$318,096	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
2017-002	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
2017-003	93.243	Procurement and Suspension and Debarment	\$44,924	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
2017-004	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
2017-005		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
2017-006		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



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**2 CFR § 200.511(b)**  
**Year Ended September 30, 2017**

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Questioned Costs</u>	<u>Status</u>
2016-001	93.243	\$ 370,598	Not resolved. Refer to CAP Finding 2017-001.
2016-002	93.243	-	Not resolved. Refer to CAP Finding 2017-002.
2016-003	93.243	292,518	Not resolved. Refer to CAP Finding 2017-003.
2016-004	93.243	-	Not resolved. Refer to CAP Finding 2017-004.
		<u>\$ 663,116</u>	