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June 22, 2016

Dr. Theresa Koroivulaono
President
College of the Marshall Islands

Dear Dr. Koroivulaono:

In planning and performing our audit of the financial statements of the College of the Marshall Islands (the College) as of and for the year ended September 30, 2015 (on which we have issued our report dated June 22, 2016), 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, we considered the College's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the College's internal control over financial reporting and other matters as of September 30, 2015 that we wish to bring to your attention.

We have also issued a separate report to the Board of Regents, also dated June 22, 2016, on our consideration of the College'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 definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Board of Regents, others within the organization, and the Office of the Auditor-General and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the College for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte + Touche LLP

SECTION I - DEFICIENCIES

We identified, and have included below, deficiencies involving the College's internal control over financial reporting as of September 30, 2015 that we wish to bring to your attention:

Unknown Deposits

As of September 30, 2015, the College recorded outstanding transactions dated FY2004 through FY2014 of $85,673 which were included in other payables. Further, eleven direct deposits aggregating $266,340, deposited to the College's bank account were not identified but were already expended as of September 30, 2015. Identification of four deposits aggregating to $191,626 were determined and corrected during the audit.

We recommend that the College regularly monitor the purpose of all direct deposits made into the College's account and properly record under the appropriate income account.

Journal Entries

The College has not established policies and procedures that indicate which type of journal entries should be forwarded to the Chief Financial Officer (CFO) for review and approval. Further, independent review of payroll reports is not evident. Specifically, all seven journal entries tested did not have evidence of review and approval by the CFO prior to posting.

We recommend that the College establish policies and procedures that specify journal entry transaction types that will be provided to the CFO for review and approval. This matter was discussed in our previous letters to management in the 2008 through 2014 audits.

Inventory

Test of inventory noted the following:

1. Variances in unit costs of 5 of 6 inventory items tested.

2. Five of twelve inventory test counts noted discrepancies in quantities due to lack of count verification procedures.

We recommend that the College strengthen procedures over inventory unit cost calculations. We further recommend that the College strengthen inventory count procedures by including verification of initial counts.

Procurement

Tests of disbursements noted the following:

1. Procurement documents evidencing full and open competition or vendor selection were not provided for 5 purchases (PO#15-00060, PO#15-01017, PO#15-00803, PO#15-00150 and PO#15-00391).

2. Approved sole source justification documentation was not evident for three purchases (PO#15-00004, PO#15-00007 and PO#15-01087).

3. One item (PO#15-00054) tested did not have documentation evidencing that thorough review and selection of the winning contractor occurred.

We recommend that the College strengthen procedures over the procurement process.

SECTION I – DEFICIENCIES, CONTINUED

RepMar Appropriations and Small Grants

Tests of restricted revenue noted differences between amounts recorded by the College and confirmation received.

We recommend that the College perform regular and timely reconciliations.

SECTION II - OTHER MATTERS

Other matters related to our observations concerning operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention are as follows:

Fixed Asset

Tests of fixed assets noted the following:

1. The following assets were not located, were not operational, or were replaced but were included in the fixed asset register as of September 30, 2015:

Reference Number	Asset Description	Asset Cost
29	COPIER NP-4050	$ 16,287
168	COMPUTER	949
716	INTEL DVD DREAM WORKSTATION 500GB CPU/CHIMEI LCD MONITOR	1,398
1410	CAMERAS & SUPPLIES	4,300
1277	Scissorlift Machine	8,250

2. One asset (ref #1277; asset description: Scissorlift Machine; cost: $8,250) did not have a CMI tag or serial number traceable to the fixed asset register.

3. One asset (ref#125; asset description: 3 CMI vehicles; cost: $12,735) was surveyed for disposal in FY14, and was removed from the fixed asset register approximately one year later.

We recommend that the fixed asset register be updated and monitored regularly for current and potential disposals. Additionally, we recommend that all assets be tagged and when not practicable, tag numbers be maintained with related purchase order.

Accounts Receivable

Tests of Accounts Receivable noted the following:

1. Eight charges (Billing #s FA1501034, SP150275, FA1500743, FA1500616, FA1500688, FA1500487, FA1500483, and FA1500186) are not correctly aged.

2. An adjustment for a canceled student registration in FY2011 did not occur until FY2015.

SECTION II - OTHER MATTERS, CONTINUED

Accounts Receivable, Continued

We recommend that the College strengthen procedures to determine that receivables are correctly aged. We further recommend that the College enhance coordination between the Registrar's Office and Business Office so that charges for withdrawn students are timely adjusted.

Segregation of Duties - Payroll Function

Payroll processing personnel are authorized to make changes and to edit employee wage rates without approval from management.

We recommend that edits to wage rates performed by payroll personnel be approved by non-Payroll section management. This matter was discussed in our previous letters to management in the 2013 and 2014 audits.

SEFA Preparation

The schedule of expenditures of federal awards (SEFA) was not timely updated and completed.

We recommend that the SEFA be timely updated and completed.

Board of Regents – Meeting Minutes

The College could not provide complete set of approved monthly Board of Regents meeting minutes.

We recommend that meeting minutes be adequately maintained.

SECTION III - DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The College's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.