

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

**(A GOVERNMENTAL FUND OF THE ENEWETAK/  
UJELANG LOCAL GOVERNMENT)**

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**FINANCIAL STATEMENT AND  
INDEPENDENT AUDITORS' REPORT**

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**YEAR ENDED SEPTEMBER 30, 2018**

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Year Ended September 30, 2018  
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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statement of the Enewetak/Ujelang Local Government (EULGOV) Food and Agriculture Support Program (the Program), a governmental fund of EULGOV, which comprises the statement of revenues, expenditures and change in fund balance for the year ended September 30, 2018, and the related notes to the financial statement.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

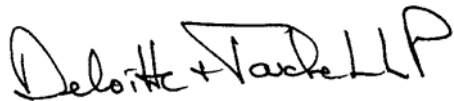
In our opinion, the financial statement referred to above presents fairly, in all material respects, the results of operations of the Program for the year ended September 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter - Reporting Entity**

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the EULGOV Food and Agriculture Support Program and is not intended to present fairly the results of operations of the Enewetak/Ujelang Local Government in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of the Program'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 the Program's internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Tacke LLP". The signature is written in a cursive, flowing style.

September 30, 2019

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Statement of Revenues, Expenditures and Change in Fund Balance  
Year Ended September 30, 2018

Revenues:	
Federal program receipts	<u>\$ 2,115,070</u>
Expenditures:	
Direct food costs	708,945
Personnel services	575,841
Petroleum, oil and lube	316,760
Machinery and equipment	163,280
Repairs and maintenance	95,696
Assets under construction	90,000
Materials and supplies	75,005
Insurance	49,470
Contractual services	47,326
Accommodation and other benefits	34,084
Lady E subsistence	12,753
Temporary labor	12,137
Communication	8,017
Travel	6,248
Office rental	5,810
Equipment rental	4,418
Wharfage and stevedoring	1,022
Bank charges	336
Miscellaneous	<u>3,194</u>
Total expenditures	<u>2,210,342</u>
Change in fund balance	(95,272)
Fund balance at beginning of year	<u>158,545</u>
Fund balance at end of year	<u>\$ 63,273</u>

See accompanying notes to financial statement.

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Notes to Financial Statement  
September 30, 2018

(1) Organization

The Enewetak/Ujelang Local Government (EULGOV) was established pursuant to Public Law 1981-2, the Local Government Act of the Republic of the Marshall Islands, and operates under the Constitution of the Enewetak/Ujelang Local Government. EULGOV is governed by an elected mayor and a fifteen-member council. The EULGOV Food and Agriculture Support Program (the Program) is considered a governmental fund of EULGOV and was established to account for funding received pursuant to Section 103(f)(2) of the Compact of Free Association Amendments Act of 2003.

The accompanying financial statement relates solely to those accounting records maintained by EULGOV relating to the Program, and does not incorporate any accounts related to any other departments or agencies of EULGOV.

(2) Summary of Significant Accounting Policies

The financial statement of the Program has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Program's significant accounting policies are described below.

A. Measurement Focus and Basis of Accounting

The Program reports the results of its operations in one governmental fund. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

B. Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurement" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Notes to Financial Statement  
September 30, 2018

(2) Summary of Significant Accounting Policies, Continued

C. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) Risk Management

The Program is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Program has elected to purchase commercial automobile and marine insurance from independent third parties for the risks of loss to which it is exposed. For other risks of loss to which it is exposed, the Program has elected not to purchase commercial insurance. Instead, the Program's management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the Program reports all of its risk management activities in the General Fund of EULGOV. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses have resulted from the Program's risk management activities for the past three years.

(4) Contingency

Questioned Costs

The Program is subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Questioned costs have been set forth in the Program's Single Audit Report for the year ended September 30, 2018. In addition, the Program is considered to have responsibility for any questioned costs that may result from Single Audits of the Program for the fiscal years for which audits have not been performed. The ultimate disposition of any questioned costs can be determined only by final action of the grantor agency. Therefore, no provision for any liability that may result upon resolution of these matters has been made in the accompanying financial statement.

(5) Prepaid Item

As of September 30, 2018, the Program has pre-payment amounting to \$27,000 in relation to the construction of 4-door housing in Enewetak which was subsequently reimbursed to the Program in October 2018. The full contract price of \$90,000 is recorded under Assets under construction.

(6) Fund Balance Reserve

As of September 30, 2018, \$63,273 of the 2018 grant was available and authorized by the federal grantor agency to be used for program needs.

**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**

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

We have audited, in accordance with the 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 statement of the Enewetak/Ujelang Local Government Food and Agriculture Support Program (the Program), which comprises the statement of revenues, expenditures and change in fund balance for the year ended September 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated September 30, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Program'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 the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 statements 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

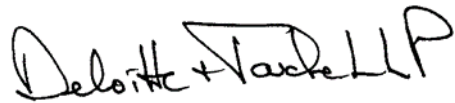
As part of obtaining reasonable assurance about whether the Program's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 item 2018-001.

## The Program's Response to Findings

The Program's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Program'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.

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

September 30, 2019

**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**

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

### **Report on Compliance for the Major Federal Program**

We have audited the Enewetak/Ujelang Local Government Food and Agriculture Support Program's (the Program's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Program's major federal program for the year ended September 30, 2018. The Program's major federal program is identified in the summary of auditors' 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 programs.

#### ***Auditors' Responsibility***

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

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

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

As described in the accompanying Schedule of Findings and Questioned Costs, the Program did not comply with requirements regarding CFDA 15.875 Enewetak Food and Agriculture Support Program as described in item 2018-001 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the Program to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

## ***Other Matters***

The Program's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Program'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 the Program 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 the Program's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 the Program'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.

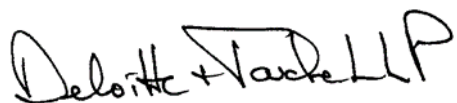
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be material weaknesses.

The Program's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Program'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 have audited the financial statement of the Program for the year ended September 30, 2018, and have issued our report thereon dated September 30, 2019, which contained an unmodified opinion on that financial statement. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. 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 audit of 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. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statement as a whole.

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September 30, 2019

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2018

	<u>Beginning Fund Balance</u>	<u>2018 Funds Received</u>	<u>2018 Funds Expended</u>	<u>Ending Fund Balance</u>
<u>U.S. Department of the Interior</u> <u>CFDA #15.875</u>				
Funds received in a direct capacity:				
Economic, Social and Political Development of the Territories: Operation of the Enewetak Food and Agriculture Support Program				
	\$ <u>158,545</u>	\$ <u>2,115,070</u>	\$ <u>2,210,342</u>	\$ <u>63,273</u>

See accompanying notes to schedule of expenditures of federal awards.

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2018

(1) Organization

The Enewetak/Ujelang Local Government (EULGOV) was established pursuant to Public Law 1981-2, the Local Government Act of the Republic of the Marshall Islands, and operates under the Constitution of the Enewetak/Ujelang Local Government.

EULGOV is the recipient of non-Compact of Free Association related funds received from the U.S. Department of the Interior under the EULGOV Food and Agriculture Support Program (the Program). These funds must be expended in accordance with grant awards and are subject to general U.S. federal requirements.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Program and is presented on the modified accrual basis of accounting. 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 only presents the operations of the Program, it is not intended to and does not present the financial position, changes in net position, or cash flows of EULGOV. The Program has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2018

**Section I - Summary of Auditor's Results**

*Financial Statements*

- |    |  |               |
|----|--|---------------|
| 1. | Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP: | Unmodified    |
|    | Internal control over financial reporting:   |               |
| 2. | Material weakness(es) identified?  | No            |
| 3. | Significant deficiency(ies) identified?  | None reported |
| 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?   | None reported |
| 7.  | Type of auditors' report issued on compliance for major federal programs:   | Modified      |
| 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 or Cluster</u>   |               |
|     | 15.875    Economic, Social and Political Development of the Territories:<br>Enewetak Food and Agriculture Support Program |               |
| 10. | Dollar threshold used to distinguish between Type A and Type B Programs:  | \$ 750,000    |
| 11. | Auditee qualified as low-risk auditee?  | No            |

**Section II - Financial Statement Findings**

No matters are reportable.

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

<u>Reference Number</u>	<u>CFDA #</u>	<u>Finding</u>	<u>Questioned Costs</u>
2018-001	15.875	Procurement and Suspension and Debarment	\$331,822

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-001  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the  
Territories: Enewetak Food and Agriculture Support Program

Area: Procurement and Suspension and Debarment  
Questioned Costs: \$331,822

Criteria: RepMar's Procurement Code states:

Section 127 - procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures. 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. Where small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

Section 128 - a contract may be awarded for supply, service, or construction item without completion when it is determined in writing that there is only one source for the required supply, service, or construction item.

Furthermore, Section 126.7 of RepMar's Procurement Code states that an award shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the Government taking into consideration price and the evaluation factors set forth in the Request for Proposals. No other factors or criteria shall be used in the evaluation. The contract file shall contain the basis on which the award is made.

Condition: Of \$1,634,501 in non-payroll Program expenditures (of which the Program incurred \$708,945 for food costs), forty (40) items totaling \$1,177,121 were tested. We noted the following exceptions:

1. Two items for food costs (Check #s 54793 and 55282 for \$164,024 and \$167,798, respectively) were awarded to a vendor with no available documentation of the evaluation of the submitted proposals offered by all the qualified sources and the basis on which the award is made.
2. Eleven (11) items for which competitive procurement appeared to have occurred; however, the relevant factors supporting the vendor selection were not adequately documented.

Cause: The Government appears to lack adequate internal control policies and procedures requiring the documentation of procurement procedures to satisfy compliance with applicable procurement requirements.

Effect: The Government is in noncompliance with applicable procurement requirements and questioned costs of \$331,822 result.

Recommendation: The Government 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.



**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-001, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the  
Territories: Enewetak Food and Agriculture Support Program

Area: Procurement and Suspension and Debarment  
Questioned Costs: \$331,822

Auditee Response and Corrective Action Plan: The Questioned Costs arose from a situation where the auditee did not receive quotations from any vendor for the second and third quarters of the fiscal year, and took action to ensure that needed food and supplies could nonetheless be procured for the people of Enewetak. No quotations were received despite the fact that the auditee had, prior to the commencement of the fiscal year, advertised the quarterly due dates for quotations and had included those due dates in requests for proposals that were provided to multiple vendors. The auditee accepts the auditor's recommendation to require that documentation be adequate to comply with applicable procurement requirements, and that documentation should indicate the history of procurement, including the rationale for contractor or vendor selection. Additionally, the auditee will immediately adopt a procedure whereby multiple vendors will be contacted to request quotations in situations where fewer than two vendors have tendered quotations in a timely fashion.

**ENEWETAK/UJELANG LOCAL GOVERNMENT  
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Summary Schedule of Prior Audit Findings and Questioned Costs  
Year Ended September 30, 2018

Questioned Costs

The prior year report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2018.

Questioned costs as previously reported:

Fiscal year 2015 \$ 10,000

Questioned costs of fiscal year 2018 331,822

Unresolved questioned costs at September 30, 2018 \$ 341,822

Summary Schedule of Prior Audit Findings and Questioned Costs

<u>Finding Number</u>	<u>CFDA #</u>	<u>Questioned Costs</u>	<u>Status</u>
2015-001	15.875	<u>\$ 10,000</u>	Management is awaiting follow-up and issuance of a management decision from the Federal agency.