

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, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements, and have issued our report thereon dated May 13, 2022. Our report includes emphasis-of-matter paragraphs concerning collectability of federal grants receivable, social security obligations, and the impact of COVID-19.

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) as a basis for designing 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 2020-001 through 2020-003 and 2020-005 through 2020-007 to be material weaknesses.

## Compliance and Other Matters

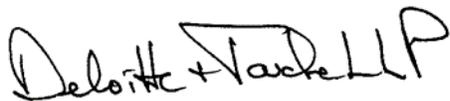
As part of obtaining reasonable assurance about whether RepMar's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002 and 2020-003.

## 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.



May 13, 2022

## 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, 2020. 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, 2020. 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 and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of RepMar's compliance.

Basis for Qualified Opinion on CFDA Program 15.875 COVID-19 TAP-RMI-2020-1 and CFDA Program 15.875 Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants

As described in items 2020-001 through 2020-003 in the accompanying Schedule of Findings and Questioned Costs, RepMar did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2020-001	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Equipment and Real Property Management
2020-002	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Procurement and Suspension and Debarment
2020-003	15.875	COVID-19 TAP-RMI-2020-1	Procurement and Suspension and Debarment

Compliance with such requirements is necessary, in our opinion, for RepMar to comply with the requirements applicable to those programs.

Qualified Opinion on CFDA Program 15.875 COVID-19 TAP-RMI-2020-1 and CFDA Program 15.875 Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants

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 CFDA Program 15.875 COVID-19 TAP-RMI-2020-1 and CFDA Program 15.875 Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants for the year ended September 30, 2020.

Unmodified Opinion on CFDA Program 15.875 Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Section 212 Kwajalein Impact and Use

In our opinion, RepMar complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

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 item 2020-004. 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 2020-001 through 2020-003 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 item 2020-004 to be significant deficiencies.

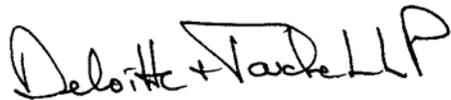
RepMar's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion 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, 2020, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements. We issued our report thereon dated May 13, 2022, which contained unmodified opinions on those financial statements and included emphasis-of-matter paragraphs concerning collectability of federal grants receivable, social security obligations, and the impact of COVID-19. 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.



May 13, 2022

**REPUBLIC OF THE MARSHALL ISLANDS**

Summary Schedule of Expenditures of Federal Awards, By Grantor  
Year Ended September 30, 2020

<u>Agency</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 555,925
U.S. Department of Commerce	478,418
U.S. Department of the Interior	69,438,829
U.S. Department of Labor	1,590,754
U.S. Department of Education	1,777,552
U.S. Department of Health and Human Services	5,749,055
U.S. Department of Homeland Security	12,147
	<u>\$ 79,602,680</u>

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

Reconciliation to the 2020 financial statements is as follows:

U.S. Federal Grants Fund - Total Expenditures	(1)	13,874,868
U.S. Federal Grants Fund - Total Transfers Out	(1)	1,656,005
Compact Sector Fund - Total Expenditures	(2)	40,453,617
Compact Sector Fund - Total Transfers Out	(2)	792,202
Section 212 Kwajalein Landowners Fund - Total Expenditures	(3)	22,338,247
Section 213 Audit Fund - Total Expenditures	(4)	487,741
		<u>\$ 79,602,680</u>

- (1) Presented on page 102 of the 2020 financial statements.
- (2) Presented on page 102 of the 2020 financial statements.
- (3) Presented on page 92 of the 2020 financial statements.
- (4) Presented on page 102 of the 2020 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, 2020

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		\$ 555,925
	<u>U.S. Department of Commerce:</u>		
11.460	Special Oceanic and Atmospheric Projects		478,418
	<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: Sector Grants:		
	Section 211(a)(1) Education Sector	\$ 1,579,202	10,944,343
	Supplemental Education Grant	288,325	5,062,967
	Section 211(a)(2) Health Sector		7,703,911
	Section 211(b)(1) Ebeve Special Needs	325,000	8,238,542
	Section 211(b)(2) Landowners Special Needs	1,602,860	2,466,555
	Section 211(b)(3) Kwajalein Environment		196,455
	Section 211(d)(1) Public Infrastructure Development	500,000	6,260,714
	Section 211(d)(2) Infrastructure Maintenance		372,332
	Section 211(e)(1) Disaster Assistance		-
	Sub-total Compact of Free Association, As Amended, Sector Grants		41,245,819
	Section 212 Kwajalein Impact and Use		22,338,247
	Section 213 Audit		487,741
	Four Atoll Health Care		1,656,005
	COVID-19 TAP-RMI-2020-1		3,008,010
	Enewetak/Ujelang Local Government: Excavator Project		225,000
	Utrik Atoll Local Government: Reverse Osmosis Water Project		222,300
	Sub-total CFDA # 15.875		69,183,122
15.904	Historic Preservation Fund Grants-In-Aid		255,707
	Total U.S. Department of the Interior		69,438,829
	<u>U.S. Department of Labor:</u>		
17.225	Unemployment Insurance		1,590,754
	Total U.S. Department of Labor		1,590,754
	<u>U.S. Department of Education:</u>		
	Special Education Cluster (IDEA):		
84.027	Special Education-Grants to States		1,777,552
	Total Special Education Cluster (IDEA) and Total U.S. Department of Education		1,777,552
	<u>U.S. Department of Health and Human Services:</u>		
93.074	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements		457,941
93.110	Maternal and Child Health Federal Consolidated Programs		42,719
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		545,443
93.217	Family Planning-Services		83,014
	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)		1,122,673
	Sub-total Health Center Program Cluster		1,122,673
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance		138,635
93.268	Immunization Cooperative Agreements		724,287
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance		327,781
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases		543,292
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (B)		406,591
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		58,400
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds		25,718
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		7,749
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		6,752
93.889	National Bioterrorism Hospital Preparedness Program		130,353
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		77,176
93.917	HIV Care Formula Grants		80,153
93.945	Assistance Programs for Chronic Disease Prevention and Control		164,476
93.958	Block Grant for Community Mental Health Services		164,719
93.959	Block Grants for Prevention and Treatment of Substance Abuse		444,196
93.994	Maternal and Child Health Services Block Grant to the States		196,987
	Total U.S. Department of Health and Human Services		5,749,055
	<u>U.S. Department of Homeland Security</u>		
97.042	Emergency Management Performance Grants		12,147
	<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>	<b>\$ 4,295,387</b>	<b>\$ 79,602,680</b>

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, 2020

(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, 2020. 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, 2020 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, 2020.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

(3) Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

The federal award totals for the excluded component units as of September 30, 2020, are as follows:

<u>Component Unit</u>	<u>Federal Award Total</u>
Air Marshall Islands, Inc.	\$ -
College of the Marshall Islands	\$ 9,250,326
Health Care Revenue Fund	\$ -
Kwajalein Atoll Joint Utilities Resources, Inc.	\$ 1,646,408
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	\$ 774,560
Marshall Islands Shipping Corporation	\$ -
Marshall Islands Social Security Administration	\$ -
Marshall Islands Energy Company, Inc.	\$ -
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 2020. 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 2020.

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, 2020

(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, 2020

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? None noted

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:

CFDA 15.875 Sector Grants	Qualified
CFDA 15.875 COVID-19 TAP-RMI-2020-1	Qualified
CFDA 15.875 Section 212 Kwajalein Impact and Use	Unmodified

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
15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Section 212 Kwajalein Impact and Use
15.875	COVID-19 TAP-RMI-2020-1

10. Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,388,080

11. Auditee qualified as low-risk auditee? No

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Section II - Financial Statement Findings

<u>Finding Number</u>	<u>Findings</u>
2020-001	Equipment and Real Property Management
2020-002	RMI Procurement Code
2020-003	RMI Procurement Code
2020-005	Embassy Imprest Accounts
2020-006	Accounts Receivable
2020-007	Journal Entries/Adjustments

Section III - Federal Award Findings and Questioned Costs

<u>Finding Number</u>	<u>CFDA #</u>	<u>Findings</u>	<u>Questioned Costs</u>
2020-001	Sector	Equipment and Real Property Management	\$ Undeterminable
2020-002	Sector	Procurement and Suspension and Debarment	309,528
2020-003	COVID-19	Procurement and Suspension and Debarment	3,008,010
2020-004	Sector	Subrecipient Monitoring	<u>1,200,864</u>
			<u>\$ 4,518,402</u>

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-001  
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: \$ 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 capital asset records and a physical inventory has not occurred at least once in the last two years.
- As 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, or 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.
- Long-lived assets are not routinely evaluated for possible impairment.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-001, 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: \$ Undeterminable

Area: Equipment and Real Property Management

Condition, Continued:

Capital outlays within the Compact Sector Grants Fund for fiscal years 2020, 2019 and 2018 were as follows:

Fiscal Year 2020	\$ 3,358,375
Fiscal Year 2019	\$ 3,163,936
Fiscal Year 2018	\$ 6,242,082

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 and real property 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 2019-002

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, should complete such inventory in accordance with applicable property rules and regulations, and should develop adequate maintenance procedures in order to keep property in good condition. Furthermore, RepMar should 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, 2020

Finding No.: 2020-002  
 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: \$309,528

Area: Procurement and Suspension and Debarment

Criteria:

Article VI, Section 1(j)(1) of the Fiscal Procedures Agreement (FPA) 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 \$26,029,015 in non-payroll Compact Sector Grant expenditures, 60 items totaling \$2,912,333 were tested, resulting in the following deficiencies:

- (1) For 5 (or 8%), 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	410150	C13944	\$ 67,500
2	410110	C13569	91,620
3	410102	C13777	80,000
4	410102	199036	51,491
			<u>\$ 290,611</u>

Item # 1 is a contract addendum covering the period from October 1, 2019 to June 20, 2020. The original contract was not provided for examination. Two other addenda (C13366 and C13367), aggregating \$74,500, and covering the period from December 1, 2018 to September 30, 2019, were also previously executed.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-002, 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: \$309,528

Area: Procurement and Suspension and Debarment

Condition, Continued:

Item # 2 is an addendum, effective October 1, 2019 to September 30, 2020, 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. A previous contract addendum (C13335) for \$44,260 was more than double the original contract price and, with a period of February 1, 2019 to June 30, 2019, overlapped the original contract period. Such addendum was reported in Finding 2019-003 in RepMar's fiscal year 2019 Single Audit. Another contract addendum (C13342) for \$27,905 covering the period from July 1, 2019 to September 30, 2019 was also executed. C13569 was effective from October 1, 2019 to September 30, 2020.

(2) For 4 (or 7%), supporting procurement documentation was not sufficient to substantiate compliance with small purchase procedures:

<u>Item #</u>	<u>Fund #</u>	<u>Encumbrance/ Check #</u>	<u>Amount</u>
1	410102	A22922	\$ 3,054
2	510110	C13358	2,083
3	410100	P80134	5,000
4	410100	199050	8,008
5	410110	190013	772
			<u>\$ 18,917</u>

For item # 1, supporting documentation for the travel authorization was not provided to substantiate that the most economical fare was procured.

For item #s 2 through 5, evidence of informal price quotations was not provided.

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 \$309,528 result.

Identification as a Repeat Finding: Finding 2019-003

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-002, 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: \$309,528

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, 2020

Finding No.: 2020-003  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
Federal Award No.: COVID-19 TAP-RMI-2020-1 D20AP00051  
Questioned Costs: \$3,008,010

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:

The Program's total expenditures of \$3,008,010 relate to prepayment to a vendor for medical supplies and equipment. Procurement was not supported by competitive sealed bidding or any other appropriate methodology and appears to have been sole sourced. Documentary evidence of the justification and rationale for the sole source procurement method applied was not provided.

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 \$3,008,010 result.

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, 2020

Finding No.: 2020-004  
 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: \$1,200,864

Area: Subrecipient Monitoring

Criteria:

- 1) 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.
- 2) 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:

- 1) RepMar has not established formal policies and procedures over subrecipient monitoring, including compliance with related Compact provisions. For 5 (or 62%) of 8 subrecipients tested, deficiencies were noted with the following:

<u>Item #</u>	<u>Subrecipient</u>	<u>Fund</u>	<u>Sub-Grant</u>
1	Assumption School	410100	\$ 69,685
2	Baptist Christian Academy	410100	62,721
3	Canvasback Missions, Inc.	410110	100,000
4	Ebeye SDA School	410100	60,366
5	Majuro Cooperative School	410100	61,517
			\$ <u>359,784</u>

Although the subrecipients submitted financial reports, as required by the underlying Memoranda of Agreement (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; and,
- Frequency of payments were inconsistent with MOA terms.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-004, 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: \$1,200,864  
Area: Subrecipient Monitoring

Condition, Continued:

2) RepMar did not perform the required monitoring activities for two subrecipients, as follows:

The 2019 Single Audit Reports for Kwajalein Atoll Joint Utilities Resources, Inc. and Majuro Atoll Waste Company dated September 11 and July 20, 2020, respectively, reported questioned costs of \$297,312 for noncompliance with procurement and suspension and debarment requirements, and questioned costs of \$903,552 for allowable costs/cost principles requirements, respectively.

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

Cause:

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

Effect:

RepMar is in noncompliance with specific provisions of the FPA over subgrant agreements and applicable subrecipient monitoring requirements. No questioned costs are reported for Condition # 1) since the subrecipients submitted the financial reports required by RepMar. For Condition # 2), questioned costs of \$1,200,864 result.

Identification as a Repeat Finding: Finding 2019-004

Recommendation:

RepMar should comply with the specific provisions of the FPA, execute subgrant 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. Furthermore, 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, 2020

Finding No.: 2020-005  
Area: Embassy Imprest Accounts

Criteria:

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

Condition:

As of September 30, 2020, the Ministry of Finance, Banking and Postal Services recorded nine embassy imprest accounts, for which the September 2020 imprest account reconciliations reported unknown variances or shortages and included the following reconciling items, which were neither timely investigated nor properly accounted for:

- Suva, Fiji Embassy September 2020 reconciling items:
  - \$217,920 unreconciled deposits, of which \$177,295 is from prior years
  - \$201,560 disallowed disbursements from prior years
  - \$64,850 unknown differences
- Tokyo, Japan Embassy September 2020 reconciling items:
  - \$475,629 unreconciled deposits, of which \$474,162 is from prior years
  - \$440,389 disallowed disbursements, of which \$435,771 is from prior years
  - \$193,825 unknown differences, of which \$187,291 is from prior years
  - \$41,382 net unknown withdrawals, disbursements, and deposits
- Taipei, Taiwan Embassy September 2020 reconciling items:
  - \$100,759 other deposits, of which \$69,598 is from prior years
  - \$40,000 unrecorded withdrawal dated December 5, 2019
  - \$75,284 disallowed disbursements from prior years
  - \$8,255 unknown difference from prior years
- UN Mission September 2020 reconciling items:
  - \$278,832 unreconciled receipts, of which \$277,902 is from prior years
  - \$21,091 unknown differences, of which \$16,815 is from prior years
  - \$375,643 disallowed disbursements, of which \$373,748 is from prior years
- Washington, D.C. Embassy September 2020 reconciling items:
  - \$28,118 other deposits, of which \$23,327 is from prior years
  - \$60,283 disallowed disbursements from prior years
  - \$12,869 unknown differences, of which \$12,595 is from prior years
- Arkansas Consulate September 2020 reconciling items:
  - \$109,841 net unreconciled deposits, of which \$5,470 is from prior years
  - \$13,085 disallowed disbursements from prior years
  - \$1,335 unknown difference from prior years

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-005, Continued  
Area: Embassy Imprest Accounts

Condition, Continued:

- Seoul, Korea Embassy September 2020 reconciling items:
  - \$53,424 unreconciled deposits from prior years
  - \$11,525 unknown differences, of which \$11,150 is from prior years
  - \$74,717 disallowed disbursements, of which \$69,067 is from prior years
- Honolulu Consulate September 2020 reconciling items:
  - \$144,060 unreconciled deposits, of which \$2,637 is from prior years
  - \$46,664 disallowed disbursements, of which \$27,192 is from prior years
- Geneva Mission September 2020 reconciling items:
  - \$23,176 unreconciled receipts, of which \$2,062 is from prior year
  - \$65,132 disallowed disbursements
  - \$788 unknown difference

Cause:

RepMar lacks prescribed rules and regulations governing reconciliation of embassy imprest accounts and timely 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.

Identification as a Repeat Finding: Finding 2019-006

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. In addition, management should examine personnel staffing requirements and qualifications associated with RepMar's Accounting Office. RepMar employees responsible for reconciliation and replenishment of imprest accounts should have adequate training to facilitate the investigation and review process.

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, 2020

Finding No.: 2020-006  
Area: Accounts Receivable

Criteria:

Timely draws of grant expenditures should occur to reimburse the General Fund.

Condition:

Grants may not be timely billed and collected. Specifically, certain federal grant receivables for Public Infrastructure Sector and Non-Compact grants recorded by the Ministry of Finance, Banking and Postal Services have yet to be billed and collected as of the audit report date.

As of January 31, 2022, the following receivables as of September 30, 2020 had not yet been collected:

Compact Sector	\$ 8,231,363
Non-Compact	\$ 2,670,653

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 and foregoes potential investment earnings on funds that have been advanced to federally-funded programs. Furthermore, the General Fund may be negatively impacted in the event that full collection does not materialize. The impact of this matter on the General Fund resulted in an emphasis-of-matter paragraph included in the report on RepMar's financial statements.

Identification as a Repeat Finding: Finding 2019-007

Recommendation:

RepMar management should strengthen and implement 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. In addition, management should examine personnel staffing requirements and qualifications associated with RepMar's Accounting Office. RepMar employees responsible for federal grants should have adequate training to facilitate the billing and collection process.

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, 2020

Finding No.: 2020-007  
Area: Journal Entries/Adjustments

Criteria:

Journal entries and adjustments should be adequately supported, be timely and independently reviewed, and be approved by knowledgeable personnel prior to posting.

Condition:

Numerous journal entries recorded throughout the year, while approved, were inaccurate. Such entries were ultimately corrected by management during year-end reconciliations in preparation for the annual audit.

Additionally, journal voucher # G20-570N was not provided for examination.

Cause:

RepMar lacks adequate internal control policies and procedures requiring journal entries to be adequately supported, to be timely and independently reviewed, and to be approved by knowledgeable personnel prior to posting.

Effect:

Inaccurate financial reporting throughout the year.

Recommendation:

RepMar management should establish internal control policies and procedures requiring journal entries be adequately supported, be timely and independently reviewed, and be approved by knowledgeable personnel prior to posting. In addition, management should examine personnel staffing requirements and qualifications associated with RepMar's Accounting Office. RepMar employees responsible for maintaining and updating financial records should have adequate training to facilitate the review and approval process.

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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Summary Schedule of Prior Audit Findings, Continued  
 Year Ended September 30, 2020

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Questioned Costs</u>	<u>Status</u>
2019-001	15.875	\$ 89,733	Refer Note 1.
2019-002	15.875	-	Not corrected. Refer Finding 2020-001.
2019-002	84.027	-	Refer Note 1.
2019-003	15.875	283,502	Refer Note 1.
2019-004	15.875	-	Not corrected. Refer Finding 2020-004.
2019-005	93.243	1,026,136	Refer Note 1.
2019-006	N/A	-	Not corrected. Refer Finding 2020-005.
2019-007	N/A	-	Not corrected. Refer Finding 2020-006.
		<u>\$ 3,702,459</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, 2020

Finding Number	CFDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2020-001	15.875	Equipment and Real Property Management	Undeterminable	<p>A Fixed Assets Management Manual was rolled out to all the M/D/A starting June 2019 which mainly referred to the basic criteria of the Fiscal Procedures Agreement (FPA). The execution of the policies and procedures though requires adequate manpower, an established function unit and capability building trainings. One-on-one and group trainings participated by relevant employees in-charged across the government were conducted and MOFBPS continuously coordinates particularly with major line ministries in executing the policy. Moreover, MOFBPS will establish a unit in the ministry with an aim to become a model among other line agencies which will focus on regular inventory-taking, to develop reasonable safeguard measures, to establish policies and procedures for property maintenance and possible impairment of the capital assets.</p> <p>A new FMIS with a Fixed Asset Module is now in its inception stage which could potentially address the proper recording and accounting of all Capital Assets of RepMar once implemented.</p>	September 2023	Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Bruce Loeak- MOF Chief of Procurement Jefferson Barton- MWIU Secretary
2020-002	15.875	Procurement and Suspension and Debarment	\$309,528	<p>Revisions in the Procurement Act is currently in progress to streamline with the implementation of the new FMIS, which is now in its inception. This new system will potentially resolve and address the existing procurement issues and will eventually become a tool in ensuring strict compliance to procurement procedures.</p> <p>*MOFBPS will conduct a procurement training within the ministry and subsequently to all other line agencies, basically to orient/re-orient personnel in-charged and to build capacity.</p>	*September 2022	Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Secretary Bruce Loeak- MOF Chief of Procurement Jack Niedenthal MOHHS Sec.

CORRECTIVE ACTION PLAN  
 2 CFR § 200.511 (c)  
 Year ended September 30, 2020

Finding Number	CFDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2020-003	15.875	Procurement and Suspension and Debarment	\$3,008,010	<p>When the global pandemic was declared by WHO in March 2020, RepMar immediately sought support in the implementation of the COVID 19 Emergency Response Project from its development partners and from various international organizations. At the early stage of the pandemic, supply of medicines and equipment were scarce and RepMar had less capacity to procure without immediate access to the international market. A State of Health Emergency was proclaimed therefore in April 2020, RepMar made an agreement with UNOPS, a subsidiary organ and acts as a central resource in procurement of the UN, to procure and deliver supplies in the implementation of the Project. This was considered as an emergency procurement provided under §129 of the Procurement Code 1988.</p> <p>Moreover, all grantors who funded this Project including USDOJ were fully informed and are aware of the agreement.</p> <p>RepMar will ensure full documentation of discussions and agreements among all stakeholders to serve as a reference of compliance.</p>	May 2022	Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Bruce Loeak- MOF Chief of Procurement Jack Niedenthal MOHHS Sec. Francyne Jacklick MOHHS Dep.Sec.

CORRECTIVE ACTION PLAN  
 2 CFR § 200.511 (c)  
 Year ended September 30, 2020

Finding Number	CFDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2020-004	15.875	Subrecipient Monitoring	\$1,200,864	<p>The Grants Management Manual of the MOF, which became effective in FY2019, contains a section specifically on Subrecipients Monitoring. It established the requirement for SG1 and SG2 reporting, which encapsulates the subrecipient monitoring requirements of the Compact FPA and the US CFR. SG1 reports, which are only needed in the 1st quarter request for payment and SG2 reports submitted for the 2nd, 3rd or 4th quarter request for payments were signed completely upon revalidation of the samples cited. There was prior approval from Grantor approving Majuro schools receiving ATPS to follow the schools' academic calendar when applying expenditures against Compact grant. We are currently working with the Ministry of Education to retrieve the approval from the Grantor. Lastly, although the MOA states quarterly disbursement to comply with the Financial Management Act, the MOAs also state that the "required reports stipulated in Section 6 must accompany every payment request". Subrecipients covered by a quarterly disbursing MOA are not entitled to an automatic quarterly payment. This still depends on their ability to produce and submit acceptable reports with valid supporting documents for funds disbursed to them previously. There is no deadline for the submission of quarterly drawdown requests. As long as subrecipients submit before the end of the year, we honor their request and release payments.</p> <p>In compliance with the standard monitoring process in place for all subrecipients of RepMar, the MOF will ensure that all requests for payments from SOEs are accompanied by duly accomplished SG1/SG2 reports prior to release of payments, which include a section requiring the declaration of any audit findings pertaining to sub-granted funds and the corrective action plan. Furthermore, the MOF will include the review of the annual Single Audit report findings of SOEs receiving sub-granted funds in its work plan and will ensure monitoring of the progress of corrective actions.</p>	September 2022	Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Accounting Ywao Elanzo MOF Asst. Sec. SOEMU

CORRECTIVE ACTION PLAN  
2 CFR § 200.511 (c)  
Year ended September 30, 2020

Finding Number	CFDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2020-005		Embassy Imprest Accounts		<p>An Imprest Fund Procedures Manual was rolled out to all the RepMar embassies/consulates' finance personnel starting February 2019 to serve as a guide in implementing the uniform procedures and reporting templates.</p> <p>With the staff turnover and changes in the headship of the embassies/ consular office, the MOFBPS continuously provides trainings as requested by MOFAT. The MOFBPS and MOFAT together with the RepMar embassies are closely coordinating to address the reduction of, at least if not fully eliminating, the reconciliation items and the immediate resolution of the matter. This collaboration resulted to less disallowed expenditures and without unknown difference since FY2021.</p>	September 2022	Patrick Langrine-MOF Secretary Deeann Reimers-MOF Asst. Sec. Anjanette Kattil MOFAT Secretary Calvin Myaoze-MOFAT Asst. Sec.
2020-006		Accounts Receivable		<p>Continuous training and strengthening of the Compact Officer position within the Accounting Department of the MOF should aid in minimizing if not preventing new A/R from Compact grants.</p> <p>Furthermore, the Reform Coordination Unit (RCU) has identified Grants Receivable as one of its focus areas and targets February 2023 to submit recommendations to MOF management concerning old receivable balances.</p>	February 2023	Patrick Langrine-MOF Secretary Deeann Reimers-MOF Asst. Sec.
2020-007		Journal Entries/Adjustments		<p>Capacity building trainings are ongoing particularly those tailored for MOF Accounting personnel. The GRMI Accounting Manual was rolled out in October 2020 to serve as a guide in the processing and accurate recording of financial transactions. Furthermore, the MOF Accounting Department will gradually implement month-end closing of the financial books starting May of fiscal year 2022 to identify and correct inaccurate bookings in a timely manner. A new FMIS is now in its inception stage and it is expected to facilitate timely recording and financial reporting.</p>	May 2022	Patrick Langrine-MOF Secretary Deeann Reimers-MOF Asst. Sec.