

**REPUBLIC OF THE MARSHALL ISLANDS**

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

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**YEAR ENDED SEPTEMBER 30, 2019**

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

His Excellency David Kabua  
President  
Republic of the Marshall Islands:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements, and have issued our report thereon dated December 31, 2020. Our report includes emphasis-of-matter paragraphs concerning collectability of federal grants receivable, social security obligations, the impact of COVID-19, and the correction of an error.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters did not include the Marshall Islands Scholarship, Grant and Loan Board, the Marshall Islands Judiciary Fund, the Health Care Revenue Fund, the Marshall Islands Health Fund, the Marshall Islands Social Security Administration, and the discretely presented component units, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered RepMar'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control. Accordingly, we do not express an opinion on the effectiveness of RepMar's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002, 2019-006 and 2019-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 to be significant deficiencies.

## **Compliance and Other Matters**

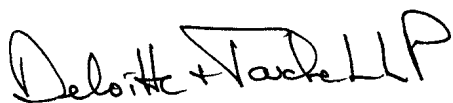
As part of obtaining reasonable assurance about whether RepMar's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 2019-003.

## **RepMar's Response to Findings**

RepMar's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 31, 2020

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

His Excellency David Kabua  
President  
Republic of the Marshall Islands:

**Report on Compliance for Each Major Federal Program**

We have audited the Republic of the Marshall Islands' (RepMar's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RepMar's major federal programs for the year ended September 30, 2019. RepMar's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in note 3 to the Schedule of Expenditures of Federal Awards, RepMar's basic financial statements include the operations of certain entities whose federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2019. Our audit, described below, did not include the operations of the entities identified in note 3 as these entities conducted separate audits in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), if required.

***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 programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of RepMar's major federal programs 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 the 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 RepMar's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of RepMar's compliance.

### ***Basis for Qualified Opinion on Each Major Federal Program***

As described in item 2019-002 in the accompanying Schedule of Findings and Questioned Costs, RepMar did not comply with requirements regarding the following:

<b><i>Finding #</i></b>	<b><i>CFDA #</i></b>	<b><i>Program Name</i></b>	<b><i>Compliance Requirement</i></b>
2019-002	15.875	Economic, Social and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Equipment and Real Property Management
2019-002	84.027	Special Education - Grants to States	Equipment and Real Property Management

Compliance with such requirements is necessary, in our opinion, for RepMar to comply with the requirements applicable to each of its major federal programs.

### ***Qualified Opinion on Each Major Federal Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, RepMar complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-003 and 2019-004 for CFDA 15.875 Economic, Social and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants and as item 2019-005 for CFDA 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance. Our opinion on each major federal program is not modified with respect to these matters.

RepMar's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

RepMar is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. RepMar's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## Report on Internal Control Over Compliance

Management of RepMar 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 RepMar's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 RepMar's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-003 and 2019-004 to be significant deficiencies.

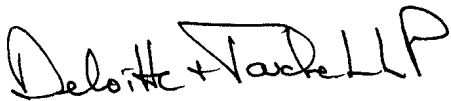
RepMar's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

RepMar is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. RepMar's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of RepMar as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements. We issued our report thereon dated December 31, 2020, which contained unmodified opinions on those financial statements and included emphasis-of-matter paragraphs concerning collectability of federal grants receivable, social security obligations, the impact of COVID-19, and the correction of an error. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 31, 2020

## REPUBLIC OF THE MARSHALL ISLANDS

### Summary Schedule of Expenditures of Federal Awards, By Grantor Year Ended September 30, 2019

<u>Agency</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 594,772
U.S. Department of Commerce	505,189
U.S. Department of the Interior	69,227,653
U.S. Department of Education	1,820,501
U.S. Department of Health and Human Services	6,192,459
U.S. Department of Homeland Security	8,354
	<u>\$ 78,348,928</u>

Note: All awards are received direct from the Federal Agency.

Reconciliation to the 2019 financial statements is as follows:

U.S. Federal Grants Fund	(1)	11,269,112
Compact Sector Grants Fund	(2)	44,704,228
Section 212 Kwajalein Landowners Fund	(3)	21,953,827
Section 213 Audit Fund	(4)	421,761
		<u>\$ 78,348,928</u>

- (1) Represents the aggregate total for expenditures and transfers out for the U.S. Federal Grants Fund of \$9,378,248 and \$1,890,864, respectively, presented on page 102 of the 2019 financial statements.
- (2) Represents the aggregate total for expenditures and transfers out for the Compact Sector Grants Fund of \$41,817,857 and \$2,886,371, respectively, presented on page 102 of the 2019 financial statements.
- (3) Represents the aggregate total for expenditures for the Section 212 Kwajalein Landowners Fund of \$21,953,827 presented on page 92 of the 2019 financial statements.
- (4) Represents the aggregate total for expenditures for the Section 213 Audit Fund of \$421,761 presented on page 102 of the 2019 financial statements.

See accompanying notes to schedule of expenditures of federal awards.

# REPUBLIC OF THE MARSHALL ISLANDS

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2019

Federal CFDA#	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
	<u>U.S. Department of Agriculture:</u>		
10.582	Fresh Fruit and Vegetable Program		\$ 594,772
	<u>U.S. Department of Commerce:</u>		
11.460	Special Oceanic and Atmospheric Projects		505,189
	<u>U.S. Department of the Interior:</u>		
15.875	Economic, Social and Political Development of the Territories: Compact of Free Association Program, As Amended:		
	Section 211(a)(1) Education Sector	\$ 1,579,205	10,717,532
	Supplemental Education Grant	379,994	5,342,289
	Section 211(a)(2) Health Sector		7,132,704
	Section 211(b)(1) Ebeye Special Needs	325,000	8,006,454
	Section 211(b)(2) Landowners Special Needs	2,064,860	2,944,666
	Section 211(b)(3) Kwajalein Environment		198,107
	Section 211(d)(1) Public Infrastructure Development	500,000	4,623,267
	Section 211(d)(2) Infrastructure Maintenance		4,145,040
	Section 211(e)(1) Disaster Assistance		1,594,169
	Section 212 Kwajalein Impact and Use		21,953,827
	Section 213 Audit		421,761
	Sub-total Compact of Free Association, As Amended, Sector Grants		67,079,816
	Four Atoll Health Care		1,890,864
	Office of the Auditor General -APIPA Peer Reviews		12,655
	Rongelap Atoll Local Government: Moi Export Enhancement Project		97,000
	Sub-total CFDA # 15.875		69,080,335
15.904	Historic Preservation Fund Grants-In-Aid		147,318
	Total U.S. Department of the Interior		69,227,653
	<u>U.S. Department of Education:</u>		
	Special Education Cluster (IDEA):		
84.027	Special Education-Grants to States		1,820,501
	Total Special Education Cluster (IDEA) and Total U.S. Department of Education		1,820,501
	<u>U.S. Department of Health and Human Services:</u>		
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance		71,075
93.074	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned		
	Cooperative Agreements		609,734
93.110	Maternal and Child Health Federal Consolidated Programs		89,452
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		442,797
93.127	Emergency Medical Services for Children		25,657
93.217	Family Planning-Services		168,733
	Health Center Program Cluster:		
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Health Centers)		1,094,446
	Sub-total Health Center Program Cluster		1,094,446
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1,115,217	1,287,019
93.268	Immunization Cooperative Agreements		643,085
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases		268,957
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (B)		58,572
93.377	Prevention and Control of Chronic Disease and Associated Risk Factors in the U.S. Affiliated Pacific Islands, U.S. Virgin Islands, and P. R.		141,774
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Diseases and Emerging Infections Program Cooperative Agreements		83,808
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds		35,904
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		365,937
93.917	HIV Care Formula Grants		33,189
93.945	Assistance Programs for Chronic Disease Prevention and Control		86,366
93.958	Block Grant for Community Mental Health Services		75,898
93.959	Block Grants for Prevention and Treatment of Substance Abuse		369,867
93.994	Maternal and Child Health Services Block Grant to the States		240,189
	Total U.S. Department of Health and Human Services		6,192,459
	<u>U.S. Department of Homeland Security</u>		
97.042	Emergency Management Performance Grants		8,354
	<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>	\$ 5,964,276	\$ 78,348,928

See accompanying notes to schedule of expenditures of federal awards.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2019**

#### **(1) Scope of Audit**

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

#### **(2) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of RepMar under programs of the federal government for the year ended September 30, 2019. 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 RepMar, it is not intended to and does not present the financial positions or changes in financial positions of RepMar.

#### **(3) Summary of Significant Accounting Policies**

##### **a. Basis of Accounting**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which RepMar maintains its accounting records. All expenditures and capital outlays that represent the federal share are reported as expenditures. 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.

##### **b. Reporting Entity**

For purposes of complying with the Single Audit Act of 1984, as amended in 1996, RepMar's reporting entity is defined in Note 1A to its September 30, 2019 basic financial statements; except that the Marshall Islands Scholarship, Grant and Loan Board, the Marshall Islands Judiciary Fund, the Health Care Revenue Fund, the Marshall Islands Health Fund, the Marshall Islands Social Security Administration, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule presents the federal award programs administered by RepMar, as defined above, for the year ended September 30, 2019.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2019

#### (3) Summary of Significant Accounting Policies, Continued

##### b. Reporting Entity, Continued

The federal award totals for the excluded component units as of September 30, 2019, are as follows:

<u>Component Unit</u>	<u>Federal Award Total</u>
Air Marshall Islands, Inc.	\$ -
College of the Marshall Islands	\$ 7,929,903
Health Care Revenue Fund	\$ -
Kwajalein Atoll Joint Utilities Resources, Inc.	\$ 1,625,172
Majuro Atoll Waste Company	\$ -
Majuro Resort, Inc.	\$ -
Majuro Water and Sewer Company, Inc.	\$ -
Marshall Islands Development Bank	\$ -
Marshall Islands Health Fund	\$ -
Marshall Islands Judiciary Fund	\$ -
Marshall Islands Marine Resources Authority	\$ -
Marshall Islands National Telecommunications Authority	\$ -
Marshall Islands Postal Service Authority	\$ -
Marshall Islands Scholarship, Grant and Loan Board	\$ 776,139
Marshall Islands Shipping Corporation	\$ -
Marshall Islands Social Security Administration	\$ -
Marshall Islands Energy Company, Inc.	\$ 1,355,915
National Environmental Protection Authority Fund	\$ -
RMI Office of Commerce, Investment and Tourism	\$ -
RMI Ports Authority	\$ -
Tobolar Copra Processing Authority	\$ -

##### c. Matching Costs

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

##### d. Indirect Cost Allocation

RepMar has not entered into an approved indirect cost negotiation agreement covering fiscal year 2019. RepMar did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance and did not charge federal programs for indirect costs during fiscal year 2019.

##### e. CFDA # 15.875

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

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2019

(3) Summary of Significant Accounting Policies, Continued

f. Subrecipients

Certain program funds are passed through RepMar to subrecipient organizations. The Schedule does not contain separate schedules disclosing how the subrecipients, outside of RepMar's control, utilized the funds.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs Year Ended September 30, 2019

#### Section I - Summary of Auditors' Results

##### *Financial Statements*

- |  |            |
|--|------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
|--|------------|

Internal control over financial reporting:

- |  |     |
|--|-----|
| 2. Material weakness(es) identified?                     | Yes |
| 3. Significant deficiency(ies) identified?               | Yes |
| 4. Noncompliance material to financial statements noted? | Yes |

##### *Federal Awards*

Internal control over major federal programs:

- |   |           |
|---|-----------|
| 5. Material weakness(es) identified?  | Yes       |
| 6. Significant deficiency(ies) identified?  | Yes       |
| 7. Type of auditors' report issued on compliance for major federal programs:                          | Qualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes       |
| 9. Identification of major federal programs:  |           |

<u>CFDA #</u>	<u>Name of Federal Program</u>
15.875	Economic, Social and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants
84.027	Special Education – Grants to States

- |  |              |
|--|--------------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 2,350,468 |
| 11. Auditee qualified as low-risk auditee?                                   | No           |

#### Section II - Financial Statement Findings

<u>Finding Number</u>	<u>Findings</u>
2019-001	Allowable Costs/Cost Principles
2019-002	Equipment and Real Property Management
2019-003	RMI Procurement Code
2019-006	Embassy Imprest Accounts
2019-007	Accounts Receivable

**REPUBLIC OF THE MARSHALL ISLANDS**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

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

<u>Finding Number</u>	<u>CFDA #</u>	<u>Findings</u>	<u>Questioned Costs</u>
2019-001	15.875	Allowable Costs/Cost Principles	\$ 89,733
2019-002	15.875	Equipment and Real Property Management	Undeterminable
2019-002	84.027	Equipment and Real Property Management	Undeterminable
2019-003	15.875	Procurement and Suspension and Debarment	283,502
2019-004	15.875	Subrecipient Monitoring	-
2019-005	93.243	Subrecipient Monitoring	<u>1,026,136</u>
			\$ <u>1,399,371</u>

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-001  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: Compact Sector Grants  
Questioned Costs: \$89,733

Area: Allowable Costs/Cost Principles

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 \$17,007,928 in payroll expenditures for the Compact Sector Grants, sixty items totaling \$50,704 were tested, with the following deficiency noted:

- An approved timesheet was not available to support 120 hours paid to employee # 213584 for the pay period ended 12/22/2018 with a gross pay of \$982.

Condition #2: Of \$28,044,734 in non-payroll expenditures for the Compact Sector Grants, sixty items totaling \$11,416,065 were tested, with the following deficiencies noted:

- A \$3,500 flight charter (Check # 176657) was not approved in the grant budget; thus, such does not appear to be an allowable program cost.

Condition # 3: Of \$1,594,169 in Compact Section 211(e)(1) Disaster Assistance Fund operating transfers out, two (2) items totaling \$258,447 were tested. The following deficiencies were noted:

- Item # 1 – Check # 136130 for purchase of reverse osmosis equipment included a \$38,480 shipping cost, which was not supported by a cargo invoice. Furthermore, no receiving report or evidence of monitoring and safeguarding of the equipment was provided for our examination.
- Item # 2 – Check # 136344 for a \$46,771 private dock repair project was not adequately supported by a contract and does not appear to be an allowable expenditure under the Compact Disaster Assistance Sector Grant. Due to inadequate documentation, we were unable to ascertain whether other costs related to this project were also charged to the grant.

Cause: RepMar did not effectively monitor the validity and allowability of expenditures.

Effect: RepMar is in noncompliance with allowable costs/cost principles requirements. Accordingly, questioned costs of \$89,733 result.

Identification as a Repeat Finding: Finding 2018-001

Recommendation: RepMar management should strengthen monitoring controls so that expenditures are verified for validity and allowability.

Views of Responsible Officials:

RepMar agrees with the finding and provides details in its Corrective Action Plan.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-002  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: Compact Sector Grants  
Questioned Costs: Undeterminable

Federal Agency: U.S. Department of Education  
CFDA Program: 84.027 Special Education – Grants to States  
Federal Award No.: H027A180011  
Questioned Costs: Undeterminable

Area: Equipment and Real Property Management

Criteria: Section 200.313(d) of the Uniform Guidance and Article VI, Section 1(f)(4) of the Fiscal Procedures Agreement state that procedures for managing equipment, whether acquired in whole or in part with grant funds, will follow state laws and procedures. The following requirements are applicable:

- 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 (including the FAIN), 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.

Additionally, the carrying amount of long-lived assets and the estimated useful lives of assets should be periodically re-assessed and adjusted, as appropriate, based on actual experience and relevant factors and circumstances.

Condition: Capital assets records do not meet the criteria above and are not effectively maintained since updates to the records occur only once a year. Specifically, we noted the following deficiencies:

- An inventory of capital assets has not been performed in the recent past in accordance with the above criteria; therefore, a reconciliation of the capital asset records and a physical inventory has not occurred at least once in the last two years.
- As the capital assets records are not effectively maintained, it does not appear that RepMar has effectively developed means to adequately safeguard capital assets from loss, damage, theft, or to reasonably investigate such occurrences.
- RepMar has not established policies and procedures governing property maintenance and has not effectively implemented an entity-wide maintenance plan.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-002, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: Compact Sector Grants  
Questioned Costs: \$0

Federal Agency: U.S. Department of Education  
CFDA Program: 84.027 Special Education – Grants to States  
Federal Award No.: H027A180011  
Questioned Costs: \$0

Area: Equipment and Real Property Management

#### Condition, Continued:

- Long-lived assets are not routinely evaluated for possible impairment.

Capital outlays within the Compact Sector Grants Fund for fiscal years 2019, 2018 and 2017 were as follows:

Fiscal Year 2019	\$ 3,163,937
Fiscal Year 2018	\$ 6,242,085
Fiscal Year 2017	\$ 7,998,839

Cause: RepMar lacks adequate internal control policies and procedures to satisfy compliance with federal property rules and regulations and lacks procedures governing property maintenance. Moreover, internal control policies and procedures requiring periodic and timely performance and independent review of capital assets reconciliations and related general ledger accounts as well as periodic assessment of asset impairment conditions and useful lives are lacking.

Effect: RepMar is in noncompliance with applicable equipment management requirements and possible misstatement of capital assets and related accounts exists. Questioned costs, if any, that may result from inadequate property records, maintenance procedures, and the absence of timely reconciliations are not determinable.

Identification as a Repeat Finding: Finding 2018-004

Recommendation: The Ministry of Finance, Banking and Postal Services should perform an inventory of RepMar's capital assets as a basis for recording all assets in the financial statements, complete such inventory in accordance with applicable property rules and regulations, and develop adequate maintenance procedures in order to keep property in good condition. Furthermore, we recommend that RepMar develop adequate internal control policies and procedures requiring periodic and timely performance and independent review of capital assets reconciliations and related general ledger accounts.

#### Views of Responsible Officials:

RepMar agrees with the finding and provides details in its Corrective Action Plan.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-003  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: Compact Sector Grants  
Questioned Costs: \$283,502

Area: Procurement and Suspension and Debarment

Criteria: Article VI, Section 1(j)(1) of the Fiscal Procedures Agreement states that RepMar may use its own procedures for procurement, whether done by the government or its Sub-Grantees, provided that they meet the standards identified in the FPA.

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, Banking and Postal Services 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 \$27,930,139 in non-payroll expenditures for the Compact Sector Grants, sixty items totaling \$2,861,840 were tested.

- (1) Procurement was not supported by competitive sealed bid or another appropriate procurement methodology; thus, the following purchases appear to have been sole sourced without written justification:

<u>Item #</u>	<u>Fund #</u>	<u>Encumbrance/ Check #</u>	<u>Amount</u>
1	410102	C1304601	\$ 70,740
2	410102	180952	51,688
3	410102	C1292901	60,000
4	410110	C1333501	44,260
6	510100	C1253901	<u>45,683</u>
			\$ <u>272,371</u>

Item # 4 is an addendum to an original \$20,000 contract (C13155), effective December 1, 2018 to February 28, 2019, which was solicited through a Request for Proposal stating the contract would be for two years. The \$44,260 contract addendum (C13335) is more than double the original contract price and, with a period of February 1, 2019 to June 30, 2019, overlaps the original contract period.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-003, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: Compact Sector Grants  
Questioned Costs: \$283,502

Area: Procurement and Suspension and Debarment

#### Condition, Continued:

(2) Supporting procurement documentation was inadequate to evidence compliance with small purchase procedures:

<u>Item #</u>	<u>Fund #</u>	<u>Encumbrance/ Check #</u>	<u>Amount</u>
1	410100	P7650401	\$ 115
2	410102	A2239601	3,206
3	410110	175153	1,129
4	410110	P7467101	143
5	410110	169102	520
6	410150	Q2351404	68
7	410150	N0051501	2,250
8	410150	Q2278701	<u>3,700</u>
			\$ <u>11,131</u>

For item # 1, no rationale for vendor selection was evident even though all vendors quoted \$5.10 per gallon for gasoline and \$5.55 per gallon for diesel. Actual prices charged by the selected vendor ranged from \$5.35 to \$5.65 per gallon for gasoline and from \$5.65 to \$5.75 per gallon for diesel. Therefore, questioned costs for the difference in price result.

For item # 2, supporting documentation for the travel authorization was not provided to substantiate that the most economical fare was procured.

For item #s 3, 5, and 7, evidence of informal price quotations was not available.

For item # 4, the vendor quoted the lowest prices of \$5.30 per gallon for gasoline and \$5.75 per gallon for diesel yet charged \$5.45 per gallon and \$5.90 per gallon, respectively, which exceeded other vendor quotations. Therefore, questioned costs for the difference in price result.

For item #s 6 and 8, the request for quotation was not adequate. For item # 6, justification for vendor selection was not specified as a requirement in the request for quotation; thus, it appears that the basis for vendor selection was invalid. For item # 8, the request for quotation was not sufficiently specific to ascertain whether the most responsive vendor was selected.

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

Effect: RepMar is in noncompliance with applicable procurement requirements, and questioned costs of \$283,502 result.

Identification as a Repeat Finding: Finding 2018-005

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019**

Finding No.: 2019-003, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: Compact Sector Grants  
Questioned Costs: \$283,502

Area: Procurement and Suspension and Debarment

Recommendation: RepMar should require that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the rationale for contractor or vendor selection.

Views of Responsible Officials:

RepMar agrees with the finding and provides details in its Corrective Action Plan.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-004  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: Compact Sector Grants  
Questioned Costs: \$0

Area: Subrecipient Monitoring

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

Condition: RepMar has not established formal policies and procedures over subrecipient monitoring, including compliance with related Compact provisions. During the year ended September 30, 2019, RepMar sub-granted Compact funding to various subrecipients, eight of which were tested and noted deficiencies with the following:

<u>Item #</u>	<u>Subrecipient</u>	<u>Fund</u>	<u>Sub-Grant</u>
1	Assumption School	410100	\$ 60,333
2	Canvasback Missions, Inc.	410110	59,000
3	Ebeye SDA School	410100	30,840
4	Majuro Cooperative School	410100	61,517
5	Majuro SDA School	410100	<u>59,000</u>
			<u>\$270,690</u>

Additionally, \$500,000 of pass-through funding for a housing loan program (Check # 180492) was advanced rather than paid based on approved loans. Further, RepMar has not implemented monitoring procedures to ascertain that loan repayments are made by borrowers in accordance with loan terms.

Although subrecipients submitted financial reports, as required by the underlying Memoranda of Agreements (MOAs), there is no documented evidence of review and verification by the Ministry of Finance, Banking and Postal Services to ascertain compliance with the MOAs, Compact Agreement, grant award, and FPA. Furthermore, the following discrepancies were also noted:

- SG-1 forms were not signed by the overseeing ministry as required;
- Certain subrecipient financial reports covered periods inconsistent with the underlying grant;
- Frequency of payments were inconsistent with MOA terms; and

Cause: RepMar lacks adequate internal control policies and procedures governing subrecipient monitoring, specifically with respect to: 1) execution of Sub-Grant agreements with Sub-Grantees, 2) compliance with cash management requirements and FPA special tests and provisions, and 3) resolution and corrective action of subrecipient audit reports.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-004, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Federal Award No.: Compact Sector Grants  
Questioned Costs: \$0

Area: Subrecipient Monitoring

Effect: RepMar is in noncompliance with specific provisions of the FPA over subgrant agreements and subrecipient monitoring.

Identification as a Repeat Finding: Finding 2018-008

Recommendation: RepMar should comply with the specific provisions of the FPA, execute Sub-Grant agreements with all Sub-Grantees, and comply with subrecipient monitoring requirements. Responsible personnel should enforce compliance with the FPA and Sub-Grant agreements, and subrecipient monitoring procedures should be developed and adopted.

Views of Responsible Officials:

RepMar agrees with the finding and provides details in its Corrective Action Plan.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-005  
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

Questioned Costs: \$1,026,136

Area: Subrecipient Monitoring

Criteria: In accordance with applicable subrecipient monitoring requirements, the pass through entity (PTE) must follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal awards provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

Condition: RepMar did not perform the required monitoring activities for the following subrecipients.

The FY 2016 and 2017 Single Audit Reports for Kunit Bobrae Coalition dated February 11, and 21, 2020, respectively, reported questioned costs of \$688,694 for noncompliance with allowable costs/cost principles requirements and questioned costs of \$337,442 for noncompliance with procurement and suspension and debarment requirements.

RepMar did not issue a management decision with respect to the subrecipient reports.

Cause: RepMar did not effectively monitor compliance with applicable subrecipient monitoring requirements.

Effect: RepMar is in noncompliance with applicable subrecipient monitoring requirements. The total questioned cost is \$1,026,136.

Recommendation: Upon receipt of a subrecipient's Single Audit Report, the responsible personnel should identify whether deficiencies pertaining to the PTE's Federal award were detected. For all identified deficiencies, the responsible personnel should issue a management decision within six months and follow up on corrective action.

#### Views of Responsible Officials:

RepMar agrees with the finding and provides details in its Corrective Action Plan.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-006  
Area: Embassy Imprest Accounts

Criteria: Replenishment requests for embassy imprest accounts should be supported by imprest account reconciliations, with reconciling items investigated and properly accounted for.

Condition: At September 30, 2019, the Ministry of Finance, Banking and Postal Services recorded embassy imprest accounts, for which all the September 2019 imprest account reconciliations reported unknown variances or shortages, included the following reconciling items that received neither investigation nor proper accounting:

- Suva, Fiji Embassy September 2019 reconciling items:
  - \$177,295 unreconciled deposits, of which \$165,467 are unresolved from prior years
  - \$201,557 disallowed disbursements, of which \$153,997 are unresolved from prior years
  - \$55,678 unknown differences unresolved
- Tokyo, Japan Embassy September 2019 reconciling items:
  - \$478,833 unreconciled deposits, of which \$417,286 are unresolved from prior years
  - \$435,771 disallowed disbursements, of which \$398,637 are unresolved from prior years
  - \$187,291 unknown differences, of which \$157,016 are unresolved from prior years
  - \$52,338 net unknown withdrawals, disbursements, and deposits unresolved
- Taipei, Taiwan Embassy September 2019 reconciling items:
  - \$69,560 other deposits, of which \$37,422 are unresolved from prior years
  - \$75,284 disallowed disbursements, of which \$73,186 are unresolved from prior years
  - \$7,045 unknown difference unresolved from prior years
- UN Mission September 2019 reconciling items:
  - \$277,902 unreconciled receipts, of which \$230,415 are unresolved from prior years
  - \$16,815 unknown difference unresolved from prior year
  - \$373,748 disallowed disbursements, of which \$338,597 are unresolved from prior years
- Washington, D.C. Embassy September 2019 reconciling items:
  - \$23,327 other deposits, of which \$18,723 are unresolved from prior years
  - \$60,283 disallowed disbursements, of which \$51,419 are unresolved from prior years
  - \$12,595 unknown difference unresolved from prior years
- Arkansas Consulate September 2019 reconciling items:
  - \$5,470 unreconciled deposits unresolved
  - \$13,085 disallowed disbursements, of which \$12,380 are unresolved from prior years
  - \$1,335 unknown difference unresolved from prior years
- Seoul, Korea Embassy September 2019 reconciling items:
  - \$53,424 unreconciled deposits unresolved
  - \$8,608 unknown difference unresolved
  - \$69,067 disallowed disbursements, of which \$66,297 are unresolved from prior years

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-006, Continued  
Area: Embassy Imprest Accounts

#### Condition, Continued:

- Honolulu Consulate September 2019 reconciling items:
  - \$11,726 other deposits, of which \$9,221 are unresolved from prior years
  - \$27,192 disallowed disbursements, of which \$16,546 are unresolved from prior years

Cause: RepMar lacks prescribed rules and regulations governing reconciliation of embassy imprest accounts and resolution of reconciling items.

Effect: Possible misappropriation of RepMar assets by custodians and a possible misstatement of cash, liabilities and expenditures pertaining to embassy imprest accounts could result from this matter, which are not considered material to the financial statements.

Recommendation: The Secretary of Finance, Banking and Postal Services, pursuant to Section 151 of the Financial Management Act of 1990, should issue rules and regulations governing reconciliation of embassy imprest accounts and resolution of reconciling items.

#### Views of Responsible Officials:

RepMar agrees with the finding and provides details in its Corrective Action Plan.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-007  
Area: Accounts Receivable

Criteria: Timely drawdowns of grant expenditures should occur to reimburse the General Fund.

Condition: Grants may not be timely billed and collected. Specifically, over sixty-one percent (61%) of federal grant receivables aggregating \$10,770,504 recorded by the Ministry of Finance, Banking and Postal Services have yet to be billed and collected as of our report date.

Cause: RepMar lacks adequate policies and procedures requiring periodic and timely analysis of grant expenditures to ascertain whether reimbursement of grant expenditures can occur. Further, drawdown requests are not monitored for timely reimbursement and resolution of errors.

Effect: The General Fund bears the cost of grant expenditures, including foregoing potential earnings of over \$100,000 on funds that could have been invested. The impact of this matter on the General Fund resulted in an emphasis-of-matter paragraph included in our report on RepMar's financial statements.

Identification as a Repeat Finding: Finding 2018-011

Recommendation: RepMar management should establish policies and procedures requiring periodic and timely analysis of grant expenditures to ascertain whether reimbursement of grant expenditures can occur and to monitor drawdown requests.

Views of Responsible Officials:

RepMar agrees with the finding and provides details in its Corrective Action Plan.



# Republic of the Marshall Islands

## Ministry of Finance, Banking and Postal Services

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 Phone No. (692) 625-8311/8370/7420 ~ Email Address: secfin.rmi@gmail.com

### Summary Schedule of Prior Audit Findings Year Ended September 30, 2019

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Questioned Costs</u>	<u>Status</u>
2008-5	15.875	\$ 74,318	Refer Note 1.
2008-7	15.875/	294,900	Refer Note 1.
	93.110	8,927	Refer Note 1.
2009-1	15.875	208,243	Refer Note 1.
2009-2	15.875	848	Refer Note 1.
2009-9	15.875	18,363	Refer Note 1.
2010-4	10.567/	18,706	Refer Note 1.
	93.003/	8,671	Refer Note 1.
	93.069/	47,659	Refer Note 1.
	93.110/	15,336	Refer Note 1.
	93.118/	16,450	Refer Note 1.
	93.163/	38,450	Refer Note 1.
	93.268/	94,554	Refer Note 1.
	93.889/	31,995	Refer Note 1.
	93.938/	14,082	Refer Note 1.
	93.958/	2,552	Refer Note 1.
	93.959/	4,906	Refer Note 1.
	93.977/	51,690	Refer Note 1.
	93.988/	2,062	Refer Note 1.
2010-5	93.069/	170,600	Refer Note 1.
	93.217/	8,323	Refer Note 1.
	93.889/	155,500	Refer Note 1.
	93.003	170,000	Refer Note 1.
2011-05	11.460/	50,705	Refer Note 1.
	93.959	59,400	Refer Note 1.
2012-01	15.875	2,203	Refer Note 1.
2012-05	15.875	30,252	Refer Note 1.
2013-001	15.875	642	Refer Note 1.
2013-002	93.889	58,278	Refer Note 1.
2013-005	15.875	4,725	Refer Note 1.
2014-001	15.875	2,871	Refer Note 1.
2015-006	10.567	30,155	Refer Note 1.
2017-005	15.875	188,265	Refer Note 1.
2017-007	15.875	208,929	Refer Note 1.
2018-001	15.875	552	Refer Note 1.
2018-002	15.875	13,813	Refer Note 1.
2018-003	93.243	-	Refer Note 1.
2018-004	15.875	-	Not corrected. Refer Finding 2019-002.
2018-005	15.875	17,929	Refer Note 1.
2018-006	15.875	-	Corrective action was taken.
2018-007	93.243	-	Refer Note 1.
2018-008	15.875	177,234	Refer Note 1.
2018-009	93.243	-	Not corrected. Refer Finding 2019-005
2018-010	N/A	-	Not corrected. Refer Finding 2019-006
2018-011	N/A	-	Not corrected. Refer Finding 2019-007
		<u>\$ 2,303,088</u>	

Note 1: Management is awaiting follow-up and issuance of a management decision from the Federal agency.



**Republic of the Marshall Islands**  
**Ministry of Finance, Banking and Postal Services**  
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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511 (c)**  
**Year ended September 30, 2019**

<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>
2019-001	15.875	Allowable Costs/Cost Principles	\$89,733	<p>The MOF shall further develop Budget Officers, Accounts Payable staff and Procurement staff through provision of advanced trainings which intends to develop fluency on the analysis of budget variation, determination of allowable/unallowable payments and strategic flagging of questionable transactions.</p> <p>Through the capacity building component of the PFM program, the MOF shall promote venues to intensify to conduct informed review of expenditure by the respective focal persons and real-time determination of questionable transactions and outright resolution to any arising issue.</p>	<p>Automation through FMIS – May 2022</p> <p>March 2021</p>	<p>Maybelline Bing-MOF Secretary,  Spencer Joe-MOF Asst. Secretary for Accounting,  Bruce Loeak-MOF Chief of Procurement,  MOF PFM-RCU</p>
2019-002	15.875	Equipment and Real Property Management	\$0	<p>The MOF Fixed Assets Management Manual has been circulated to MOF management and is gradually rolling out. The manual covers procedures ensuring compliance with the criteria required by the FPA. The relevant government officers will be trained on additional control and reporting procedures once the manual is approved.</p> <p>With the facilitative assistance by the PFM-RCU, the implementation of the procedural manual is expected to be fully rolled out in FY2020 which includes, but not limited to, periodic inventory of assets.</p>	September 2020	<p>Maybelline Bing-MOF Secretary,  Spencer Joe-MOF Asst. Secretary for Accounting,  Bruce Loeak-MOF Chief of Procurement,  Catalino Kijiner-MWIU Secretary,  MOF PFM-RCU</p>
2019-003	15.875	Procurement and Suspension and Debarment	\$283,502	<p>The RMI's Procurement Regulations Pursuant to the Procurement Code Act 1988 draft is ongoing review. The regulations provide for bulk and centralized purchasing. Once approved, activities to operationalize the regulations shall be conducted which would include training and creation of procedures manual and templates as needed. For the mean time, procurement training will be conducted to refresh GRMI staff on the requirements of the Procurement Code and related Circulars covering the preparation of request for quotations, proper evaluation of the same and sole source procurement.</p>	March 2021	<p>Maybelline Bing-MOF Secretary,  Bruce Loeak-MOF Chief of Procurement  Dahlia Kaneko- MOF Asst. Secretary for Budget &amp; Procurement</p>

<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>
2019-004	15.875	Subrecipient Monitoring	\$0	<p>During FY2020, the MOF rolled out full implementation of monitoring activities of sub-grants by the MOF, being the pass-through Ministry of all grants. The MOF devised and maintained a monitoring tool which aims at providing the MOF the opportunity to ensure that expenditures by sub-recipients align with the requirements and conditions of Compact grants.</p> <p>The MOF intends to further intensify its monitoring activities by conducting random field visits to audit the veracity of the expenditures by respective sub recipients and ensure that grants are being utilized as intended. As well, to identify, assess and act upon any technical assistance needs of the grant sub recipients.</p>	September 2020	Maybelline Bing- MOF Secretary, Spencer Joe, MOF Asst. Secretary for Accounting, Dahlia Kaneko- MOF Asst. Secretary for Budget & Procurement
2019-005	15.875	Subrecipient Monitoring	\$1,026,136	<p>During FY2020, the MOF rolled out full implementation of monitoring activities of sub-grants by the MOF, being the pass-through Ministry of all grants. The MOF devised and maintained a monitoring tool which aims at providing the MOF the opportunity to ensure that expenditures by sub-recipients align with the requirements and conditions of Compact grants.</p> <p>In July 2020, the MOF circulated a memorandum compelling grant sub-recipients to submit detailed expenditure report, along with the SG2 Form, which shall serve as the reference in the approval of subsequent request for release of sub-grants.</p> <p>The MOF intends to further intensify its monitoring activities by conducting random field visits to audit the veracity of the expenditures by respective sub recipients and ensure that grants are being utilized as intended. As well, to identify, assess and act upon any technical assistance needs of the grant sub recipients.</p>	September 2020	Maybelline Bing- MOF Secretary, Spencer Joe- MOF Asst. Secretary for Accounting, Dahlia Kaneko- MOF Asst. Secretary for Budget & Procurement
2019-006		Embassy Imprest Funds	\$0	<p>The MOFAT, in coordination with MOF, shall enforce and ensure the implementation of the terms set forth in the Cabinet Minutes No. 209-2019 which shall authorize the writing off all accumulated questioned costs in all Republic of the Marshall Islands (RMI) Overseas Missions from prior years to Fiscal Year 2016.</p> <p>Moving forward FY2020, the MOFAT, in coordination with MOF, shall initiate, facilitate and require submission of an Annual Budget Plan (ABP) by the Overseas Embassy Ambassadors which shall serve to set and identify budgetary requirements for each expenditure line of the respective Embassies. The ABP shall be recalibrated as need arises subject to funds availability. The</p>	<p>Internal control and compliance monitoring system – September 2020</p> <p>Approval of Cabinet Paper – September 2020</p> <p>Annual Budget Plan – September 2020</p>	Maybelline Bing- MOF Secretary, Anjanette Kattil- MOFAT Secretary

<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>
				<p>approved instrument shall serve as a reference by the MOF focal person for monitoring the respective expenditure of the Embassies.</p> <p>As an added control mechanism, the Embassies, through consultation with MOFAT and MOF, shall identify those recurring expenditures by each Embassy of which can be centrally processed and directly wired by the Ministry of Finance upon request of the Embassy.</p>		
2019-07		Accounts Receivable	\$0	<p>During the FY2020, the MOF intensified its efforts to investigate and reconcile the old account receivable balances which resulted to a 100% collection of outstanding AR for Single Audit and 50% collections of the Compact and Federal Grants receivables.</p> <p>The MOF management intends to continue these efforts and further intensify collaboration and coordination among all the concerned units of the MOF and other concerned Ministry to recover and minimize the remaining AR balances.</p>	September 2021	Maybelline Bing-MOF Secretary, Spencer Joe-MOF Asst. Secretary for Accounting, Dahlia Kaneko- MOF Asst. Secretary for Budget & Procurement