

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

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

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2019

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

Year Ended September 30, 2019
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

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, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with 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

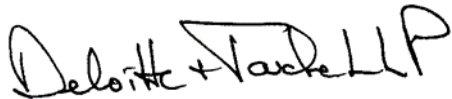
In our opinion, the financial statement referred to above presents fairly, in all material respects, the results of operations of the Program for the year ended September 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

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 11, 2020, 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.

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September 11, 2020

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

Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended September 30, 2019

Revenues:	
Federal program receipts	<u>\$ 2,085,225</u>
Expenditures:	
Direct food costs	702,332
Personnel services	661,164
Petroleum, oil and lube	232,459
Repairs and maintenance	79,730
Machinery and equipment	74,434
Materials and supplies	71,424
Accommodation and other benefits	46,808
Contractual services	40,561
Lady E subsistence	14,998
Communication	9,375
Travel	7,057
Temporary labor	6,828
Office rental	5,810
Wharfage and stevedoring	4,456
Equipment rental	1,790
Insurance	328
Bank charges	161
Miscellaneous	<u>5,891</u>
Total expenditures	<u>1,965,606</u>
Change in fund balance	119,619
Fund balance at beginning of year	<u>63,273</u>
Fund balance at end of year	<u><u>\$ 182,892</u></u>

See accompanying notes to financial statement.

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

Notes to Financial Statement
September 30, 2019

(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, 2019

(2) Summary of Significant Accounting Policies, Continued

C. Estimates

The preparation of financial statements in accordance 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, 2019. 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) Fund Balance Reserve

As of September 30, 2019, \$182,892 of the 2019 grant was available 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 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, 2019, and the related notes to the financial statement, and have issued our report thereon dated September 11, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

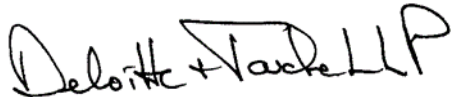
As part of obtaining reasonable assurance about whether the Program's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2019-001.

The Program's Response to Findings

The Program's response to the 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 the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 + Tatchell LLP". The signature is written in a cursive, stylized font.

September 11, 2020

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

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

Report on Compliance for the Sole Major Federal Program

We have audited the Enewetak/Ujelang Local Government Food and Agriculture Support Program's (the Program) 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 sole major federal program for the year ended September 30, 2019. The Program's sole 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 sole major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 qualified opinion on compliance for the sole major federal program. However, our audit does not provide a legal determination of the Program's compliance.

Basis for Qualified Opinion on the Sole 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 2019-001 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 Sole Major Federal Program

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion on the Sole Major Federal Program” 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 the sole major federal program for the year ended September 30, 2019.

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 the sole major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the sole major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

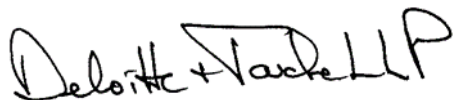
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material 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 2019-001 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 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.

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, 2019, and have issued our report thereon dated September 11, 2020, 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 11, 2020

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

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

	<u>Beginning Fund Balance</u>	<u>2019 Funds Received</u>	<u>2019 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>63,273</u>	\$ <u>2,085,225</u>	\$ <u>1,965,606</u>	\$ <u>182,892</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, 2019

(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, 2019

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

Federal Awards

Internal control over the sole major federal program:

- | | | |
|-----|---|---------------|
| 5. | Material weakness(es) identified? | Yes |
| 6. | Significant deficiency(ies) identified? | None reported |
| 7. | Type of auditors' report issued on compliance for the sole major federal program: | Qualified |
| 8. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 9. | Identification of the sole major federal program: | |
| | <u>CFDA #</u> <u>Name of Federal Program or Cluster</u> | |
| | 15.875 Economic, Social and Political Development of the Territories:
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

<u>Reference Number</u>	<u>Findings</u>
2019-002	Expenditure Recognition

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>CFDA #</u>	<u>Findings</u>	<u>Questioned Costs</u>
2019-001	15.875	Procurement and Suspension and Debarment	\$921,828

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

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: Enewetak Food and Agriculture Support Program

Area: Procurement and Suspension and Debarment
 Questioned Costs: \$921,828

Criteria: Section § 200.317 of 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires that when procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds.

RepMar's Procurement Code states the following:

Section 124 - unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.

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 them.

Condition: The following non-payroll purchases aggregating \$921,828 were awarded to vendors with no available documentation of the basis on which the award is made (items a and c), with no evidence of competitive sealed bidding (item b) or with no quotations obtained from an adequate number of qualified vendors (item d):

a. Six items for direct food purchases

<u>Check #</u>	<u>Date</u>	<u>Amount</u>
56498	10/29/2018	\$ 2,071
56596	11/09/2018	163,786
57000	01/17/2019	170,052
57292	03/08/2019	4,566
57535	04/12/2019	171,062
58096	07/25/2019	<u>170,052</u>
		\$ <u>681,589</u>

b. Three items for diesel fuel purchases

<u>Check #</u>	<u>Date</u>	<u>Amount</u>
57109	02/08/2019	\$ 65,000
57694	05/08/2019	62,000
58165	08/05/2019	<u>65,000</u>
		\$ <u>192,000</u>

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

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

Finding No.: 2019-001, 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: \$921,828

Condition, Continued:

c. Eight items for petroleum, lube and oil purchases

<u>Check #</u>	<u>Date</u>	<u>Amount</u>
56507	10/31/2018	\$ 4,094
56778	12/17/2018	2,760
57112	02/08/2019	3,450
57542	04/16/2019	2,880
57705	05/16/2019	1,440
58164	08/02/2019	2,160
58247	08/14/2019	2,703
58256	08/19/2019	<u>1,440</u>
		\$ <u>23,687</u>

d. Three items for repairs and maintenance purchases

<u>Check/JV #</u>	<u>Date</u>	<u>Amount</u>
57702	02/08/2019	\$ 6,764
58005	05/08/2019	3,398
JV20190930-01	09/30/2019	<u>14,390</u>
		\$ <u>24,552</u>

Total questioned costs \$ 921,828

Furthermore, relevant factors supporting vendor selection were inadequately documented for the purchase of supplies (Check # 56486) in the amount of \$2,680.

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

Effect: EULGOV is in noncompliance with applicable procurement requirements and questioned costs of \$921,828 result.

Recommendation: EULGOV should require that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, quotations obtained from a number of qualified vendors, the rationale for contractor or vendor selection and/or documentation of sole source.

Auditee Response and Corrective Action Plan: EULGOV describes corrective action in the Corrective Action Plan.

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

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

Finding No.: 2019-002

Area: Expenditure Recognition

Criteria: Generally accepted accounting principles requires that expenditures and liabilities related to those obligations should be recognized in governmental funds as soon as a liability is incurred.

Condition: At September 30, 2019, the Program recognized accrued expenditures of \$119,619 that pertained to expenditures of the FY 2020 accounting period. An audit adjustment was proposed to correct this misstatement.

Cause: EULGOV appears to lack adequate internal control policies and procedures requiring the recognition of expenditures in the correct accounting period.

Effect: Recorded expenditures were overstated.

Recommendation: EULGOV should recognize expenditures and liabilities related to those obligations when the liability is incurred.

Auditee Response and Corrective Action Plan: EULGOV describes corrective action in the Corrective Action Plan.



ENEWETAK/UJELANG LOCAL GOVERNMENT
P.O. Box 1199
Majuro, Marshall Islands 96960
Tel: (692) 625-3296 Fax: (692) 625-3506

CORRECTIVE ACTION PLAN
2 CFR § 200.511 (c)
Year Ended September 30, 2019

Finding No. 2019-001: Procurement and Suspension and Debarment

Name of Contact Person: Neil Flores (City Manager)

Corrective Action Plan: The auditee accepts the auditor's recommendation to require that documentation be adequate to comply with applicable procurement requirements, and that such documentation indicate the history of procurement, quotations obtained from a number of qualified vendors, the rationale for contractor or vendor selection and/or documentation of sole source. The auditee's challenges in this regard relate to the paucity of suppliers available locally, in spite of efforts to solicit multiple bids. With respect to the petroleum, lube and oil items, the auditee has prepared a detailed memorandum in Fiscal Year 2020 that explains why sole sourcing is necessary for certain products under the particular circumstances. With respect to the repair and maintenance items, the auditee has had to rely on an off-island vendor for a number of years because no local vendors are available. However, the auditee will renew its efforts to identify alternative off-island vendors for the needed items.

Proposed Completion Date: Ongoing

Finding No. 2019-002: Expenditure Recognition

Name of Contact Person: Neil Flores (City Manager)

Corrective Action Plan: The auditee accepts the auditor's recommendation to recognize expenditures and liabilities related to those obligations when the liability is incurred. The auditee worked with the grantor to program Fiscal Year 2019 funds to construct a warehouse, and the request for bids went out before the end of the fiscal year. However, the bids were not received until the first month of the following fiscal year and the expenditures were made thereafter.

Proposed Completion Date: Ongoing



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The prior year report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2019.

Questioned costs as previously reported:

Fiscal year 2018	\$ 341,822
Questioned costs for fiscal year 2019	<u>921,828</u>
Unresolved questioned costs at September 30, 2019	\$ <u>1,263,650</u>

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	\$ 10,000	Management is awaiting follow-up and issuance of a management decision from the Federal agency.
2018-001	15.875	<u>331,822</u>	Management is awaiting follow-up and issuance of a management decision from the Federal agency.
		\$ <u>341,822</u>	