

REPUBLIC OF THE MARSHALL ISLANDS

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2001

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
UPON THE AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

His Excellency Kessai Note
President
Republic of the Marshall Islands:

We have audited the general purpose financial statements of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2001, and have issued our report thereon dated May 27, 2002, which report was qualified due to: 1) our inability to obtain minutes of Board of Directors' meetings for Air Marshall Islands, Inc.; 2) our inability to determine the propriety of fixed assets and fund equity of the General Fixed Assets Account Group; 3) our inability to determine the propriety of deferred revenue of the Governmental Fund Type - Special Revenue Fund; 4) our inability to determine the propriety of accounts payable of the Kwajalein Atoll Development Authority, a Governmental Fund Type - Capital Projects Fund; 5) our inability to determine the propriety of inventories of Air Marshall Islands, Inc., a Component Unit - Proprietary Fund; 6) our inability to determine the propriety of revenues and expenses of the Kwajalein Atoll Joint Utilities Resources, Inc. and receivables, accounts payable, other liabilities and accruals, and revenues and expenses of the Marshall Islands Marine Resources Authority, Component Units - Proprietary Funds; and 7) the omission of the Ministry of Education Headstart Program from the Governmental Fund Type - Special Revenue Fund, the Four Atoll Medical Fund and the Marshall Islands Scholarship, Grant and Loan Board from the Fiduciary Fund Type - Expendable Trust Fund, the National Environmental Protection Authority from the Component Unit - Governmental Fund, the Marshall Islands Development Bank, the Marshall Islands Alternative Energy Company, Inc. and the Marshall Islands Drydock, Inc. from the Component Units - Proprietary Funds, and the College of the Marshall Islands from the University and College Fund Type - Higher Education Fund. Except as discussed in the preceding sentence, 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.

Compliance

As part of obtaining reasonable assurance about whether RepMar's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs (pages 15 through 40) as items 2001-11 and 2001-12, and 2001-14 through 2001-22. We also noted one immaterial instance of noncompliance, which we have reported to management of RepMar and is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-13.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered RepMar's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect RepMar's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-1 through 2001-10.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-2, 2001-4, 2001-5, and 2001-8 through 2001-10 to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of RepMar in a separate letter dated May 27, 2002.

This report is intended solely for the information and use of the management of RepMar, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche

May 27, 2002

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

His Excellency Kessai Note
President
Republic of the Marshall Islands:

Compliance

We have audited the compliance of the Republic of the Marshall Islands (RepMar) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2001. RepMar's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 15 through 40). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of RepMar's management. Our responsibility is to express an opinion on RepMar's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 opinion. Our audit does not provide a legal determination of RepMar's compliance with those requirements.

As described in items 2001-15 through 2001-22 in the accompanying Schedule of Findings and Questioned Costs, RepMar did not comply with requirements regarding cash management, equipment and real property management, procurement and suspension and debarment, reporting, subrecipient monitoring, and special tests and provisions of the Compact of Free Association that are applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for RepMar to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, RepMar complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2001.

Internal Control Over Compliance

The management of RepMar is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered RepMar's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect RepMar's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-15 through 2001-22.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of RepMar as of and for the year ended September 30, 2001, and have issued our report thereon dated May 27, 2002, which report was qualified due to: 1) our inability to obtain minutes of Board of Directors' meetings for Air Marshall Islands, Inc.; 2) our inability to determine the propriety of fixed assets and fund equity of the General Fixed Assets Account Group; 3) our inability to determine the propriety of deferred revenue of the Governmental Fund Type - Special Revenue Fund; 4) our inability to determine the propriety of accounts payable of the Kwajalein Atoll Development Authority, a Governmental Fund Type - Capital Projects Fund; 5) our inability to determine the propriety of inventories of Air Marshall Islands, Inc. a Component Unit - Proprietary Fund; 6) our inability to determine the propriety of revenues and expenses of the Kwajalein Atoll Joint Utilities Resources, Inc. and receivables, accounts payable, other liabilities and accruals, and revenues and expenses of the Marshall Islands Marine Resources Authority, Component Units - Proprietary Funds; and 7) the omission of the Ministry of Education Headstart Program from the Governmental Fund Type - Special Revenue Fund, the Four Atoll Medical Fund and the Marshall Islands Scholarship, Grant and Loan Board from the Fiduciary Fund Type - Expendable Trust Fund, the National Environmental Protection Authority from the Component Unit - Governmental Fund, the Marshall Islands Development Bank, the Marshall Islands Alternative Energy Company, Inc. and the Marshall Islands Drydock, Inc. from the Component Units - Proprietary Funds, and the College of the Marshall Islands from the University and College Fund Type - Higher Education Fund. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (pages 7 through 11) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of RepMar. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had: 1) the propriety of deferred revenue been determinable; and 2) the expenditures pertaining to the U.S. Department of Health and Human Services Headstart Program been included, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the management of RepMar, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche

May 27, 2002

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Programs Selected for Audit
in Accordance with OMB Circular A-133
Year Ended September 30, 2001

The following list specifies programs selected for detailed compliance testing in accordance with applicable OMB Circular A-133 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Description</u>	<u>Amount of Expenditures</u>
U.S. Department of Education	84.027	Special Education Improvement	\$ <u>1,405,709</u>
U.S. Department of the Interior	15.875	Economic, Social, and Political Development of the Territories and the Freely Associated States: Compact of Free Association:	
		Section 177	5,965,360
		Section 211(a) Capital Account	13,695,900
		Section 213(a) Military Rights	1,883,693
		Section 214(a) Energy	2,000,000
		Section 215(a)(1) Communications	182,302
		Section 216(a)(1) Surveillance and Enforcement	371,400
		Section 216(a)(2) Health and Medical	565,179
		Section 216(a)(3) Scholarship	787,695
		Section 217 Inflation Adjustment	9,312,400
		Section 221(b) Health and Education	<u>2,993,259</u>
			37,757,188
		Other Direct Assistance	<u>1,337,671</u>
		Total CFDA #15.875	<u>39,094,859</u>
		Total program expenditures tested	\$ <u>40,500,568</u>
		Total federal program expenditures	\$ 65,809,901
		Less: Section 211(a) Current Account	(5,404,100)
		Section 217 Inflation Adjustment applicable to Section 211(a) Current Account	(2,671,600)
		Entities that have not satisfied the audit requirements of OMB Circular A-133:	
		· Republic of the Marshall Islands Private Industry Council, Inc.	(1,079,472)
		· Four Atoll Programs	(12,250,000)
		· Marshall Islands Scholarship, Grant and Loan Board	<u>(724,872)</u>
			\$ <u>43,679,857</u>
		% of total federal program expenditures tested	<u>93%</u>

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

Grantor/Grant Title CFDA No. or Other Applicable Grant No.	RepMar Org No.	2001 Total Authorization	2001 Receipts	Prior Year Expenditures	2001 Expenditures	Total Program Expenditures	Excess (Deficiency) of Authorization Over (Under) Program Expenditures
<u>U.S. Federal Direct Assistance</u>							
<u>U.S. Department of Agriculture</u>							
<u>CFDA #10.567</u>							
Special Food Assistance Program FY00/01 Rural Fire Prevention	5706/07 5635	\$ 108,346 30,000	\$ 31,045 -	\$ 43,080 27,718	\$ 52,816 210	\$ 95,896 27,928	\$ 12,450 2,072
Sub-total CFDA #10.567		138,346	31,045	70,798	53,026	123,824	14,522
<u>CFDA #10.664</u>							
Cooperative Forestry Assistance	5627	13,775	-	6,433	701	7,134	6,641
Cooperative Forestry Assistance	5630/31	19,450	19,218	29,397	-	29,397	(9,947)
Cooperative Forestry Assistance	5632	70,325	-	24,258	2,047	26,305	44,020
Sub-total CFDA #10.664		103,550	19,218	60,088	2,748	62,836	40,714
Total U.S. Department of Agriculture		241,896	50,263	130,886	55,774	186,660	55,236
<u>U.S. Department of Commerce</u>							
<u>CFDA #11.460</u>							
Weather Observation Services	0903	290,325	407,162	313,010	312,686	625,696	(335,371)
Total U.S. Department of Commerce		290,325	407,162	313,010	312,686	625,696	(335,371)
<u>U.S. Department of Education</u>							
<u>CFDA #84.010</u>							
I Secondary Academic	5414/21	237,000	-	433,358	40,390	473,748	(236,748)
<u>CFDA #84.256A</u>							
School Health Program	5417	-	-	-	6,834	6,834	(6,834)
Freely Associated States Educational Grant Program	5419	860,855	436,608	655,187	427,655	1,082,842	(221,987)
Freely Associated States Educational Grant Program	5420	-	841,300	-	60,551	60,551	(60,551)
Sub-total CFDA #84.256A		860,855	1,277,908	655,187	495,040	1,150,227	(289,372)
<u>CFDA #84.276A</u>							
Goals 2000 Educate America Act	5424/25/26	-	11,579	152,754	73,845	226,599	(226,599)
Goals 2000 Educate America Act	5526	-	134,024	152,754	90,251	243,005	(243,005)
Sub-total CFDA #84.276A		-	145,603	305,508	164,096	469,604	(469,604)
<u>CFDA #84.027</u>							
Education for Children With Disabilities - State Grants	5407/40	1,764,800	1,620,000	-	1,405,709	1,405,709	359,091
<u>CFDA #84.150</u>							
Pacific Vocational Education Improve- ment Program	5409/27/28	131,840	795	496,736	78,557	575,293	(443,453)
Pacific Vocational Education Improve- ment Program	5528	-	26,811	-	67,056	67,056	(67,056)
Sub-total CFDA #84.150		131,840	27,606	496,736	145,613	642,349	(510,509)
<u>CFDA #84.185</u>							
Byrd Honors Scholarship	5435/36	-	60,000	-	-	-	-
Total U.S. Department of Education		2,994,495	3,131,117	1,890,789	2,250,848	4,141,637	(1,147,142)
<u>U.S. Department of Health and Human Services</u>							
<u>CFDA #93.110</u>							
Ebeye Community Health Center	8379	-	-	-	88,167	88,167	(88,167)
National Leprosy Program FY99	7305	33,955	29,473	27,184	1,019	28,203	5,752
Community Based MCH Education Project for Systems Development FY98	6353/54/55	98,364	-	-	16,605	16,605	81,759
Community Based MCH Education Project for Systems Development	6375/76	90,273	-	138,196	(120)	138,076	(47,803)
Community Based MCH Education Project for Systems Development FY99/00	7353/54/55	486,804	-	456,042	(213,960)	242,082	244,722
Community Based MCH Education Project for Systems Development FY00/01	8353/54/55	-	244,722	-	202,837	202,837	(202,837)
Community Based MCH Education Project for Systems Development FY01/02	8453/54/55	-	-	-	186,461	186,461	(186,461)
		709,396	274,195	621,422	281,009	902,431	(193,035)

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS
 Schedule of Expenditures of Federal Awards, Continued
 Year Ended September 30, 2001

Grantor/Grant Title CFDA No. or Other Applicable Grant No.	RepMar Org No.	2001 Total Authorization	2001 Receipts	Prior Year Expenditures	2001 Expenditures	Total Program Expenditures	Excess (Deficiency) of Authorization Over (Under) Program Expenditures
<u>U.S. Department of Health and Human Services, Continued</u>							
<u>CFDA #93.110, Continued</u>							
Balance forwarded		709,396	274,195	621,422	281,009	902,431	(193,035)
CISS Project to Enhance Services to Pregnant Women FY00	7377	50,000	-	4,758	25,800	30,558	19,442
CISS Project to Enhance Services to Pregnant Women FY01	7477	50,000	-	-	27,607	27,607	22,393
Majuro SSDI	7375	99,825	-	38,504	422	38,926	60,899
Ebeye SSDI	7376	99,825	-	4,284	3,175	7,459	92,366
Majuro SSDI	8375	99,825	-	-	79,450	79,450	20,375
Ebeye SSDI	8376	99,825	-	-	6,101	6,101	93,724
High School Health Community FY00	7378	100,000	-	5,204	28,622	33,826	66,174
High School Health Community FY01	7379	100,000	-	-	35,543	35,543	64,457
Sub-total CFDA #93.110		1,408,696	274,195	674,172	487,729	1,161,901	246,795
<u>CFDA #93.116</u>							
Tuberculosis and Aids Control Program FY99	7346/47	-	-	35,070	340	35,410	(35,410)
Tuberculosis and Aids Control Program FY01	7385/86	-	-	-	30,292	30,292	(30,292)
Tuberculosis and Aids Control Program FY00	8346/47	-	-	7,801	35,041	42,842	(42,842)
Sub-total CFDA #93.116		-	-	42,871	65,673	108,544	(108,544)
<u>CFDA #93.118</u>							
HIV Prevention Project FY99	7348/49	-	-	47,609	3,552	51,161	(51,161)
HIV Prevention Project FY00	8348/49	-	-	7,721	7,162	14,883	(14,883)
HIV Prevention Project FY01	8448/49	-	-	-	32,696	32,696	(32,696)
Sub-total CFDA #93.118		-	-	55,330	43,410	98,740	(98,740)
<u>CFDA #93.163</u>							
Pacific Basin Health Initiative FY99	6383	245,157	1,568,882	386,394	83,230	469,624	(224,467)
Pacific Basin Health Initiative FY00/01	6384	-	-	46,853	47,182	94,035	(94,035)
Sub-total CFDA #93.163		245,157	1,568,882	433,247	130,412	563,659	(318,502)
<u>CFDA #93.217</u>							
Family Planning Project	6340/41	93,078	-	39,545	600	40,145	52,933
Family Planning Project	6363/64	88,785	-	155,656	7,691	163,347	(74,562)
Family Planning Project FY98	7363/64	89,206	-	151,611	21,123	172,734	(83,528)
Family Planning Project FY01	7383/84	-	-	-	104,827	104,827	(104,827)
Family Planning Project FY02	7483/84	-	-	-	29,726	29,726	(29,726)
Sub-total CFDA #93.217		271,069	-	346,812	163,967	510,779	(239,710)
<u>CFDA #93.268</u>							
Immunization Program FY98	6344/45	60,566	-	95,366	65	95,431	(34,865)
Immunization Program FY99	7344/45	-	-	34,880	3,430	38,310	(38,310)
Immunization Program FY00	8344/45	-	-	36,433	25,177	61,610	(61,610)
Immunization Program FY01	8350/51	-	-	-	62,449	62,449	(62,449)
Immunization Program FY02	8450	-	-	-	6,540	6,540	(6,540)
Sub-total CFDA #93.268		60,566	-	166,679	97,661	264,340	(203,774)
<u>CFDA #93.283</u>							
EPI Evaluation of Thyroid Disease	5303/07	350,000	-	410,317	788	411,105	(61,105)
EPI Evaluation of Thyroid Disease	7358	-	-	49,811	45,982	95,793	(95,793)
EPI Evaluation of Thyroid Disease	8358	-	-	-	38,486	38,486	(38,486)
Sub-total CFDA #93.283		350,000	-	460,128	85,256	545,384	(195,384)
<u>CFDA #93.938</u>							
State and Local School Health Programs	5412	50,050	100,000	130,557	-	130,557	(80,507)
State and Local School Health Programs	5437	50,000	-	38,054	9,752	47,806	2,194
State and Local School Health Programs	5438	50,000	-	-	26,112	26,112	23,888
Sub-total CFDA #93.938		150,050	100,000	168,611	35,864	204,475	(54,425)
<u>CFDA #93.959</u>							
Substance Abuse Prevention and Treatment Program	5320/30/32	216,480	-	351,024	(763)	350,261	(133,781)
Substance Abuse Prevention and Treatment Program	6368/69/70	-	1	119,060	216	119,276	(119,276)
Substance Abuse Prevention and Treatment Program	7368/69/70	-	4,792	259,120	16,699	275,819	(275,819)
		216,480	4,793	729,204	16,152	745,356	(528,876)

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS
 Schedule of Expenditures of Federal Awards, Continued
 Year Ended September 30, 2001

Grantor/Grant Title CFDA No. or Other Applicable Grant No.	RepMar Org No.	2001 Total Authorization	2001 Receipts	Prior Year Expenditures	2001 Expenditures	Total Program Expenditures	Excess (Deficiency) of Authorization Over (Under) Program Expenditures
<u>U.S. Department of Health and Human Services. Continued</u>							
<u>CFDA #93.959. Continued</u>							
Balance forwarded		216,480	4,793	729,204	16,152	745,356	(528,876)
Substance Abuse Prevention and Treatment Program	3368/69/70/71	-	165,211	-	176,138	176,138	(176,138)
Sub-total CFDA #93.959		216,480	170,004	729,204	192,290	921,494	(705,014)
<u>CFDA #93.977</u>							
Sexual Transmitted Disease Control Program Majuro/Ebeye FY99	7342/43	-	-	163,148	21,300	184,448	(184,448)
Sexual Transmitted Disease Control Program Majuro/Ebeye FY00	7442/43	-	-	26,979	20,256	47,235	(47,235)
Sexual Transmitted Disease Control Program Majuro/Ebeye FY01	7444/45	-	-	-	44,004	44,004	(44,004)
Sub-total CFDA #93.977		-	-	190,127	85,560	275,687	(275,687)
<u>CFDA #93.988</u>							
State-Based Diabetes Program FY00	7366/67	-	-	68,298	17,582	85,880	(85,880)
State-Based Diabetes Program FY01	7381/82	-	-	-	39,457	39,457	(39,457)
State-Based Diabetes Program FY02	7481/82	-	-	-	2,832	2,832	(2,832)
Sub-total CFDA #93.988		-	-	68,298	59,871	128,169	(128,169)
<u>CFDA #93.991</u>							
Preventive Health Services	7310/11	46,346	-	7,560	500	8,060	38,286
Preventive Health Services FY00	320/21/22/23	-	42,529	-	-	-	-
Preventive Health Services FY99	330/31/32/33	-	46,924	-	-	-	-
Sub-total CFDA #93.991		46,346	89,453	7,560	500	8,060	38,286
<u>CFDA #93.958</u>							
Community Mental Health FY00	7372/73/74	-	-	52,110	3,525	55,635	(55,635)
Community Mental Health FY01	371/72/73/74	-	145,167	-	33,600	33,600	(33,600)
Sub-total CFDA #93.958		-	145,167	52,110	37,125	89,235	(89,235)
Total U.S. Department of Health and Human Services		2,748,364	2,347,701	3,395,149	1,485,318	4,880,467	(2,132,103)
<u>Federal Emergency Management Agency</u>							
<u>CFDA #83.544</u>							
Typhoon Axel Public Assistance	5164	1,885,834	1,763	2,562,422	-	2,562,422	(676,588)
<u>CFDA #83.505</u>							
Seventh Day Adventist and Majuro Cooperative School Seawall Project Outer Island Water Resources Planning and Development	5105/06/07	363,997	166,467	198,080	166,917	364,997	(1,000)
State Management 1210-HMGP 001	111/12/13/14	99,132	1,380	131,066	427	131,493	(32,361)
Disaster Preparedness Improvement FY97	5126	50,000	50,000	52,481	-	52,481	(2,481)
Disaster Preparedness Improvement FY98	5127	50,000	34,630	46,228	-	46,228	3,772
Disaster Preparedness Improvement FY99	5128	50,000	-	50,029	1,911	51,940	(1,940)
Disaster Preparedness Improvement FY00	5129	-	19,238	14,707	22,996	37,703	(37,703)
Disaster Preparedness Improvement Grant	5130/31	50,000	6,481	37,643	-	37,643	12,357
Disaster Preparedness Improvement Grant FY01	5230	-	7,783	-	13,877	13,877	(13,877)
Sub-total CFDA #83.505		663,129	780,498	543,993	1,000,883	1,544,876	(881,747)
Total Federal Emergency Management Agency		2,548,963	782,261	3,106,415	1,000,883	4,107,298	(1,558,335)
<u>U.S. Department of Labor</u>							
<u>CFDA #17.249</u>							
School to Work Territorial Development	5460/61/62	50,000	107,532	594,507	204,361	798,868	(748,868)
<u>CFDA #17.250</u>							
Job Training Partnership Act FY01	5213/15/16	-	413,912	-	280,342	280,342	(280,342)
Job Training Partnership Act FY01	5310/11/12	-	304,678	-	304,678	304,678	(304,678)
Job Training Partnership Act FY00	5210/11/12	-	494,452	369,245	494,452	863,697	(863,697)
Sub-total CFDA #17.250		-	1,213,042	369,245	1,079,472	1,448,717	(1,448,717)
Total U.S. Department of Labor		50,000	1,320,574	963,752	1,283,833	2,247,585	(2,197,585)

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS
 Schedule of Expenditures of Federal Awards, Continued
 Year Ended September 30, 2001

Grantor/Grant Title CFDA No. or Other Applicable Grant No.	RepMar Org No.	2001 Total Authorization	2001 Receipts	Prior Year Expenditures	2001 Expenditures	Total Program Expenditures	Excess (Deficiency) of Authorization Over (Under) Program Expenditures
<u>U.S. Department of the Interior</u>							
<u>CFDA #15.875</u>							
Index/Archive for Nuclear Program	6130	28,425	38,192	26,199	42,067	68,266	(39,841)
Alele Renovation	5115	-	-	-	77,763	77,763	(77,763)
Archaeological Preservation	5124	20,000	16,536	19,814	-	19,814	186
Archaeological Preservation	5125	-	20,000	5,208	226	5,434	(5,434)
RMI Census	5132	44,000	44,000	44,146	-	44,146	(146)
Youth to Youth in Health IGP	5374	78,640	13,690	113,315	13,690	127,005	(48,365)
Marshall Islands High School Motorboat	5403	-	6,100	-	-	-	-
Ailuk Atoll PIRAAP	5693	-	-	20,000	13,500	33,500	(33,500)
Ejit Reverse Osmosis Unit	5699	-	85,000	-	85,000	85,000	(85,000)
S-I-N Inc.	6131	-	-	-	12,725	12,725	(12,725)
EPA Environmental Standards Conference	6204	88,000	-	135,726	405	136,131	(48,131)
EPA Environmental Standards Conference	6205	-	29,519	23,442	5,838	29,280	(29,280)
Historic Preservation Fund FY 01	6217	-	-	-	157,738	157,738	(157,738)
Library Services & Technology Act	6226	-	-	29,562	13,128	42,690	(42,690)
Library Services & Technology Act	6227	-	-	-	56,378	56,378	(56,378)
Land Survey Grant	6230	-	-	105,206	110,044	215,250	(215,250)
Ebeye Hospital Standby Generator	6713	-	115,000	-	115,000	115,000	(115,000)
Ebeye Road Drainage Rehab	6714	-	169,416	-	-	-	-
Single Audit FY00	6900	622,750	207,021	-	364,085	364,085	258,665
Buddy System	6929	-	-	-	1,576	1,576	(1,576)
Single Audit FY96	6996	593,978	25,000	966,780	13,000	979,780	(385,802)
Single Audit FY97	6997	593,978	108,500	87,058	74,150	161,208	432,770
Single Audit FY98	6998	527,635	202,164	460,073	77,200	537,273	(9,638)
Single Audit FY99	6999	602,000	470,237	366,079	104,158	470,237	131,763
Total U.S. Department of the Interior		3,199,406	1,550,375	2,402,608	1,337,671	3,740,279	(540,873)
Total U.S. Federal Direct Assistance		\$ 12,073,449	\$ 9,589,453	\$ 12,202,609	\$ 7,727,013	\$ 19,929,622	\$ (7,856,173)

Reconciliation of expenditures to the general purpose financial statements:

Expenditures of the TIPI Federal and Other Assistance Fund	\$ 7,414,327
Reimbursable expenditures recorded in the General Fund	312,686
Total U.S. Federal Direct Assistance	\$ 7,727,013

The above federal awards have been received in a direct capacity through the grantor agency.

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards, Continued
 Compact of Free Association Funding
 Year Ended September 30, 2001

	Prior Year Funds Carried Over	2001 Receipts	Total Funding Available	2001 Expenditures	September 30, 2001 Available Funds
<u>Compact of Free Association Funding</u>					
<u>CFDA #15.875</u>					
General Fund:					
Section 211(a) Current Account	\$ -	\$ 1,144,100	\$ 1,144,100	\$ 1,144,100	\$ -
Section 217 Current Account	-	286,000	286,000	286,000	-
	-	1,430,100	1,430,100	1,430,100	-
Special Revenue Fund:					
Section 215(a)(1) Communications	283,502	300,000	583,502	182,302	401,200
Section 216(a)(2) Health and Medical	54,416	531,600	586,016	565,179	20,837
Section 216(a)(3) Scholarship	61,810	797,400	859,210	787,695	71,515
Section 221(b) Health and Education	189,526	3,000,000	3,189,526	2,993,259	196,267
Section 214(a) Energy	416	2,000,000	2,000,416	2,000,000	416
	589,670	6,629,000	7,218,670	6,528,435	690,235
Capital Projects Funds:					
Section 111(d) Investment Development	472,253	-	472,253	-	472,253
Section 211 (a) Capital Account:					
Section 211(a) Capital Account	(592)	10,855,910	10,855,318	10,855,900	(582)
Section 211(a) Capital Account (Kwajalein)	-	2,840,000	2,840,000	2,840,000	-
Section 217 Capital Account	-	7,722,000	7,722,000	7,722,000	-
Section 217 Capital Account (Kwajalein)	366,000	1,590,400	1,956,400	1,590,400	366,000
	365,408	23,008,310	23,373,718	23,008,300	365,418
Section 216(a)(1) Surveillance and Enforcement					
	-	371,400	371,400	371,400	-
	837,661	23,379,710	24,217,371	23,379,700	837,671
Expendable Trust Funds:					
Kwajalein Atoll Trust Fund:					
Section 211(a) Current Account	-	4,260,000	4,260,000	4,260,000	-
Section 217 Current Account	-	2,385,600	2,385,600	2,385,600	-
Section 213(a) Military Rights	435,938	1,900,000	2,335,938	1,883,693	452,245
	435,938	8,545,600	8,981,538	8,529,293	452,245
Total Compact Funds					
	\$ 1,863,269	\$ 39,984,410	\$ 41,847,679	\$ 39,867,528	\$ 1,980,151
Other Compact Funds:					
Four Atoll Programs (Section 177)(A):					
Rongelap Atoll Local Government	\$ -	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ -
Kili/Bikini Local Government	-	5,000,000	5,000,000	5,000,000	-
Utrik Atoll Local Government	-	1,500,000	1,500,000	1,500,000	-
Enewetak/Ujelang Local Government	-	3,250,000	3,250,000	3,250,000	-
	-	12,250,000	12,250,000	12,250,000	-
Other Section 177 Programs (B):					
Nuclear Claims Tribunal	399,165	5,763,650	6,162,815	5,965,360	197,455
	399,165	5,763,650	6,162,815	5,965,360	197,455
	\$ 399,165	\$ 18,013,650	\$ 18,412,815	\$ 18,215,360	\$ 197,455

All federal awards have been received by RepMar directly from the grantor agency except for the following:

- (A) These funds do not pass through RepMar but go directly to the respective local governments and are reflected as expenditures of the Nuclear Claims Trust Fund.
- (B) These funds are not administered by RepMar and are reflected as transfers out of the NCTF to the Nuclear Claims Tribunal.

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, 2001

(1) Scope of Review

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 OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as RepMar's cognizant agency for the Single Audit.

a. Programs Subject to Single Audit

Schedules of Expenditures of Federal Awards are presented for each Federal program related to the following agencies:

- . U.S. Department of Agriculture
- . U.S. Department of Commerce
- . U.S. Department of Education
- . U.S. Department of Health and Human Services
- . U.S. Department of the Interior
- . U.S. Department of Labor
- . Federal Emergency Management Agency

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of RepMar and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. For federal direct assistance grants, authorizations represent the total allotment or grant award received. For Compact of Free Association programs, authorizations represent total current year allotments plus any prior year excess over program expenditures. All expenses and capital outlays are reported as expenditures.

b. Reporting Entity

RepMar, for purposes of the general purpose financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The Schedule of Expenditures of Federal Awards excludes the federal awards received by the Kwajalein Atoll Development Authority (KADA) as this entity has separately satisfied the audit requirements of OMB Circular A-133.

Total questioned costs reported for the completed Single Audit of KADA for the year ended September 30, 2001, totaled \$571,126, and cumulative questioned costs of \$1,761,695 were reported in prior years audits. RepMar is considered to have responsibility for these questioned costs and could be liable for these amounts if the questioned costs are not collected from KADA.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

The following entities have not satisfied audit requirements of OMB Circular A-133:

College of the Marshall Islands
Four Atoll Medical Fund
Marshall Islands Development Bank
Marshall Islands Scholarship, Grant and Loan Board

RepMar is considered to have responsibility for any questioned costs that could result from Single Audits of these entities.

c. Subgrantees

Certain program funds are passed through RepMar to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees, outside of RepMar's control, utilized the funds. The following is a summary of program funds that are passed through to subgrantee organizations:

<u>Grantor/Grant Title CFDA No.</u>	<u>Subgrantee</u>	<u>2001 Amount of Pass-through</u>
<u>U.S. Department of Labor CFDA #17.250</u>		
Job Training Partnership Act	Republic of the Marshall Islands Private Industry Council, Inc.	\$ 1,079,472
<u>U.S. Department of the Interior CFDA #15.875</u>		
Compact of Free Association Title II, Article I, Section 216(a)(3)	Marshall Islands Scholarship, Grant and Loan Board	\$ 724,872
<u>U.S. Department of the Interior CFDA #15.875</u>		
Historic Preservation	Alele, Inc.	\$ 157,738
Compact of Free Association Title I, Article VII, Section 177	Kili-Bikini Local Government	\$ 5,000,000
Compact of Free Association, Title I, Article VII, Section 177	Enewetak/Ujelang Local Government	\$ 3,250,000

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

c. Subgrantees, Continued

<u>Grantor/Grant Title CFDA No.</u>	<u>Subgrantee</u>	<u>2001 Amount of Pass-through</u>
Compact of Free Association, Title I, Article VII, Section 177	Rongelap Atoll Local Government	\$ 2,500,000
Compact of Free Association, Title I, Article VII, Section 177	Utrik Atoll Local Government	\$ 1,500,000
Compact of Free Association, Title II, Article I, Section 211 (a)	Kwajalein Atoll Development Authority	\$ 4,430,400

The following entities have not satisfied audit requirements of OMB Circular A-133:

Alele, Inc.
Enewetak/Ujelang Local Government
Kili-Bikini Local Government
Republic of the Marshall Islands Private Industry Council, Inc.
Rongelap Atoll Local Government

d. Indirect Cost Allocation

RepMar has not entered into an approved indirect cost negotiation agreement covering fiscal year 2001. RepMar did not charge federal programs for indirect costs during fiscal year 2001.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs
Year Ended September 30, 2001

Section I - Summary of Auditor's Results

1. The Independent Auditors' Report on the general purpose financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the general purpose financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which are considered to be material weaknesses.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. RepMar's major programs were as follows:

Name of Federal Program	CFDA Number
Special Education Improvement	84.027
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875

8. A threshold of \$1,310,395 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. RepMar did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Section II - Financial Statement Findings

Reference Number	Findings	Refer Page #
2001-1 - 2	Revenue/Receipts	17 - 18
2001-3	Cash and Cash Equivalents	19
2001-4	Investments	20
2001-5	Loans Receivable	21
2001-6	Due from Component Units	22
2001-7	Advances	23
2001-8	Property and Equipment	24
2001-9	Deferred Revenue	25
2001-10	External Financial Reporting	26
2001-11 - 14	RepMar Local Noncompliance	27 - 31

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
2001-15	Procurement and Suspension and Debarment	\$ 298,948	32
2001-16	Subrecipient Monitoring	\$ 4,075,962	33 - 34
2001-17	Cash Management	\$ -	35
2001-18 - 19	Reporting	\$ -	36 - 37
2001-20	Equipment and Real Property Management	\$ -	38
2001-21	Special Tests and Provisions of the Compact of Free Association	\$ -	39
2001-22	Procurement and Suspension and Debarment	\$ -	40

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Section II - Financial Statement Findings

Revenue/Receipts

Finding No. 2001-1

Criteria: Cash receipts should be properly prepared without alterations and should be deposited to the bank in a timely manner.

Condition: Of twenty-five cash receipts for the Ebeye Office of the Division of Revenue and Taxation tested, we noted numerous manual alterations to cash receipt copies, transmittal forms and deposit slips. Furthermore, we noted that eight receipts were deposited to the bank five days after date of receipt and that two receipts were deposited to the bank twelve days after date of receipt.

Cause: The cause of the above condition is the lack of adherence to established policies and procedures requiring the independent review of cash receipts and deposits.

Effect: The effect of the above condition is the possible misappropriation of cash receipts.

Recommendation: We recommend that the Ministry of Finance adhere to established policies and procedures requiring the independent review of cash receipts and deposits.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Revenue/Receipts

Finding No. 2001-2

Criteria: Section 105(1) of the Income Tax Act, 1989, as amended, states that “the employer shall, once every four (4) weeks or thirteen (13) times per year, pay the taxes withheld under Section 104 of this chapter. The employer shall, along with the taxes, within (2) weeks following the preceding four (4) week period make a full, true and correct return showing all wages and salaries paid by the employer to the employees during the preceding four week period and showing the tax due and withheld thereon as provided in Section 104 of this Chapter”.

Condition: Of twenty-five businesses tested, we noted the following exceptions:

- 1) Two businesses (Customer #s 10321 and 10376) did not file withholding tax returns for the whole of fiscal year 2001;
- 2) Two businesses (Customer #s 10833 and 11075) did not file withholding tax returns for portions of fiscal year 2001; and
- 3) Three businesses (Customer #s 3802, 10477 and 10860) did not pay penalties and interest assessed on withholding tax returns filed after the deadline.

Cause: The cause of the above condition is the lack of compliance by businesses in filing withholding tax returns.

Effect: The effect of the above condition is that withholding tax returns have not been paid by these businesses.

Recommendation: We recommend that the Ministry of Finance ensure that the Division of Revenue and Taxation follow up on delinquent withholding tax returns in a timely manner.

Prior Year Status: The lack of compliance with Section 105(1) of the Income Tax Act, 1989, as amended, was reported as a finding in the Single Audits of RepMar for fiscal years 1995 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Cash and Cash Equivalents

Finding No. 2001-3

Criteria: Petty cash requests for replenishment should be supported by appropriate petty cash and bank reconciliations.

Condition: The Ministry of Finance has recorded the following petty cash imprest funds for various overseas embassies as assets of the General Fund:

<u>A/c #</u>	<u>Account Name</u>	<u>Total</u>
18600-100	Washington Embassy	\$ 50,000
18700-100	China Embassy	39,000
18900-100	Fiji Embassy	19,700
19000-100	Tokyo Embassy	100,000
19100-100	UN Embassy	50,000
19600-100	Taipei Embassy	<u>40,000</u>
		<u>\$ 298,700</u>

No petty cash or bank reconciliations were made available with respect to any of these accounts. Additionally, during fiscal year 1999, RepMar closed the China Embassy that maintained a petty cash imprest fund (A/c # 18700-100). This balance is still recorded in the general ledger.

Cause: The cause of the above condition is the lack of formal rules and regulations governing the reconciliation of petty cash imprest accounts.

Effect: The effect of the above condition is inadequate controls over petty cash and bank reconciliations which may result in the misappropriation of RepMar assets by custodians, and the possible misstatement of cash balances pertaining to petty cash imprest accounts.

Recommendation: We recommend that the Secretary of Finance, pursuant to Section 151 of the Financial Management Act, 1990, issue prescribed rules and regulations governing the reconciliation of petty cash imprest accounts by the various overseas embassies.

Prior Year Status: The lack of petty cash and bank reconciliations for petty cash imprest funds was reported as a finding in the Single Audits of RepMar for fiscal years 1993 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Investments

Finding No. 2001-4

Criteria: Reconciliations of investment accounts should be performed on a monthly basis and in a timely manner.

Condition: The Ministry of Finance did not reconcile the Nuclear Claims Trust Fund (NCTF) (Fund 614) (A/c # 15000-614, totaling \$68,716,912) investment accounts for the entire fiscal year. As of September 30, 2001, investment balances maintained in the NCTF amounted to \$44,983,706. Audit adjustments were proposed to correct investment balances as of September 30, 2001.

Cause: The cause of the above condition is the lack of receipt of investment statements in order for reconciliations to be performed.

Effect: The effect of the above condition is the possible misstatement of investment balances.

Recommendation: We recommend that the Ministry of Finance ensure that all investment accounts are reconciled on a monthly basis and in a timely manner.

Prior Year Status: The lack of reconciliation of investment accounts of the NCTF was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Loans Receivable

Finding No. 2001-5

Criteria: Reconciliations of loan receivable accounts should include an evaluation of the collectibility of these amounts.

Condition: The collectibility of the loan receivable account (A/c # 25600-405, totaling \$2,588,787) from Ebje Ruktok/Rukjenlein Fishing Company, Inc. (ERRFC) is uncertain due to the representation of Kwajalein Atoll Development Authority (KADA) that ERRFC has been dissolved and that the loan has been liquidated through the transfer of assets.

Cause: The cause of the above condition is the lack of concurrence over the status of ERRFC.

Effect: The effect of the above condition is the possible misstatement of RepMar loan receivable balances.

Recommendation: We recommend that the Ministry of Finance resolve the issue of repayment of the loan receivable from ERRFC with KADA and establish a revised repayment plan. In the event that a repayment plan is not established, this loan may be deemed uncollectible and thus will be required to be included in the allowance for doubtful debts.

Prior Year Status: The lack of reconciliation of loan receivable accounts was reported as a finding in the Single Audits of RepMar for fiscal years 1997 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Due From Component Units

Finding No. 2001-6

Criteria: Financial arrangements should be supported by authorized loan agreements.

Condition: As of September 30, 2001, RepMar recorded advances (A/c # 20100-100, totaling \$500,000) to Tobolar Copra Processing Plant, Inc. (TCPPI) based on Cabinet Minute C.M. 154(99). These advances were not supported by a loan agreement that specified terms and conditions. TCPPI is of the opinion that the above amount represents an operating subsidy and that the amount will not be repaid.

Cause: The cause of the above condition is the lack of a loan agreement specifying terms and conditions.

Effect: The effect of the above condition is the possible misstatement of receivable balances; however, the total amount of the advance is reserved for as related assets.

Recommendation: We recommend that RepMar obtain a loan agreement from TCPPI for the advances with an established repayment plan. In the event that a repayment plan is not established, this advance may be deemed uncollectible and thus will be required to be included in the allowance for doubtful accounts.

Prior Year Status: The lack of financial arrangements being supported by authorized loan agreements was reported as a finding in the Single Audits of RepMar for fiscal years 1999 and 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Advances

Finding No. 2001-7

Criteria: Travel advances should be processed through a general ledger asset account dedicated to the processing, recording and summarizing of unliquidated advances made to government employees.

Condition: As of September 30, 2001, a reconciliation of general ledger account balances of travel advances to government employees to a detailed listing of unliquidated travel advances was not made available. This condition was resolved through alternative auditing procedures. The Ministry of Finance is currently processing travel advances through the Accounts Payable (A/P) module of the ADS Profund accounting system. Unliquidated travel advances are recorded as debits within the A/P module. The A/P module includes travel advances relating to pre-fiscal year 1998 that are no longer considered valid by the Ministry of Finance; however, these amounts have not been purged from the ADS Profund accounting system.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is the possible misstatement of RepMar travel advance balances.

Recommendation: We recommend that the Ministry of Finance correctly account for travel advances to government employees. Furthermore, we recommend that the Ministry of Finance review the subsidiary ledgers within the A/P module of the ADS Profund accounting system and delete the pre-fiscal year 1998 balances that are no longer considered valid.

Prior Year Status: The lack of correctly accounting for travel advances was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Property and Equipment

Finding No. 2001-8

Criteria: General fixed assets do not represent financial resources available for expenditure but are items for which financial resources have been used and for which accountability should be maintained.

Condition: The Ministry of Finance has established a General Fixed Assets Account Group containing certain fixed asset acquisitions for fiscal years 1999 through 2001 as well as acquisitions through fiscal year 1988. No inventory of fixed assets has been performed to ensure that all capital assets are correctly recorded in the General Fixed Assets Account Group.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is that RepMar is not presenting general purpose financial statements that account for all items for which resources have been used.

Recommendation: We recommend that the Ministry of Finance perform an inventory of RepMar's fixed assets as a basis for recording all fixed assets in the General Fixed Assets Account Group.

Prior Year Status: The lack of a complete General Fixed Assets Account Group was reported as a finding in the Single Audits of RepMar for fiscal years 1990 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Deferred Revenue

Finding No. 2001-9

Criteria: Deferred revenue of RepMar should reflect amounts actually received but not expended.

Condition: As of September 30, 2001, RepMar recorded deferred revenue representing amounts received from federal grantor agencies but not expended in the TTPI Federal and Other Assistance Fund (Fund 350) (A/c # 28200-350, totaling \$1,097,975) that the Federal Programs Office did not reconcile to the detailed federal grant awards.

Cause: The cause of the above condition is the lack of the assignment of staff by the Ministry of Finance to periodically reconcile this account.

Effect: The effect of the above condition is that deferred revenue and corresponding revenues may be misstated within Fund 350.

Recommendation: We recommend that the Ministry of Finance periodically reconcile these accounts to determine the actual amounts received from grantor agencies but not expended.

Prior Year Status: The lack of reconciliation of amounts received from federal grantor agencies was reported as a finding in the Single Audits of RepMar for fiscal years 1995 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

External Financial Reporting

Finding No. 2001-10

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, requires that the general purpose financial statements of the reporting entity include component units for which the primary government is either financially accountable for, or for which exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete.

Condition: As of September 30, 2001, the following component units were excluded from RepMar's general purpose financial statements:

Governmental Fund Type - Special Revenue Funds
Ministry of Education Headstart Program

Fiduciary Fund Type - Expendable Trust Funds
Four Atoll Medical Fund
Marshall Islands Scholarship, Grant and Loan Board

Component Units - Governmental Funds
National Environmental Protection Authority

Component Units - Proprietary Funds
Marshall Islands Development Bank
Marshall Islands Alternative Energy Company, Inc.
Marshall Islands Drydock, Inc.

University and College Fund Type - Higher Education Fund
College of the Marshall Islands

Cause: The cause of the above condition is the lack of audited financial statements for the respective entities.

Effect: The effect of the above condition is nonconformity with GASB Statement No. 14 resulting in a qualification in the opinion on the general purpose financial statements of RepMar.

Recommendation: We recommend that RepMar conform with GASB Statement No. 14 by obtaining audited financial statements of the above entities for inclusion within the general purpose financial statements.

Prior Year Status: The lack of including component units' in RepMar's general purpose financial statements was reported as a finding in the Single Audits of RepMar for fiscal years 1998 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-11

Criteria: Section 2 of the Over-expenditure and Over-obligation of Appropriated Funds Act, 1977, stipulates that no person shall authorize or expend any governmental funds in excess of appropriated amounts except in emergencies and only pursuant to procedures provided by law.

Condition: The Appropriations (Financial Year 2001) Act, 2001, as passed by the Nitijela of RepMar, provided appropriated amounts for fiscal year 2001 from the General Fund of \$29,266,421. No reconciliation of the Appropriations Act, 2001, to budget appropriations recorded in the ADS Profund accounting system was made available by the Ministry of Finance's Budget Office. Furthermore, the following program areas recorded in the ADS Profund accounting system reported expenditures in excess of budget appropriations for the year ended September 30, 2001:

<u>Org #</u>	<u>Program Area</u>	<u>Budgeted Expenditures</u>	<u>Budgetary Expenditures</u>	<u>Over-Expenditure</u>
1031	Print Shop	\$ -	\$ 7,128	\$ 7,128
1032	National Gazette	\$ -	\$ 25,551	\$ 25,551
1215	MLSC	\$ 29,850	\$ 30,000	\$ 150
1216	ADB Counterpart Funding	\$ 620,000	\$ 984,108	\$ 364,108
1221	MWSC Water Billings	\$ -	\$ 146,812	\$ 146,812
1223	Range Systems Engineering	\$ 100,000	\$ 283,838	\$ 183,838
1228	Tobolar Subsidy	\$ 849,964	\$ 1,649,964	\$ 800,000
1256	Prior Year Liabilities	\$ -	\$ 95,777	\$ 95,777
1400	Public Defender - Majuro	\$ 177,978	\$ 185,226	\$ 7,248
1710	Public Service Commission	\$ 85,715	\$ 88,548	\$ 2,833
2063	Youth Adolescent Health	\$ 14,209	\$ 16,602	\$ 2,393
2068	Preventive Services - Administration	\$ 30,962	\$ 32,287	\$ 1,325
2155	Support Services	\$ 35,555	\$ 37,935	\$ 2,380
2340	Agro - Forestry	\$ 98,718	\$ 114,087	\$ 15,369
2370	Energy Office	\$ 23,615	\$ 28,779	\$ 5,164
2414	Women in Development	\$ 43,823	\$ 47,857	\$ 4,034
2418	Sound System - V7AB	\$ -	\$ 10	\$ 10
2421	Administration (Electoral)	\$ 62,934	\$ 69,034	\$ 6,100
2498	Land and Surveys	\$ -	\$ 40,527	\$ 40,527
2521	Public Safety - Majuro	\$ 983,476	\$ 1,223,565	\$ 240,089
2522	Public Safety - Ebeye	\$ 224,774	\$ 307,504	\$ 82,730
2612	Finance Office - Ebeye	\$ 57,619	\$ 67,698	\$ 10,079
2622	Revenue Office - Ebeye	\$ 68,881	\$ 76,618	\$ 7,737
2626	Drug Enforcement Office	\$ -	\$ 36,179	\$ 36,179
2630	Procurement and Supply	\$ 108,007	\$ 129,564	\$ 21,557
2650	ADB Loan # 1513	\$ -	\$ 107,184	\$ 107,184
2731	USAKA LNO	\$ 91,990	\$ 117,782	\$ 25,792
2740	Majuro Immigration	\$ 68,070	\$ 78,549	\$ 10,479
2750	Washington Office	\$ 317,233	\$ 349,406	\$ 32,173
2760	Fiji Office	\$ 130,260	\$ 137,523	\$ 7,263
2770	RMI Beijing Embassy	\$ -	\$ 466	\$ 466
2780	Tokyo Embassy	\$ 181,030	\$ 272,629	\$ 91,599
2813	Mercy K Subsidy	\$ -	\$ 90,016	\$ 90,016
2814	Honolulu House Repairs	\$ -	\$ 750,373	\$ 750,373
3120	General Membership - Nitijela	\$ 878,901	\$ 931,573	\$ 52,672
3510	Maritime Surveillance Fund	\$ -	\$ 63,133	\$ 63,133
4121	General Courts	\$ 668,947	\$ 692,218	\$ 23,271
4141	Traditional Rights Court	\$ -	\$ 84,048	\$ 84,048

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-11, Continued

<u>Org #</u>	<u>Program Area</u>	<u>Budgeted Expenditures</u>	<u>Budgetary Expenditures</u>	<u>Over-Expenditure</u>
4818	ADB Loan # 1828	\$ -	\$ 1,486,788	\$ 1,486,788
4819	ADB Loan # 1829	\$ -	\$ 2,589,361	\$ 2,589,361
4911	ADB Loan #s 1218 and 1250	\$ -	\$ 5,509	\$ 5,509
7600	Local Government Fund	\$ -	\$ 176,599	\$ 176,599
7701	Postal Services Fund	\$ -	\$ 87,399	\$ 87,399
7901	CGMA	\$ 372,908	\$ 414,551	\$ 41,643
7902	MOPW Maintenance Fund	\$ -	\$ 32,030	\$ 32,030

Cause: The cause of the above condition is the lack of recording budget reprogrammings approved by the Cabinet of RepMar, and the authorization of expenditures in excess of appropriated amounts.

Effect: The effect of the above condition is noncompliance with Section 2 of the Over-expenditure and Over-obligation of Appropriated Funds Act, 1977.

Recommendation: We recommend that the Ministry of Finance's Budget Office record budget reprogrammings approved by the Cabinet of RepMar. Furthermore, we recommend that the Ministry of Finance only authorize expenditures within appropriated amounts.

Prior Year Status: The lack of compliance with Section 2 of the Over-expenditure and Over-obligation of Appropriated Funds Act, 1977 and the lack of reconciliation of the Appropriation Act to budget appropriations recorded by the Ministry of Finance was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-12

Criteria: Section 4.1 of the subsidiary loan agreements between RepMar and Majuro Water and Sewer Company, Inc. (MWSC) requires that MWSC shall pay to RepMar interest at the rate of 6.64% and 6.9% on the principal sums withdrawn and outstanding on its two subsidiary loan agreements. Furthermore, this interest is payable on May 15 and November 15 in each year for Loan #1 and March 1 and September 1 in each year for Loan #2.

Condition: As of September 30, 2001, MWSC has not made any payments to RepMar for interest on the principal sums withdrawn and outstanding.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with respect to Section 4 of the respective subsidiary loan agreements.

Recommendation: We recommend that RepMar require MWSC to comply with Section 4.1 of the subsidiary loan agreements and establish revised repayment plans. In the event that repayment plans are not established, these loans may be deemed uncollectible and thus will be required to be included in the allowance for doubtful debts.

Prior Year Status: The lack of compliance with Section 4 of the respective subsidiary loan agreements was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-13

Criteria: Article VIII, Section 11 of the Constitution of the Republic of the Marshall Islands requires that the compensation of the holder of the position of Auditor-General shall be a charge on the General Fund.

Condition: The Appropriations (Financial Year 2001) Act, 2001, as passed by the Nitijela of RepMar, did not include a charge on the General Fund for the salary of the Auditor-General.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with Article VIII, Section 11 of the Constitution of the Republic of the Marshall Islands. The salary of the Auditor-General was charged against the operational budget of the Office of the Auditor-General.

Recommendation: We recommend that the Ministry of Finance comply with Article VIII, Section 11 of the Constitution of the Republic of the Marshall Islands.

Prior Year Status: The lack of compliance with Article VIII, Section 11 of the Constitution was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-14

Criteria: Section 2(a) of the General Fund Investment Act, 1979, stipulates that public money shall not be deposited with any financial institution that is not a member of the Federal Deposit Insurance Corporation (FDIC) of the United States or the Federal Savings and Loan Insurance Corporation (FSLIC) of the United States.

Condition: As of September 30, 2001, the General Fund of RepMar maintained bank deposits, totaling \$2,846,327, with four financial institutions that were not members of FDIC or FSLIC.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with Section 2(a) of the General Fund Investment Act, 1979.

Recommendation: We recommend that the Ministry of Finance comply with Section 2(a) of the General Fund Investment Act, 1979.

Prior Year Status: The lack of compliance with Section 2(a) of the General Fund Investment Act, 1979, was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Section III - Federal Award Findings and Questioned Costs

Procurement and Suspension and Debarment

Finding No. 2001-15

Program	Reason for Questioned Costs	Questioned Costs																																																																								
U.S. Department of Education / Special Education Improvement / CFDA #84.027	<p><u>Criteria:</u> Section 80.36(d) of 34 CFR 80, <i>Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments</i>, states that for all small purchases for securing services, supplies or other property that do not cost more than \$100,000, price or rate quotations shall be obtained from an adequate number of qualified sources.</p> <p><u>Condition:</u> Of \$759,148 in non-payroll expenditures of the Special Education Improvement grant, sixty-two non-payroll expenditures, totaling \$428,266, were tested. The following expenditures did not appear to follow appropriate procurement guidelines concerning small purchases less than \$100,000:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Check #</u></th> <th style="text-align: left;"><u>Amount</u></th> <th style="text-align: left;"><u>Check #</u></th> <th style="text-align: left;"><u>Amount</u></th> <th style="text-align: left;"><u>Check #</u></th> <th style="text-align: left;"><u>Amount</u></th> </tr> </thead> <tbody> <tr><td>192893</td><td>\$ 6,782</td><td>194100</td><td>\$ 7,995</td><td>196694</td><td>\$ 4,180</td></tr> <tr><td>192903</td><td>\$ 3,884</td><td>194210</td><td>\$ 4,475</td><td>197136</td><td>\$ 13,531</td></tr> <tr><td>193204</td><td>\$ 8,266</td><td>194212</td><td>\$ 4,475</td><td>197242</td><td>\$ 2,846</td></tr> <tr><td>193206</td><td>\$ 2,607</td><td>194454</td><td>\$ 18,000</td><td>197279</td><td>\$ 16,200</td></tr> <tr><td>193255</td><td>\$ 7,811</td><td>194548</td><td>\$ 2,395</td><td>197436</td><td>\$ 21,058</td></tr> <tr><td>193271</td><td>\$ 3,409</td><td>194739</td><td>\$ 2,943</td><td>197637</td><td>\$ 2,484</td></tr> <tr><td>193356</td><td>\$ 18,870</td><td>194789</td><td>\$ 19,314</td><td>199277</td><td>\$ 9,812</td></tr> <tr><td>193446</td><td>\$ 41,100</td><td>195465</td><td>\$ 15,096</td><td>199297</td><td>\$ 9,205</td></tr> <tr><td>193947</td><td>\$ 5,860</td><td>196404</td><td>\$ 2,768</td><td>199416</td><td>\$ 12,926</td></tr> <tr><td>194030</td><td>\$ 4,855</td><td>196681</td><td>\$ 3,580</td><td>199736</td><td>\$ 13,416</td></tr> <tr><td>194058</td><td>\$ 5,225</td><td>196682</td><td>\$ 3,580</td><td></td><td></td></tr> </tbody> </table>	<u>Check #</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>	192893	\$ 6,782	194100	\$ 7,995	196694	\$ 4,180	192903	\$ 3,884	194210	\$ 4,475	197136	\$ 13,531	193204	\$ 8,266	194212	\$ 4,475	197242	\$ 2,846	193206	\$ 2,607	194454	\$ 18,000	197279	\$ 16,200	193255	\$ 7,811	194548	\$ 2,395	197436	\$ 21,058	193271	\$ 3,409	194739	\$ 2,943	197637	\$ 2,484	193356	\$ 18,870	194789	\$ 19,314	199277	\$ 9,812	193446	\$ 41,100	195465	\$ 15,096	199297	\$ 9,205	193947	\$ 5,860	196404	\$ 2,768	199416	\$ 12,926	194030	\$ 4,855	196681	\$ 3,580	199736	\$ 13,416	194058	\$ 5,225	196682	\$ 3,580			\$ 298,948
<u>Check #</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>																																																																					
192893	\$ 6,782	194100	\$ 7,995	196694	\$ 4,180																																																																					
192903	\$ 3,884	194210	\$ 4,475	197136	\$ 13,531																																																																					
193204	\$ 8,266	194212	\$ 4,475	197242	\$ 2,846																																																																					
193206	\$ 2,607	194454	\$ 18,000	197279	\$ 16,200																																																																					
193255	\$ 7,811	194548	\$ 2,395	197436	\$ 21,058																																																																					
193271	\$ 3,409	194739	\$ 2,943	197637	\$ 2,484																																																																					
193356	\$ 18,870	194789	\$ 19,314	199277	\$ 9,812																																																																					
193446	\$ 41,100	195465	\$ 15,096	199297	\$ 9,205																																																																					
193947	\$ 5,860	196404	\$ 2,768	199416	\$ 12,926																																																																					
194030	\$ 4,855	196681	\$ 3,580	199736	\$ 13,416																																																																					
194058	\$ 5,225	196682	\$ 3,580																																																																							

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with procurement standards as required in the Common Rule.

Recommendation: We recommend that RepMar comply with 34 CFR 80 with respect to the procurement of services, supplies and other equipment.

Prior Year Status: The lack of compliance with procurement standards was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Subrecipient Monitoring

Finding No. 2001-16

Program	Reason for Questioned Costs	Questioned Costs
U.S. Department of the Interior / Compact of Free Association / CFDA #15.875	<p><u>Criteria:</u> OMB's "Questions and Answers on the Single Audit provisions of OMB Circular A-128", question number twenty-three states that prime recipients of federal funding are expected to establish a system to assure that audits of subrecipients meet the requirements of Circular A-128 and such a system should include a desk review of each subrecipient report to ensure it conforms to A-128.</p> <p><u>Condition:</u> The following questioned costs of subrecipients remain unresolved for more than six months after issuance of the audit reports.</p> <p><u>Kwajalein Atoll Development Authority</u> Fiscal Year 2000</p> <p><u>Rongelap Atoll Local Government</u> Fiscal Years 1995 and 1996</p> <p><u>Utrik Atoll Local Government</u> Fiscal Year 1995</p> <p>Details of the above questioned costs are contained in the separately issued reports of the subrecipients.</p> <p>In addition, A-128/A-133 audits of the following subrecipients have not yet been released for the noted fiscal years.</p> <p>Kili/Bikini Local Government Fiscal Years 1997, 1998, 1999 and 2000</p> <p>Rongelap Atoll Local Government Fiscal Years 1991, 1992, 1998, 1999 and 2000</p> <p>Utrik Atoll Local Government Fiscal Years 1992 and 1994</p> <p>Enewetak/Ujelang Local Government Fiscal Years 1992, 1995, 1996, 1997, 1998, 1999 and 2000</p> <p>Republic of the Marshall Islands Private Industry Council, Inc. Fiscal Year 1998, 1999 and 2000</p> <p>College of the Marshall Islands Fiscal Years 1999 and 2000</p> <p>Due to the unavailability of these reports, the questioned costs relating to this condition cannot presently be determined.</p>	<p>955,962</p> <p>2,400,000</p> <p>720,000</p>

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Subrecipient Monitoring

Finding No. 2001-16, Continued

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
	<p><u>Cause:</u> The cause of the above condition is the lack of timely resolution of questioned costs by RepMar as the primary recipient of the funding.</p> <p><u>Effect:</u> The effect of the above condition is the possibility of disallowed costs.</p> <p><u>Recommendation:</u> We recommend that RepMar establish procedures to ensure timely follow-up of questioned costs for subrecipients.</p> <p><u>Prior Year Status:</u> Monitoring of subrecipients was reported as a finding in the Single Audits of RepMar for fiscal years 1988 through 2000.</p> <p><u>Auditee Response and Corrective Action Plan:</u> See attachment to this report.</p>	
	Total Questioned Costs	<u>\$ 4,374,910</u>

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Cash Management - Special Education Improvement
CFDA # 84.027

Finding No. 2001-17

Criteria: 34 CFR Section 80.21 requires that program costs funded on a reimbursement basis must be paid for by non-federal funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from U.S. Treasury and disbursement.

Condition: During the year ended September 30, 2001, RepMar made the following drawdowns that appeared to exceed cumulative expenditures incurred:

<u>Drawdown Date</u>	<u>Drawdown Amount</u>	<u>Cumulative Drawdowns</u>	<u>Cumulative Expenditures</u>	<u>Cumulative Drawdowns in Excess of Expenditures</u>
10/18/00	\$ 48,815	\$ 48,815	\$ -	\$ 48,815
11/02/00	\$ 116,006	\$ 164,821	\$ -	\$ 164,821
12/22/00	\$ 233,565	\$ 398,386	\$ -	\$ 398,386
02/22/01	\$ 309,684	\$ 708,069	\$ 568,100	\$ 139,969
04/03/01	\$ 560,316	\$ 1,268,386	\$ 727,203	\$ 541,183
05/30/01	\$ 500,000	\$ 1,768,386	\$ 992,665	\$ 775,721
09/18/01	\$ 250,000	\$ 2,018,386	\$ 1,396,535	\$ 621,851
09/30/01	\$ -	\$ 2,018,386	\$ 1,405,709	\$ 612,677

Cause: The cause of the above condition is the lack of adequate controls to ensure that disbursements are made within a timely manner from the date of the drawdown.

Effect: The effect of the above condition is noncompliance with cash management standards as required in the Common Rule.

Recommendation: We recommend that RepMar comply with cash management standards as required in the Common Rule.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Reporting - Headstart Program

CFDA # 93.600

Finding No. 2001-18

Criteria: OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (the Common Rule), require that non-Federal entities that expend \$300,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year.

Condition: During the year ended September 30, 1999, RepMar transferred the financial reporting responsibility for expenditures under the Headstart Program from the Ministry of Finance to the Ministry of Education. No trial balance was made available from the Ministry of Education in order to determine expenditures incurred under the Headstart Program.

Cause: The cause of the above condition is the lack of obtaining a single or program-specific audit by the Ministry of Education for the Headstart Program.

Effect: The effect of the above condition is noncompliance with OMB Circular A-133 and the Common Rule with respect to audit requirements.

Recommendation: We recommend that RepMar ensure a single or program-specific audit is conducted for expenditures under the Headstart Program.

Prior Year Status: The lack of a single audit by the Ministry of Education for the Headstart Program was reported as a finding in the Single Audits of RepMar for fiscal years 1999 and 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Reporting - All Federal Programs

Finding No. 2001-19

Criteria: OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (the Common Rule), require the periodic submission of financial status reports (FSR) based upon the financial accounting system (FAS) of the grantee for the period reported on.

Condition: The Office of International Donor Assistance (OIDA), within the Ministry of Finance, did not make available Financial Status Reports (SF-269A) submitted to grantor agencies for fiscal year 2001.

Cause: The cause of the above condition is an inadequate filing system within the OIDA for federal grants.

Effect: The effect of the above condition is the inability to determine the accuracy of FSRs based on the FAS.

Recommendation: We recommend that the OIDA ensure that an adequate filing system is maintained, including the maintenance of FSRs, for all federal awards.

Prior Year Status: The lack of availability of Financial Status Reports was reported as a finding in the Single Audits of RepMar for fiscal years 1998 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Equipment and Real Property Management - All Federal Programs

Finding No. 2001-20

Criteria: The Common Rule states that procedures for managing equipment, whether acquired in whole or in part with grant funds, will meet the following requirements:

- a. Property records must be maintained;
- b. A physical inventory of the property must be taken and the results reconciled with the property records at least every two years;
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property;
- d. Adequate maintenance procedures must be developed to keep the property in good condition; and
- e. If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Condition: The Ministry of Finance has established a General Fixed Assets Account Group containing certain fixed asset acquisitions for fiscal years 1999 through 2001 as well as acquisitions through fiscal year 1988. No inventory of fixed assets has been performed to ensure that all capital assets are correctly recorded in the General Fixed Assets Account Group.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with federal property standards as required in the Common Rule.

Recommendation: We recommend that the Ministry of Finance perform an inventory of RepMar's fixed assets as a basis for recording all assets in the General Fixed Assets Account Group and ensure that it is in compliance with applicable federal property rules and regulations.

Prior Year Status: The lack of a complete General Fixed Assets Account Group was reported as a finding in the Single Audits of RepMar for fiscal years 1988 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Special Tests and Provisions - Compact of Free Association, Title I, Section 103(j)
CFDA #15.875

Finding No. 2001-21

Criteria: Section 103(j)(2) of the Compact of Free Association states that “at the end of the first year after the effective date of the Compact and at the end of each year thereafter, the providing agency or agencies shall return to the Government of the Marshall Islands any unexpended funds to be returned to the Fund Manager and be made available for future use”.

Condition: Pursuant to Article II, Section 1(a) of the Agreement between the Government of the United States and the Government of the Marshall Islands for the Implementation of Section 177 of the Compact of Free Association, \$2,000,000 annually is disbursed to Mercy International Health Services (MIHS) to provide management of specified health services for eligible citizens of the Marshall Islands. As of March 31, 2000, a cumulative total of \$806,846 remains with MIHS, that has not been returned to RepMar to be, in turn, returned to the Fund Manager to be made available for future use. No financial statements were made available reporting the financial activity of MIHS for the eighteen months ended September 30, 2001.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with specific provisions of the Compact of Free Association.

Recommendation: We recommend that RepMar comply with the specific provisions of the Compact of Free Association and request MIHS to return the unexpended funds to RepMar to be returned to the Fund Manager and made available for future use.

Prior Year Status: Noncompliance with specific provisions of the Compact of Free Association was reported as a finding in the Single Audits of RepMar for fiscal years 1995 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Procurement and Suspension and Debarment - All Federal Programs

Finding No. 2001-22

Criteria: The Common Rule states that when procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds.

Condition: While RepMar has passed a comprehensive procurement law, it has not been implemented. Therefore, there are no procurement requirements governing federal procurement outside of those established for federal procurements.

Cause: The cause of the above condition is non-implementation of the procurement law.

Effect: The effect of the above condition is noncompliance with procurement standards as required in the Common Rule.

Recommendation: We recommend that the Ministry of Finance implement the procurement law to be in conformity with the Common Rule.

Prior Year Status: The lack of implementation of the procurement law was reported as a finding in the Single Audits of RepMar for fiscal years 1989 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Unresolved Prior Year Questioned Costs
Year Ended September 30, 2001

Questioned Costs

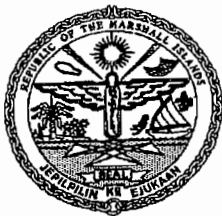
The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2001:

	<u>Questioned Costs</u>		<u>Total</u>
	<u>RepMar</u>	<u>Subrecipient</u>	
Questioned costs of RepMar as previously reported	\$ 1,267,198	\$ 4,726,605	\$ 5,993,803
Less questioned costs resolved in fiscal year 2001:			
Questioned costs of fiscal year 1997 Single Audit (1)	<u>-</u>	<u>(1,451,420)</u>	<u>(1,451,420)</u>
	1,267,198	3,275,185	4,542,383
Questioned costs of fiscal year 2001 Single Audit	<u>298,948</u>	<u>4,075,962</u>	<u>4,374,910</u>
Unresolved questioned costs of RepMar at September 30, 2001	<u>\$ 1,566,146</u>	<u>\$ 7,351,147</u>	<u>\$ 8,917,293</u>

- (1) OMB Circular A-133, Section .315(b)(4) - questioned costs resolved as RepMar considers these findings are no longer valid as they were reported to federal agencies for in excess of the two year threshold.

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report (pages 15 through 40).



REPUBLIC OF THE MARSHALL ISLANDS
MINISTRY OF FINANCE
P.O. BOX D
Majuro, Marshall Islands

Corrective Action Plans for Findings and Questioned Costs included in the Independent Auditors' Report on Internal Control and on Compliance for the Year Ended September 30, 2001

Financial Statement Findings Section:

Finding No. 2001-1

The opportunity to make alterations and the occurrence of delays in depositing collections to the bank is attributed to the present arrangement where payments are accepted and received in the same office that prepares the assessment, i.e. the Revenue Office, and thereafter, transmitted to the Treasury Office for deposit to the bank.

As a corrective action, the Ministry shall effect the transfer of the task of accepting payments from the Revenue Division to the Treasury Division in Ebeye. This action is intended to do away with the present step of having to prepare a transmittal simply to transfer collections from the Revenue Office to the Treasury. In this manner, there will be no reason for the delay in depositing collections. This is also expected to establish accountability within the Treasury Office alone. The review of cash receipts and deposit slips shall be made the duty of the main Accountant presently heading the Finance Office in Ebeye.

Finding No. 2001-2

We accept the findings and below outlines the remedial actions that the Ministry will undertake.

For outstanding accounts:

1. An inventory of delinquent accounts shall be prepared and notices shall be issued.
2. A schedule of payments for such delinquent amounts shall be drawn and effected for collection.
3. A referral to the Office of the Attorney-General shall be made in case of failure to comply with payment schedule.

For monitoring individual taxpayer accounts:

The use of a taxpayer's ledger shall be revived. Such ledger shows the status of payment by each taxpayer, by type of tax. It should show the current balances of individual taxpayer accounts. These ledgers shall be maintained together as a separate file, independent from the individual folders of the taxpayers. This will allow the enforcement officer to know, at a glance, the status of the taxpayer. These ledgers shall be examined on the day immediately following the payment due dates established by law. Notices of delinquency shall be issued to taxpayers whose ledgers do not reflect any payment.

Financial Statement Findings Section, Continued:

Finding No. 2001-3

We agree with the findings. The Ministry of Finance will formulate and furnish overseas embassies with a set of guidelines not only to ensure uniformity in the reconciliation of petty cash imprest but also to ensure adherence to auditing standards and requirements.

Finding No. 2001-4

We agree with the findings. However, it should be noted that the inability of the Ministry of Finance to reconcile on a timely basis its investment accounts was due to the failure of the banks to furnish the Ministry with bank statements on time, if not, none at all. This has been corrected and the Ministry is now regularly receiving bank statements and the Ministry will ensure a periodic reconciliation of its accounts.

Finding No. 2001-5

We agree with the findings. The Ministry of Finance will pursue discussions with the Kwajalein Atoll Development Authority. The Ministry will also consult with the Asian Development Bank on the appropriate course of action to take.

Finding No. 2001-6

We agree with the findings. The Ministry of Finance is fully aware that the advances made to the Tobolar Copra Processing Plant, Inc. (TCPPI) were effected pursuant to Cabinet Minute C.M. 154(99). The same Cabinet Minute provides that such advances shall be repaid by TCPPI. The decisions laid down in the Cabinet Minute should be deemed binding upon TCPPI. It is further understood that such amounts represented advances from the 2002 subsidy due to TCPPI. The Ministry shall ensure that no release of such subsidy shall be undertaken unless repayment of the advances shall have been complied. The Ministry however agrees that a loan agreement should make the terms of these advances more transparent and clear. The Ministry will communicate the matter to the Cabinet for appropriate action.

Finding No. 2001-7

We agree with the system. The Ministry of Finance is however experiencing technical difficulties with the present automated system serving the ADS Profound accounting system. This has resulted in the non-reconciliation of accounts. The Ministry is however, in the process of addressing such difficulties. It has secured external assistance for the establishment of a more reliable financial management information system (FMIS). A need analysis has just been recently completed.

Finding No. 2001-8

We agree with the finding. A physical inventory of RepMar's fixed assets has been conducted. However, additional work is necessary to ensure accuracy and reliability of its results. The Ministry has secured a technical assistance for such purpose with the objective of having accurate entries in the General Fixed Assets Account Group.

Finding No. 2001-9

We agree with the findings. The Ministry of Finance has already on hand an additional staff who has been tasked solely to work on the reconciliation of the individual federal grant awards with Fund 350.

Financial Statement Findings Section, Continued:

Finding No. 2001-10

We agree with the finding. The Ministry however wishes to pursue the matter jointly with the Office of the Auditor-General to ensure compliance.

Finding No. 2001-11

We agree with the finding. The Ministry of Finance takes full responsibility over the matter. The Ministry will institute a system for the proper recording of reprogrammed budgetary appropriations. This will also allow the Ministry to monitor its disbursements and keep them within the appropriated levels. The Ministry will also ensure that appropriate budgetary realignments shall first be secured prior to any certification of disbursements. In addition, the Ministry will adhere to the principle of prudence in the management of expenditures.

Finding No. 2001-12

We agree with the finding. The Ministry of Finance will act in the interest of RepMar and will initiate a more aggressive collection procedure to ensure compliance by MWSC of its financial obligation towards RepMar.

Finding No. 2001-13

We agree with the finding. The Ministry of Finance has already addressed the matter by creating an account in the General Fund for the salary of the Auditor-General.

Finding No. 2001-14

We agree with the finding. We have discussed the matter with the concerned banks and we have been given the assurance that they are working their way to securing FDIC membership. The Ministry however will act accordingly after considerable time shall have lapsed and no change has taken place in the status of the banks.

Federal Award Findings and Questioned Costs Section:

Finding No. 2001-15

We agree with the finding. The Ministry of Education will develop and implement a procurement policy in order to comply with Federal procurement standards.

Finding No. 2001-16

We agree with the finding. RepMar will look into the possibility of suspending further releases of funds to subrecipients of federal funding until such time that the prime recipient shall have satisfactorily conducted a review of the questioned costs of such subrecipients.

Finding No. 2001-17

We agree with the finding. The Ministry of Finance is currently in the process of reconciling the individual federal grant awards within Fund 350. After such has been reconciled, RepMar should be able to ensure compliance with Federal cash management standards and be in a position to request for reimbursement after program costs have been funded by non-federal funds.

Federal Award Findings and Questioned Costs Section, Continued:

Finding No. 2001-18

We agree with the finding. RepMar will issue the necessary reminder to Ministry of Education to ensure strict observance of the single or program-specified audit rule as it applies to the Headstart Program. RepMar will specifically require the Ministry to make available its financial records pertaining to the Headstart Program in order that audit can be conducted in compliance with OMB Circular A-133.

Finding No. 2001-19

We agree with the finding. The Ministry of Finance has already instituted a remedial measure to address this concern by hiring a staff to manage the filing system for federal grant awards under OIDA.

Finding No. 2001-20

We agree with the finding. It has been mentioned earlier that the Ministry of Finance has secured a technical assistance to undertake/review the records of all fixed assets of RepMar. Said technical assistance is expected to produce results that will ensure accountability over such fixed assets. The Ministry will also direct its Division of Procurement and Supply to issue the necessary guidelines for the proper handling and maintenance of fixed assets. The Ministry will also ensure that there is adequate budgetary appropriation to cover maintenance requirements.

Finding No. 2001-21

We agree with the finding. RepMar will issue the necessary order to MIHS for their unexpended funds to be returned to the Fund Manager. The annual releases to the MIHS will be dependent on its compliance to such order pursuant to the relevant provision of the Compact of Free Association.

Finding No. 2001-22

We agree with the finding. The Ministry will draft the necessary rules and regulations to implement the Procurement Law to ensure adherence to the Common Rule.



REPUBLIC OF THE MARSHALL ISLANDS
MINISTRY OF FINANCE
P.O. BOX D
Majuro, Marshall Islands

Summary Schedule of Prior Audit Findings

Status of all audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2000:

Financial Statement Findings Section:

- Finding No. 2000-1 - Corrective action has been taken.
- Finding No. 2000-2 - Corrective action has been taken.
- Finding No. 2000-3 - Not corrected. See corrective action plan to Finding No. 2001-2.
- Finding No. 2000-4 - Corrective action has been taken.
- Finding No. 2000-5 - Corrective action has been taken.
- Finding No. 2000-6 - Corrective action has been taken.
- Finding No. 2000-7 - Corrective action has been taken.
- Finding No. 2000-8 - Corrective action has been taken.
- Finding No. 2000-9 - Not corrected. See corrective action plan to Finding No. 2001-3.
- Finding No. 2000-10 - Corrective action has been taken.
- Finding No. 2000-11 - Corrective action has been taken.
- Finding No. 2000-12 - Not corrected. See corrective action plan to Finding No. 2001-4.
- Finding No. 2000-13 - Not corrected. See corrective action plan to Finding No. 2001-9.
- Finding No. 2000-14 - Not corrected. See corrective action plan to Finding No. 2001-5.
- Finding No. 2000-15 - Not corrected. See corrective action plan to Finding No. 2001-6.
- Finding No. 2000-16 - Not corrected. See corrective action plan to Finding No. 2001-7.
- Finding No. 2000-17 - Corrective action has been taken.
- Finding No. 2000-18 - Not corrected. See corrective action plan to Finding No. 2001-8.

Financial Statement Findings Section, Continued:

- Finding No. 2000-19 - Corrective action has been taken.
- Finding No. 2000-20 - Corrective action has been taken.
- Finding No. 2000-21 - Corrective action has been taken.
- Finding No. 2000-22 - Corrective action has been taken.
- Finding No. 2000-23 - Corrective action has been taken.
- Finding No. 2000-24 - Corrective action has been taken.
- Finding No. 2000-25 - Corrective action has been taken.
- Finding No. 2000-26 - Corrective action has been taken.
- Finding No. 2000-27 - Not corrected. See corrective action plan to Finding No. 2001-10.
- Finding No. 2000-28 - Corrective action has been taken.
- Finding No. 2000-29 - Corrective action has been taken.
- Finding No. 2000-30 - Not corrected. See corrective action plan to Finding No. 2001-11.
- Finding No. 2000-31 - Corrective action has been taken.
- Finding No. 2000-32 - Not corrected. See corrective action plan to Finding No. 2001-12.
- Finding No. 2000-33 - Corrective action has been taken.
- Finding No. 2000-34 - Corrective action has been taken.
- Finding No. 2000-35 - Corrective action has been taken.
- Finding No. 2000-36 - Corrective action has been taken.
- Finding No. 2000-37 - Not corrected. See corrective action plan to Finding No. 2001-13.
- Finding No. 2000-38 - Not corrected. See corrective action plan to Finding No. 2001-14.

Federal Award Findings and Questioned Costs Section:

- Finding No. 2000-39 - Corrective action has been taken.
- Finding No. 2000-40 - Corrective action has been taken.
- Finding No. 2000-41 - Corrective action has been taken.
- Finding No. 2000-42 - Not corrected. See corrective action plan to Finding No. 2001-15.
- Finding No. 2000-43 - Corrective action has been taken.

Federal Award Findings and Questioned Costs Section, Continued:

Finding No. 2000-44 - Not corrected. See corrective action plan to Finding No. 2001-16.

Finding No. 2000-45 - Not corrected. See corrective action plan to Finding No. 2001-18.

Finding No. 2000-46 - Not corrected. See corrective action plan to Finding No. 2001-19.

Finding No. 2000-47 - Not corrected. See corrective action plan to Finding No. 2001-20.

Finding No. 2000-48 - Not corrected. See corrective action plan to Finding No. 2001-21.

Finding No. 2000-49 - Not corrected. See corrective action plan to Finding No. 2001-22.

May 27, 2002

CONFIDENTIAL

Honorable Minister Michael Konelios
Ministry of Finance
Republic of the Marshall Islands
Majuro, Marshall Islands 96960

Dear Minister Konelios:

In planning and performing our audit of the general purpose financial statements of the Republic of the Marshall Islands (RepMar) for the year ended September 30, 2001, on which we have issued our report dated May 27, 2002, which report was qualified due to: 1) our inability to obtain minutes of Board of Directors' meetings for Air Marshall Islands, Inc.; 2) our inability to determine the propriety of fixed assets and fund equity of the General Fixed Assets Account Group; 3) our inability to determine the propriety of deferred revenue of the Governmental Fund Type - Special Revenue Fund; 4) our inability to determine the propriety of accounts payable of the Governmental Fund Type - Capital Projects Fund; 5) our inability to determine the propriety of inventories of the Component Units - Proprietary Funds; 6) our inability to determine the propriety of revenues and expenses of the Kwajalein Atoll Joint Utilities Resources, Inc. and receivables, accounts payable, other liabilities and accruals, and revenues and expenses of the Marshall Islands Marine Resources Authority, Component Units - Proprietary Funds; and 7) the omission of the Ministry of Education Headstart Program from the Governmental Fund Type - Special Revenue Fund, the Four Atoll Medical Fund and the Marshall Islands Scholarship, Grant and Loan Board from the Fiduciary Fund Type - Expendable Trust Fund, the National Environmental Protection Authority from the Component Unit - Governmental Fund, the Marshall Islands Development Bank, the Marshall Islands Alternative Energy Company, Inc. and the Marshall Islands Drydock, Inc. from the Component Units - Proprietary Funds, and the College of the Marshall Islands from the University and College Fund Type - Higher Education Fund, we developed the following recommendations concerning certain matters related to RepMar's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Payroll

Of ninety-four payroll disbursements from the Ministry of Finance tested, we noted four disbursements (check #s 635065, 653097, 654358 and 660946) that were not supported by timesheets certified by the respective Department supervisors. We recommend that the Payroll Department within the Ministry of Finance ensure that all employee timesheets are certified by Department supervisors to indicate review of hours worked.

(2) Payroll

Of ninety-four payroll disbursements from the Ministry of Finance tested, we noted one disbursement (check # 646682 for \$215) for which social security was under-withheld by \$17. We recommend that the Payroll Department within the Ministry of Finance ensure that all statutory withholdings are in accordance with the enabling legislation.

(3) Payroll

Of ninety-four employees tested, we noted: (i) two employee personnel files (Employee #s 5487 and 9120) that included Personnel Action Forms (PAFs) that did not support the employees' authorized pay rate; (ii) two employee personnel files (Employee #s 4389 and 9175) that included original PAFs with unauthorized manual alterations; and (iii) one employee personnel file (Employee # 7446) that included an original PAF that was not authorized by the Minister of Health and Environment. We recommend that the Ministry of Finance ensure that employee personnel files be updated to include authorized PAFs approved by a majority of the members of the Public Service Commission. This matter was reported as a finding in our Single Audit of RepMar for fiscal year 2000.

(4) Disbursements

Of twenty-five nonpayroll disbursements from the Ebeye office of the Ministry of Finance tested, supporting purchase orders for three disbursements (check #s 4091, 4140 and 12146 for \$158, \$814 and \$1,500, respectively) were not made available. Furthermore, check #s 4140 and 12146 were not evidenced by appropriate supporting documentation. We recommend that the Ministry of Finance retain documentation to support all disbursements made. This matter was discussed in our previous letter dated May 18, 2001.

(5) Cash

As of September 30, 2001, the Treasury Division within the Ministry of Finance maintained checks on hand, totaling \$132,131, which included checks for \$17,910 that were issued before September 30, 2000. We recommend that the Ministry of Finance establish policies and procedures requiring that checks not collected from the Treasury Division be mailed to the vendors in a timely manner.

(6) Cash

As of September 30, 2001, the General account bank reconciliation (G/L A/c # 10000-950) included a reconciling item relating to a double posting error by the bank of check # 165409 (dated June 17, 1997), totaling \$52,728. The Ministry of Finance has not been reimbursed by the bank for this error. We recommend that the Ministry of Finance, through the Office of the Attorney General, follow up with the bank concerning reimbursement of the double posting. In addition, the bank reconciliation included a reconciling item relating to a double payment (check # 197372 for \$27,421) to a vendor. Although the Ministry of Finance has subsequently been reimbursed by the vendor for this double payment, we recommend that the Ministry of Finance establish policies and procedures requiring the monitoring of vendor payments to ensure that vendor invoices are not paid twice. This matter was discussed in our previous letters dated May 9, 2000 and May 18, 2001 and was reported as a finding in our Single Audit of RepMar for fiscal year 1998.

(7) Cash

As of September 30, 2001, the Republic of the Marshall Islands Investment Development Fund (Fund 327) recorded a cash balance of \$1,645, representing a bank account (A/c # 800502) with the Bank of Marshall Islands. No bank reconciliation was made available for the entire fiscal year. The bank balance as of September 30, 2001 was \$1,080, with the variance between cash balance and bank balance of \$565 being bank charges due to inactivity in the account. We recommend that the Ministry of Finance close this account in order to minimize further bank charges. This matter was discussed in our previous letter dated May 18, 2001.

(8) Cash

As of September 30, 2001, RepMar maintained a bank account, totaling \$130,640, with the Sumitomo Bank, Ltd. There has been no activity in this account since fiscal year 1997. Furthermore, the account is currently earning interest at the rate of 0.5% per annum. We recommend that the Ministry of Finance withdraw these funds and deposit them in a higher yielding account in order to maximize earnings potential. This matter was discussed in our previous letter dated May 18, 2001.

(9) Cash

During our testing of bank reconciliations for the month of September 2001, we noted that: (i) the Payroll account bank reconciliation (G/L A/c # 10000-960) indicated an unreconciled variance of \$11,835; (ii) the Ebeye General account bank reconciliation (G/L A/c # 10000-975) included a deposit in transit of \$23,634 that actually represented the double posting of a cash receipt; and (iii) the General account bank reconciliation (G/L A/c # 10000-976) included reconciling items, totaling \$1,482, which represented actual cash shortages on recorded deposits. We recommend that the Ministry of Finance ensure that bank accounts reconcile to the general ledger and that all reconciling items be investigated in a timely manner.

(10) Advances

Of fourteen travel advances tested, we noted one advance (TA # 83807A for \$6,320) was fully advanced without twenty percent (20%) being retained as required by RepMar's travel policies. In addition, we noted that the traveler failed to submit the necessary documentation required to liquidate the travel advance. Furthermore, we noted two advances (TA #s 85859A and 3423 for \$3,170 and \$210, respectively) for which the travelers failed to submit the necessary documentation required to liquidate the travel advance. We recommend that the Ministry of Finance adhere to its travel advance policy and follow up on outstanding travel advances. This matter was reported as a finding in our Single Audit of RepMar for fiscal year 2000.

(11) Receivables

As of September 30, 2001, the General Fund recorded a receivable (G/L A/c # 27100-100) from the U.S. National Oceanic and Atmospheric Administration (NOAA), totaling \$196,593, which included amounts outstanding in excess of one year of \$70,002 that have not yet been reimbursed. We recommend that the Ministry of Finance monitor the NOAA receivable balance on a periodic basis and follow up with NOAA concerning reimbursement of this receivable in a timely manner.

(12) Receivables

As of September 30, 2001, the General Fund recorded a receivable (G/L A/c # 27400-100) from the College of the Marshall Islands, totaling \$123,628, representing payments by RepMar for College employees during fiscal years 1995 and 1996. The Ministry of Finance has not been reimbursed for these payments. We recommend that the Ministry of Finance follow up with the College concerning reimbursement of this receivable, including the possibility of deducting this amount from future appropriations made by the Nitijela. This matter was discussed in our previous letters dated May 9, 2000 and May 18, 2001.

(13) Receivables

As of September 30, 2001, the General Fund recorded a receivable (G/L A/c # 28000-100) from the Trust Company of the Marshall Islands, totaling \$458,463, representing RepMar's share of ship registration fees for the quarters ended June 2001 and September 2001. The amount relating to the quarter ended September 2001, totaling \$253,886, was recorded as revenue within the F/A module of the ADS Profund accounting system in fiscal year 2002. Accordingly, the revenue control account (G/L A/c # 90600-100) did not agree with the revenue balance within the F/A module. No explanation was made available as to the cause of this imbalance. An audit adjustment was proposed to record the revenue in the correct accounting period. We recommend that the Ministry of Finance investigate the cause of this imbalance and ensure that revenues are recorded in the correct accounting period within the F/A module of the ADS Profund accounting system.

(14) Receivables

As of September 30, 2001, the General Fund recorded a receivable (G/L A/c # 28100-100) from the Section 177 Health Plan, totaling \$93,715, representing payments made by RepMar on behalf of the Section 177 Health Plan not yet reimbursed. This receivable balance included an amount of \$50,622, which related to an unreconciled difference brought forward from prior years, for which no explanation was made available by the Ministry of Finance. We recommend that the Ministry of Finance investigate the nature of this unreconciled balance in a timely manner. This matter was discussed in our previous letter dated May 18, 2001.

(15) Receivables

As of September 30, 2001, the General Fund recorded a receivable (G/L A/c # 28500-100) for \$29,888 relating to reimbursable travel expenses. No reconciliation of this account balance was made available. We recommend that the Ministry of Finance ensure that all receivable balances are reconciled on a monthly basis and in a timely manner.

(16) External Financial Reporting

As of September 30, 2001, the interfund balances recorded in the Treasury Fund (Fund 950) within the General Fund did not agree with the corresponding balances recorded in the respective individual funds, resulting in an unreconciled credit variance of \$138,733. As this amount was not considered material to the general purpose financial statements, no audit adjustment was proposed. We recommend that the Ministry of Finance reconcile interfund balances recorded in Fund 950 to the corresponding balances recorded in the respective individual funds within the ADS Profund accounting system on a monthly basis. This matter was reported as a finding in our Single Audit of RepMar for fiscal year 2000.

(17) External Financial Reporting

As of September 30, 2001, the General Fund (Fund 100) trial balance provided for audit was out of balance by \$337,271. Audit adjustments were proposed to reduce the imbalance to \$115,919. The cause of the imbalance is that the revenue control account (G/L A/c # 90600-100) and expense control account (G/L A/c # 90700-100) balances did not agree with the revenue and expenditure balances within the F/A module of the ADS Profund accounting system. No explanation was made available as to the cause of this imbalance. We recommend that the Ministry of Finance investigate the cause of this imbalance and ensure that revenues and expenditures recorded in the revenue and expense control accounts correspond to amounts recorded within the F/A module of the ADS Profund accounting system. This matter was reported as a finding in our Single Audit of RepMar for fiscal year 2000.

* * * * *

We have previously communicated certain matters noted during our audit of the general purpose financial statements of RepMar for the year ended September 30, 2001, which we considered to be reportable conditions, in our report to His Excellency Kessai Note dated May 27, 2002.

This report is intended solely for the information and use of management and others within the Ministry of Finance and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

Deloitte & Touche

REPUBLIC OF THE MARSHALL ISLANDS

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2001

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
UPON THE AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

His Excellency Kessai Note
President
Republic of the Marshall Islands:

We have audited the general purpose financial statements of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2001, and have issued our report thereon dated May 27, 2002, which report was qualified due to: 1) our inability to obtain minutes of Board of Directors' meetings for Air Marshall Islands, Inc.; 2) our inability to determine the propriety of fixed assets and fund equity of the General Fixed Assets Account Group; 3) our inability to determine the propriety of deferred revenue of the Governmental Fund Type - Special Revenue Fund; 4) our inability to determine the propriety of accounts payable of the Kwajalein Atoll Development Authority, a Governmental Fund Type - Capital Projects Fund; 5) our inability to determine the propriety of inventories of Air Marshall Islands, Inc., a Component Unit - Proprietary Fund; 6) our inability to determine the propriety of revenues and expenses of the Kwajalein Atoll Joint Utilities Resources, Inc. and receivables, accounts payable, other liabilities and accruals, and revenues and expenses of the Marshall Islands Marine Resources Authority, Component Units - Proprietary Funds; and 7) the omission of the Ministry of Education Headstart Program from the Governmental Fund Type - Special Revenue Fund, the Four Atoll Medical Fund and the Marshall Islands Scholarship, Grant and Loan Board from the Fiduciary Fund Type - Expendable Trust Fund, the National Environmental Protection Authority from the Component Unit - Governmental Fund, the Marshall Islands Development Bank, the Marshall Islands Alternative Energy Company, Inc. and the Marshall Islands Drydock, Inc. from the Component Units - Proprietary Funds, and the College of the Marshall Islands from the University and College Fund Type - Higher Education Fund. Except as discussed in the preceding sentence, 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.

Compliance


As part of obtaining reasonable assurance about whether RepMar's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs (pages 15 through 40) as items 2001-11 and 2001-12, and 2001-14 through 2001-22. We also noted one immaterial instance of noncompliance, which we have reported to management of RepMar and is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-13.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered RepMar's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect RepMar's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-1 through 2001-10.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-2, 2001-4, 2001-5, and 2001-8 through 2001-10 to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of RepMar in a separate letter dated May 27, 2002.

This report is intended solely for the information and use of the management of RepMar, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.



May 27, 2002



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

His Excellency Kessai Note
President
Republic of the Marshall Islands:

Compliance

We have audited the compliance of the Republic of the Marshall Islands (RepMar) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2001. RepMar's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 15 through 40). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of RepMar's management. Our responsibility is to express an opinion on RepMar's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 opinion. Our audit does not provide a legal determination of RepMar's compliance with those requirements.

As described in items 2001-15 through 2001-22 in the accompanying Schedule of Findings and Questioned Costs, RepMar did not comply with requirements regarding cash management, equipment and real property management, procurement and suspension and debarment, reporting, subrecipient monitoring, and special tests and provisions of the Compact of Free Association that are applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for RepMar to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, RepMar complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2001.

Internal Control Over Compliance

The management of RepMar is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered RepMar's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect RepMar's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-15 through 2001-22.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of RepMar as of and for the year ended September 30, 2001, and have issued our report thereon dated May 27, 2002, which report was qualified due to: 1) our inability to obtain minutes of Board of Directors' meetings for Air Marshall Islands, Inc.; 2) our inability to determine the propriety of fixed assets and fund equity of the General Fixed Assets Account Group; 3) our inability to determine the propriety of deferred revenue of the Governmental Fund Type - Special Revenue Fund; 4) our inability to determine the propriety of accounts payable of the Kwajalein Atoll Development Authority, a Governmental Fund Type - Capital Projects Fund; 5) our inability to determine the propriety of inventories of Air Marshall Islands, Inc. a Component Unit - Proprietary Fund; 6) our inability to determine the propriety of revenues and expenses of the Kwajalein Atoll Joint Utilities Resources, Inc. and receivables, accounts payable, other liabilities and accruals, and revenues and expenses of the Marshall Islands Marine Resources Authority, Component Units - Proprietary Funds; and 7) the omission of the Ministry of Education Headstart Program from the Governmental Fund Type - Special Revenue Fund, the Four Atoll Medical Fund and the Marshall Islands Scholarship, Grant and Loan Board from the Fiduciary Fund Type - Expendable Trust Fund, the National Environmental Protection Authority from the Component Unit - Governmental Fund, the Marshall Islands Development Bank, the Marshall Islands Alternative Energy Company, Inc. and the Marshall Islands Drydock, Inc. from the Component Units - Proprietary Funds, and the College of the Marshall Islands from the University and College Fund Type - Higher Education Fund. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (pages 7 through 11) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of RepMar. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had: 1) the propriety of deferred revenue been determinable; and 2) the expenditures pertaining to the U.S. Department of Health and Human Services Headstart Program been included, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the management of RepMar, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche

May 27, 2002

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Programs Selected for Audit
in Accordance with OMB Circular A-133
Year Ended September 30, 2001

The following list specifies programs selected for detailed compliance testing in accordance with applicable OMB Circular A-133 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Description</u>	<u>Amount of Expenditures</u>
U.S. Department of Education	84.027	Special Education Improvement	\$ <u>1,405,709</u>
U.S. Department of the Interior	15.875	Economic, Social, and Political Development of the Territories and the Freely Associated States: Compact of Free Association:	
		Section 177	5,965,360
		Section 211(a) Capital Account	13,695,900
		Section 213(a) Military Rights	1,883,693
		Section 214(a) Energy	2,000,000
		Section 215(a)(1) Communications	182,302
		Section 216(a)(1) Surveillance and Enforcement	371,400
		Section 216(a)(2) Health and Medical	565,179
		Section 216(a)(3) Scholarship	787,695
		Section 217 Inflation Adjustment	9,312,400
		Section 221(b) Health and Education	<u>2,993,259</u>
			37,757,188
		Other Direct Assistance	<u>1,337,671</u>
		Total CFDA #15.875	<u>39,094,859</u>
		Total program expenditures tested	\$ <u>40,500,568</u>
		Total federal program expenditures	\$ 65,809,901
		Less: Section 211(a) Current Account	(5,404,100)
		Section 217 Inflation Adjustment applicable to Section 211(a) Current Account	(2,671,600)
		Entities that have not satisfied the audit requirements of OMB Circular A-133:	
		· Republic of the Marshall Islands Private Industry Council, Inc.	(1,079,472)
		· Four Atoll Programs	(12,250,000)
		· Marshall Islands Scholarship, Grant and Loan Board	<u>(724,872)</u>
			\$ <u>43,679,857</u>
		% of total federal program expenditures tested	<u>93%</u>

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

Grantor/Grant Title CFDA No. or Other Applicable Grant No.	RepMar Org No.	2001 Total Authorization	2001 Receipts	Prior Year Expenditures	2001 Expenditures	Total Program Expenditures	Excess (Deficiency) of Authorization Over (Under) Program Expenditures
<u>U.S. Federal Direct Assistance</u>							
<u>U.S. Department of Agriculture</u>							
<u>CFDA #10.567</u>							
Special Food Assistance Program FY00/01	5706/07	\$ 108,346	\$ 31,045	\$ 43,080	\$ 52,816	\$ 95,896	\$ 12,450
Rural Fire Prevention	5635	30,000	-	27,718	210	27,928	2,072
Sub-total CFDA #10.567		138,346	31,045	70,798	53,026	123,824	14,522
<u>CFDA #10.664</u>							
Cooperative Forestry Assistance	5627	13,775	-	6,433	701	7,134	6,641
Cooperative Forestry Assistance	5630/31	19,450	19,218	29,397	-	29,397	(9,947)
Cooperative Forestry Assistance	5632	70,325	-	24,258	2,047	26,305	44,020
Sub-total CFDA #10.664		103,550	19,218	60,088	2,748	62,836	40,714
Total U.S. Department of Agriculture		241,896	50,263	130,886	55,774	186,660	55,236
<u>U.S. Department of Commerce</u>							
<u>CFDA #11.460</u>							
Weather Observation Services	0903	290,325	407,162	313,010	312,686	625,696	(335,371)
Total U.S. Department of Commerce		290,325	407,162	313,010	312,686	625,696	(335,371)
<u>U.S. Department of Education</u>							
<u>CFDA #84.010</u>							
I Secondary Academic	5414/21	237,000	-	433,358	40,390	473,748	(236,748)
<u>CFDA #84.256A</u>							
School Health Program	5417	-	-	-	6,834	6,834	(6,834)
Freely Associated States Educational Grant Program	5419	860,855	436,608	655,187	427,655	1,082,842	(221,987)
Freely Associated States Educational Grant Program	5420	-	841,300	-	60,551	60,551	(60,551)
Sub-total CFDA #84.256A		860,855	1,277,908	655,187	495,040	1,150,227	(289,372)
<u>CFDA #84.276A</u>							
Goals 2000 Educate America Act	5424/25/26	-	11,579	152,754	73,845	226,599	(226,599)
Goals 2000 Educate America Act	5526	-	134,024	152,754	90,251	243,005	(243,005)
Sub-total CFDA #84.276A		-	145,603	305,508	164,096	469,604	(469,604)
<u>CFDA #84.027</u>							
Education for Children With Disabilities - State Grants	5407/40	1,764,800	1,620,000	-	1,405,709	1,405,709	359,091
<u>CFDA #84.150</u>							
Pacific Vocational Education Improvement Program	5409/27/28	131,840	795	496,736	78,557	575,293	(443,453)
Pacific Vocational Education Improvement Program	5528	-	26,811	-	67,056	67,056	(67,056)
Sub-total CFDA #84.150		131,840	27,606	496,736	145,613	642,349	(510,509)
<u>CFDA #84.185</u>							
Byrd Honors Scholarship	5435/36	-	60,000	-	-	-	-
Total U.S. Department of Education		2,994,495	3,131,117	1,890,789	2,250,848	4,141,637	(1,147,142)
<u>U.S. Department of Health and Human Services</u>							
<u>CFDA #93.110</u>							
Ebeye Community Health Center	8379	-	-	-	88,167	88,167	(88,167)
National Leprosy Program FY99	7305	33,955	29,473	27,184	1,019	28,203	5,752
Community Based MCH Education Project for Systems Development FY98	6353/54/55	98,364	-	-	16,605	16,605	81,759
Community Based MCH Education Project for Systems Development	6375/76	90,273	-	138,196	(120)	138,076	(47,803)
Community Based MCH Education Project for Systems Development FY99/00	7353/54/55	486,804	-	456,042	(213,960)	242,082	244,722
Community Based MCH Education Project for Systems Development FY00/01	8353/54/55	-	244,722	-	202,837	202,837	(202,837)
Community Based MCH Education Project for Systems Development FY01/02	8453/54/55	-	-	-	186,461	186,461	(186,461)
		709,396	274,195	621,422	281,009	902,431	(193,035)

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS
 Schedule of Expenditures of Federal Awards, Continued
 Year Ended September 30, 2001

Grantor/Grant Title CFDA No. or Other Applicable Grant No.	RepMar Org No.	2001 Total Authorization	2001 Receipts	Prior Year Expenditures	2001 Expenditures	Total Program Expenditures	Excess (Deficiency) of Authorization Over (Under) Program Expenditures
<u>U.S. Department of Health and Human Services, Continued</u>							
<u>CFDA #93.110, Continued</u>							
Balance forwarded		709,396	274,195	621,422	281,009	902,431	(193,035)
CISS Project to Enhance Services to Pregnant Women FY00	7377	50,000	-	4,758	25,800	30,558	19,442
CISS Project to Enhance Services to Pregnant Women FY01	7477	50,000	-	-	27,607	27,607	22,393
Majuro SSDI	7375	99,825	-	38,504	422	38,926	60,899
Ebeye SSDI	7376	99,825	-	4,284	3,175	7,459	92,366
Majuro SSDI	8375	99,825	-	-	79,450	79,450	20,375
Ebeye SSDI	8376	99,825	-	-	6,101	6,101	93,724
High School Health Community FY00	7378	100,000	-	5,204	28,622	33,826	66,174
High School Health Community FY01	7379	100,000	-	-	35,543	35,543	64,457
Sub-total CFDA #93.110		1,408,696	274,195	674,172	487,729	1,161,901	246,795
<u>CFDA #93.116</u>							
Tuberculosis and Aids Control Program FY99	7346/47	-	-	35,070	340	35,410	(35,410)
Tuberculosis and Aids Control Program FY01	7385/86	-	-	-	30,292	30,292	(30,292)
Tuberculosis and Aids Control Program FY00	8346/47	-	-	7,801	35,041	42,842	(42,842)
Sub-total CFDA #93.116		-	-	42,871	65,673	108,544	(108,544)
<u>CFDA #93.118</u>							
HIV Prevention Project FY99	7348/49	-	-	47,609	3,552	51,161	(51,161)
HIV Prevention Project FY00	8348/49	-	-	7,721	7,162	14,883	(14,883)
HIV Prevention Project FY01	8448/49	-	-	-	32,696	32,696	(32,696)
Sub-total CFDA #93.118		-	-	55,330	43,410	98,740	(98,740)
<u>CFDA #93.163</u>							
Pacific Basin Health Initiative FY99	6383	245,157	1,568,882	386,394	83,230	469,624	(224,467)
Pacific Basin Health Initiative FY00/01	6384	-	-	46,853	47,182	94,035	(94,035)
Sub-total CFDA #93.163		245,157	1,568,882	433,247	130,412	563,659	(318,502)
<u>CFDA #93.217</u>							
Family Planning Project	6340/41	93,078	-	39,545	600	40,145	52,933
Family Planning Project	6363/64	88,785	-	155,656	7,691	163,347	(74,562)
Family Planning Project FY98	7363/64	89,206	-	151,611	21,123	172,734	(83,528)
Family Planning Project FY01	7383/84	-	-	-	104,827	104,827	(104,827)
Family Planning Project FY02	7483/84	-	-	-	29,726	29,726	(29,726)
Sub-total CFDA #93.217		271,069	-	346,812	163,967	510,779	(239,710)
<u>CFDA #93.268</u>							
Immunization Program FY98	6344/45	60,566	-	95,366	65	95,431	(34,865)
Immunization Program FY99	7344/45	-	-	34,880	3,430	38,310	(38,310)
Immunization Program FY00	8344/45	-	-	36,433	25,177	61,610	(61,610)
Immunization Program FY01	8350/51	-	-	-	62,449	62,449	(62,449)
Immunization Program FY02	8450	-	-	-	6,540	6,540	(6,540)
Sub-total CFDA #93.268		60,566	-	166,679	97,661	264,340	(203,774)
<u>CFDA #93.283</u>							
EPI Evaluation of Thyroid Disease	5303/07	350,000	-	410,317	788	411,105	(61,105)
EPI Evaluation of Thyroid Disease	7358	-	-	49,811	45,982	95,793	(95,793)
EPI Evaluation of Thyroid Disease	8358	-	-	-	38,486	38,486	(38,486)
Sub-total CFDA #93.283		350,000	-	460,128	85,256	545,384	(195,384)
<u>CFDA #93.938</u>							
State and Local School Health Programs	5412	50,050	100,000	130,557	-	130,557	(80,507)
State and Local School Health Programs	5437	50,000	-	38,054	9,752	47,806	2,194
State and Local School Health Programs	5438	50,000	-	-	26,112	26,112	23,888
Sub-total CFDA #93.938		150,050	100,000	168,611	35,864	204,475	(54,425)
<u>CFDA #93.959</u>							
Substance Abuse Prevention and Treatment Program	5320/30/32	216,480	-	351,024	(763)	350,261	(133,781)
Substance Abuse Prevention and Treatment Program	6368/69/70	-	1	119,060	216	119,276	(119,276)
Substance Abuse Prevention and Treatment Program	7368/69/70	-	4,792	259,120	16,699	275,819	(275,819)
		216,480	4,793	729,204	16,152	745,356	(528,876)

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2001

Grantor/Grant Title CFDA No. or Other Applicable Grant No.	RepMar Org No.	2001 Total Authorization	2001 Receipts	Prior Year Expenditures	2001 Expenditures	Total Program Expenditures	Excess (Deficiency) of Authorization Over (Under) Program Expenditures
<u>U.S. Department of Health and Human Services, Continued</u>							
<u>CFDA #93.959, Continued</u>							
Balance forwarded		216,480	4,793	729,204	16,152	745,356	(528,876)
Substance Abuse Prevention and Treatment Program	3368/69/70/71	-	165,211	-	176,138	176,138	(176,138)
Sub-total CFDA #93.959		216,480	170,004	729,204	192,290	921,494	(705,014)
<u>CFDA #93.977</u>							
Sexual Transmitted Disease Control Program Majuro/Ebeye FY99	7342/43	-	-	163,148	21,300	184,448	(184,448)
Sexual Transmitted Disease Control Program Majuro/Ebeye FY00	7442/43	-	-	26,979	20,256	47,235	(47,235)
Sexual Transmitted Disease Control Program Majuro/Ebeye FY01	7444/45	-	-	-	44,004	44,004	(44,004)
Sub-total CFDA #93.977		-	-	190,127	85,560	275,687	(275,687)
<u>CFDA #93.988</u>							
State-Based Diabetes Program FY00	7366/67	-	-	68,298	17,582	85,880	(85,880)
State-Based Diabetes Program FY01	7381/82	-	-	-	39,457	39,457	(39,457)
State-Based Diabetes Program FY02	7481/82	-	-	-	2,832	2,832	(2,832)
Sub-total CFDA #93.988		-	-	68,298	59,871	128,169	(128,169)
<u>CFDA #93.991</u>							
Preventive Health Services	7310/11	46,346	-	7,560	500	8,060	38,286
Preventive Health Services FY00	320/21/22/23	-	42,529	-	-	-	-
Preventive Health Services FY99	330/31/32/33	-	46,924	-	-	-	-
Sub-total CFDA #93.991		46,346	89,453	7,560	500	8,060	38,286
<u>CFDA #93.958</u>							
Community Mental Health FY00	7372/73/74	-	-	52,110	3,525	55,635	(55,635)
Community Mental Health FY01	371/72/73/74	-	145,167	-	33,600	33,600	(33,600)
Sub-total CFDA #93.958		-	145,167	52,110	37,125	89,235	(89,235)
Total U.S. Department of Health and Human Services		2,748,364	2,347,701	3,395,149	1,485,318	4,880,467	(2,132,103)
<u>Federal Emergency Management Agency</u>							
<u>CFDA #83.544</u>							
Typhoon Axel Public Assistance	5164	1,885,834	1,763	2,562,422	-	2,562,422	(676,588)
<u>CFDA #83.505</u>							
Seventh Day Adventist and Majuro Cooperative School Seawall Project Outer Island Water Resources Planning and Development	5105/06/07	363,997	166,467	198,080	166,917	364,997	(1,000)
State Management 1210-HMGP 001	5108/09/10	99,132	1,380	131,066	427	131,493	(32,361)
Disaster Preparedness Improvement FY97	111/12/13/14	-	494,519	13,759	794,755	808,514	(808,514)
Disaster Preparedness Improvement FY98	5126	50,000	50,000	52,481	-	52,481	(2,481)
Disaster Preparedness Improvement FY99	5127	50,000	34,630	46,228	-	46,228	3,772
Disaster Preparedness Improvement FY00	5128	50,000	-	50,029	1,911	51,940	(1,940)
Disaster Preparedness Improvement Grant	5129	-	19,238	14,707	22,996	37,703	(37,703)
Disaster Preparedness Improvement Grant FY01	5130/31	50,000	6,481	37,643	-	37,643	12,357
Disaster Preparedness Improvement Grant FY01	5230	-	7,783	-	13,877	13,877	(13,877)
Sub-total CFDA #83.505		663,129	780,498	543,993	1,000,883	1,544,876	(881,747)
Total Federal Emergency Management Agency		2,548,963	782,261	3,106,415	1,000,883	4,107,298	(1,558,335)
<u>U.S. Department of Labor</u>							
<u>CFDA #17.249</u>							
School to Work Territorial Development	5460/61/62	50,000	107,532	594,507	204,361	798,868	(748,868)
<u>CFDA #17.250</u>							
Job Training Partnership Act FY01	5213/15/16	-	413,912	-	280,342	280,342	(280,342)
Job Training Partnership Act FY01	5310/11/12	-	304,678	-	304,678	304,678	(304,678)
Job Training Partnership Act FY00	5210/11/12	-	494,452	369,245	494,452	863,697	(863,697)
Sub-total CFDA #17.250		-	1,213,042	369,245	1,079,472	1,448,717	(1,448,717)
Total U.S. Department of Labor		50,000	1,320,574	963,752	1,283,833	2,247,585	(2,197,585)

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2001

Grantor/Grant Title CFDA No. or Other Applicable Grant No.	RepMar Org No.	2001 Total Authorization	2001 Receipts	Prior Year Expenditures	2001 Expenditures	Total Program Expenditures	Excess (Deficiency) of Authorization Over (Under) Program Expenditures
<u>U.S. Department of the Interior</u>							
<u>CFDA #15.875</u>							
Index/Archive for Nuclear Program	6130	28,425	38,192	26,199	42,067	68,266	(39,841)
Alele Renovation	5115	-	-	-	77,763	77,763	(77,763)
Archaeological Preservation	5124	20,000	16,536	19,814	-	19,814	186
Archaeological Preservation	5125	-	20,000	5,208	226	5,434	(5,434)
RMI Census	5132	44,000	44,000	44,146	-	44,146	(146)
Youth to Youth in Health IGP	5374	78,640	13,690	113,315	13,690	127,005	(48,365)
Marshall Islands High School Motorboat	5403	-	6,100	-	-	-	-
Ailuk Atoll PIRAAP	5693	-	-	20,000	13,500	33,500	(33,500)
Ejit Reverse Osmosis Unit	5699	-	85,000	-	85,000	85,000	(85,000)
S-I-N Inc.	6131	-	-	-	12,725	12,725	(12,725)
EPA Environmental Standards Conference	6204	88,000	-	135,726	405	136,131	(48,131)
EPA Environmental Standards Conference	6205	-	29,519	23,442	5,838	29,280	(29,280)
Historic Preservation Fund FY 01	6217	-	-	-	157,738	157,738	(157,738)
Library Services & Technology Act	6226	-	-	29,562	13,128	42,690	(42,690)
Library Services & Technology Act	6227	-	-	-	56,378	56,378	(56,378)
Land Survey Grant	6230	-	-	105,206	110,044	215,250	(215,250)
Ebeye Hospital Standby Generator	6713	-	115,000	-	115,000	115,000	(115,000)
Ebeye Road Drainage Rehab	6714	-	169,416	-	-	-	-
Single Audit FY00	6900	622,750	207,021	-	364,085	364,085	258,665
Buddy System	6929	-	-	-	1,576	1,576	(1,576)
Single Audit FY96	6996	593,978	25,000	966,780	13,000	979,780	(385,802)
Single Audit FY97	6997	593,978	108,500	87,058	74,150	161,208	432,770
Single Audit FY98	6998	527,635	202,164	460,073	77,200	537,273	(9,638)
Single Audit FY99	6999	602,000	470,237	366,079	104,158	470,237	131,763
Total U.S. Department of the Interior		3,199,406	1,550,375	2,402,608	1,337,671	3,740,279	(540,873)
Total U.S. Federal Direct Assistance		\$ 12,073,449	\$ 9,589,453	\$ 12,202,609	\$ 7,727,013	\$ 19,929,622	\$ (7,856,173)
Reconciliation of expenditures to the general purpose financial statements:							
Expenditures of the TTPI Federal and Other Assistance Fund					\$	7,414,327	
Reimbursable expenditures recorded in the General Fund						312,686	
Total U.S. Federal Direct Assistance					\$	<u>7,727,013</u>	

The above federal awards have been received in a direct capacity through the grantor agency.

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards, Continued
 Compact of Free Association Funding
 Year Ended September 30, 2001

	Prior Year Funds Carried Over	2001 Receipts	Total Funding Available	2001 Expenditures	September 30, 2001 Available Funds
<u>Compact of Free Association Funding</u>					
<u>CFDA #15.875</u>					
General Fund:					
Section 211(a) Current Account	\$ -	\$ 1,144,100	\$ 1,144,100	\$ 1,144,100	\$ -
Section 217 Current Account	-	286,000	286,000	286,000	-
	-	1,430,100	1,430,100	1,430,100	-
Special Revenue Fund:					
Section 215(a)(1) Communications	283,502	300,000	583,502	182,302	401,200
Section 216(a)(2) Health and Medical	54,416	531,600	586,016	565,179	20,837
Section 216(a)(3) Scholarship	61,810	797,400	859,210	787,695	71,515
Section 221(b) Health and Education	189,526	3,000,000	3,189,526	2,993,259	196,267
Section 214(a) Energy	416	2,000,000	2,000,416	2,000,000	416
	589,670	6,629,000	7,218,670	6,528,435	690,235
Capital Projects Funds:					
Section 111(d) Investment Development	472,253	-	472,253	-	472,253
Section 211 (a) Capital Account:					
Section 211(a) Capital Account	(592)	10,855,910	10,855,318	10,855,900	(582)
Section 211(a) Capital Account (Kwajalein)	-	2,840,000	2,840,000	2,840,000	-
Section 217 Capital Account	-	7,722,000	7,722,000	7,722,000	-
Section 217 Capital Account (Kwajalein)	366,000	1,590,400	1,956,400	1,590,400	366,000
	365,408	23,008,310	23,373,718	23,008,300	365,418
Section 216(a)(1) Surveillance and Enforcement	-	371,400	371,400	371,400	-
	837,661	23,379,710	24,217,371	23,379,700	837,671
Expendable Trust Funds:					
Kwajalein Atoll Trust Fund:					
Section 211(a) Current Account	-	4,260,000	4,260,000	4,260,000	-
Section 217 Current Account	-	2,385,600	2,385,600	2,385,600	-
Section 213(a) Military Rights	435,938	1,900,000	2,335,938	1,883,693	452,245
	435,938	8,545,600	8,981,538	8,529,293	452,245
Total Compact Funds	\$ 1,863,269	\$ 39,984,410	\$ 41,847,679	\$ 39,867,528	\$ 1,980,151
Other Compact Funds:					
Four Atoll Programs (Section 177)(A):					
Rongelap Atoll Local Government	\$ -	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ -
Kili/Bikini Local Government	-	5,000,000	5,000,000	5,000,000	-
Utrik Atoll Local Government	-	1,500,000	1,500,000	1,500,000	-
Enewetak/Ujelang Local Government	-	3,250,000	3,250,000	3,250,000	-
	-	12,250,000	12,250,000	12,250,000	-
Other Section 177 Programs (B):					
Nuclear Claims Tribunal	399,165	5,763,650	6,162,815	5,965,360	197,455
	399,165	5,763,650	6,162,815	5,965,360	197,455
	\$ 399,165	\$ 18,013,650	\$ 18,412,815	\$ 18,215,360	\$ 197,455

All federal awards have been received by RepMar directly from the grantor agency except for the following:

- (A) These funds do not pass through RepMar but go directly to the respective local governments and are reflected as expenditures of the Nuclear Claims Trust Fund.
- (B) These funds are not administered by RepMar and are reflected as transfers out of the NCTF to the Nuclear Claims Tribunal.

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, 2001

(1) Scope of Review

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 OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as RepMar's cognizant agency for the Single Audit.

a. Programs Subject to Single Audit

Schedules of Expenditures of Federal Awards are presented for each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Department of the Interior
- U.S. Department of Labor
- Federal Emergency Management Agency

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of RepMar and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. For federal direct assistance grants, authorizations represent the total allotment or grant award received. For Compact of Free Association programs, authorizations represent total current year allotments plus any prior year excess over program expenditures. All expenses and capital outlays are reported as expenditures.

b. Reporting Entity

RepMar, for purposes of the general purpose financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The Schedule of Expenditures of Federal Awards excludes the federal awards received by the Kwajalein Atoll Development Authority (KADA) as this entity has separately satisfied the audit requirements of OMB Circular A-133.

Total questioned costs reported for the completed Single Audit of KADA for the year ended September 30, 2001, totaled \$571,126, and cumulative questioned costs of \$1,761,695 were reported in prior years audits. RepMar is considered to have responsibility for these questioned costs and could be liable for these amounts if the questioned costs are not collected from KADA.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

The following entities have not satisfied audit requirements of OMB Circular A-133:

College of the Marshall Islands
Four Atoll Medical Fund
Marshall Islands Development Bank
Marshall Islands Scholarship, Grant and Loan Board

RepMar is considered to have responsibility for any questioned costs that could result from Single Audits of these entities.

c. Subgrantees

Certain program funds are passed through RepMar to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees, outside of RepMar's control, utilized the funds. The following is a summary of program funds that are passed through to subgrantee organizations:

<u>Grantor/Grant Title CFDA No.</u>	<u>Subgrantee</u>	<u>2001 Amount of Pass-through</u>
<u>U.S. Department of Labor</u> <u>CFDA #17.250</u>		
Job Training Partnership Act	Republic of the Marshall Islands Private Industry Council, Inc.	\$ 1,079,472
<u>U.S. Department of the Interior</u> <u>CFDA #15.875</u>		
Compact of Free Association Title II, Article I, Section 216(a)(3)	Marshall Islands Scholarship, Grant and Loan Board	\$ 724,872
<u>U.S. Department of the Interior</u> <u>CFDA #15.875</u>		
Historic Preservation	Alele, Inc.	\$ 157,738
Compact of Free Association Title I, Article VII, Section 177	Kili-Bikini Local Government	\$ 5,000,000
Compact of Free Association, Title I, Article VII, Section 177	Enewetak/Ujelang Local Government	\$ 3,250,000

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

c. Subgrantees, Continued

<u>Grantor/Grant Title CFDA No.</u>	<u>Subgrantee</u>	<u>2001 Amount of Pass-through</u>
Compact of Free Association, Title I, Article VII, Section 177	Rongelap Atoll Local Government	\$ 2,500,000
Compact of Free Association, Title I, Article VII, Section 177	Utrik Atoll Local Government	\$ 1,500,000
Compact of Free Association, Title II, Article I, Section 211 (a)	Kwajalein Atoll Development Authority	\$ 4,430,400

The following entities have not satisfied audit requirements of OMB Circular A-133:

Alele, Inc.
Enewetak/Ujelang Local Government
Kili-Bikini Local Government
Republic of the Marshall Islands Private Industry Council, Inc.
Rongelap Atoll Local Government

d. Indirect Cost Allocation

RepMar has not entered into an approved indirect cost negotiation agreement covering fiscal year 2001. RepMar did not charge federal programs for indirect costs during fiscal year 2001.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs
Year Ended September 30, 2001

Section I - Summary of Auditor's Results

1. The Independent Auditors' Report on the general purpose financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the general purpose financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which are considered to be material weaknesses.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. RepMar's major programs were as follows:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Special Education Improvement	84.027
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875

8. A threshold of \$1,310,395 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. RepMar did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Section II - Financial Statement Findings

<u>Reference Number</u>	<u>Findings</u>	<u>Refer Page #</u>
2001-1 - 2	Revenue/Receipts	17 - 18
2001-3	Cash and Cash Equivalent	19
2001-4	Investments	20
2001-5	Loans Receivable	21
2001-6	Due from Component Units	22
2001-7	Advances	23
2001-8	Property and Equipment	24
2001-9	Deferred Revenue	25
2001-10	External Financial Reporting	26
2001-11 - 14	RepMar Local Noncompliance	27 - 31

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
2001-15	Procurement and Suspension and Debarment	\$ 298,948	32
2001-16	Subrecipient Monitoring	\$ 4,075,962	33 - 34
2001-17	Cash Management	\$ -	35
2001-18 - 19	Reporting	\$ -	36 - 37
2001-20	Equipment and Real Property Management	\$ -	38
2001-21	Special Tests and Provisions of the Compact of Free Association	\$ -	39
2001-22	Procurement and Suspension and Debarment	\$ -	40

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Section II - Financial Statement Findings

Revenue/Receipts

Finding No. 2001-1

Criteria: Cash receipts should be properly prepared without alterations and should be deposited to the bank in a timely manner.

Condition: Of twenty-five cash receipts for the Ebeye Office of the Division of Revenue and Taxation tested, we noted numerous manual alterations to cash receipt copies, transmittal forms and deposit slips. Furthermore, we noted that eight receipts were deposited to the bank five days after date of receipt and that two receipts were deposited to the bank twelve days after date of receipt.

Cause: The cause of the above condition is the lack of adherence to established policies and procedures requiring the independent review of cash receipts and deposits.

Effect: The effect of the above condition is the possible misappropriation of cash receipts.

Recommendation: We recommend that the Ministry of Finance adhere to established policies and procedures requiring the independent review of cash receipts and deposits.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Revenue/Receipts

Finding No. 2001-2

Criteria: Section 105(1) of the Income Tax Act, 1989, as amended, states that “the employer shall, once every four (4) weeks or thirteen (13) times per year, pay the taxes withheld under Section 104 of this chapter. The employer shall, along with the taxes, within (2) weeks following the preceding four (4) week period make a full, true and correct return showing all wages and salaries paid by the employer to the employees during the preceding four week period and showing the tax due and withheld thereon as provided in Section 104 of this Chapter”.

Condition: Of twenty-five businesses tested, we noted the following exceptions:

- 1) Two businesses (Customer #s 10321 and 10376) did not file withholding tax returns for the whole of fiscal year 2001;
- 2) Two businesses (Customer #s 10833 and 11075) did not file withholding tax returns for portions of fiscal year 2001; and
- 3) Three businesses (Customer #s 3802, 10477 and 10860) did not pay penalties and interest assessed on withholding tax returns filed after the deadline.

Cause: The cause of the above condition is the lack of compliance by businesses in filing withholding tax returns.

Effect: The effect of the above condition is that withholding tax returns have not been paid by these businesses.

Recommendation: We recommend that the Ministry of Finance ensure that the Division of Revenue and Taxation follow up on delinquent withholding tax returns in a timely manner.

Prior Year Status: The lack of compliance with Section 105(1) of the Income Tax Act, 1989, as amended, was reported as a finding in the Single Audits of RepMar for fiscal years 1995 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Cash and Cash Equivalents

Finding No. 2001-3

Criteria: Petty cash requests for replenishment should be supported by appropriate petty cash and bank reconciliations.

Condition: The Ministry of Finance has recorded the following petty cash imprest funds for various overseas embassies as assets of the General Fund:

<u>A/c #</u>	<u>Account Name</u>	<u>Total</u>
18600-100	Washington Embassy	\$ 50,000
18700-100	China Embassy	39,000
18900-100	Fiji Embassy	19,700
19000-100	Tokyo Embassy	100,000
19100-100	UN Embassy	50,000
19600-100	Taipei Embassy	<u>40,000</u>
		<u>\$ 298,700</u>

No petty cash or bank reconciliations were made available with respect to any of these accounts. Additionally, during fiscal year 1999, RepMar closed the China Embassy that maintained a petty cash imprest fund (A/c # 18700-100). This balance is still recorded in the general ledger.

Cause: The cause of the above condition is the lack of formal rules and regulations governing the reconciliation of petty cash imprest accounts.

Effect: The effect of the above condition is inadequate controls over petty cash and bank reconciliations which may result in the misappropriation of RepMar assets by custodians, and the possible misstatement of cash balances pertaining to petty cash imprest accounts.

Recommendation: We recommend that the Secretary of Finance, pursuant to Section 151 of the Financial Management Act, 1990, issue prescribed rules and regulations governing the reconciliation of petty cash imprest accounts by the various overseas embassies.

Prior Year Status: The lack of petty cash and bank reconciliations for petty cash imprest funds was reported as a finding in the Single Audits of RepMar for fiscal years 1993 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Investments

Finding No. 2001-4

Criteria: Reconciliations of investment accounts should be performed on a monthly basis and in a timely manner.

Condition: The Ministry of Finance did not reconcile the Nuclear Claims Trust Fund (NCTF) (Fund 614) (A/c # 15000-614, totaling \$68,716,912) investment accounts for the entire fiscal year. As of September 30, 2001, investment balances maintained in the NCTF amounted to \$44,983,706. Audit adjustments were proposed to correct investment balances as of September 30, 2001.

Cause: The cause of the above condition is the lack of receipt of investment statements in order for reconciliations to be performed.

Effect: The effect of the above condition is the possible misstatement of investment balances.

Recommendation: We recommend that the Ministry of Finance ensure that all investment accounts are reconciled on a monthly basis and in a timely manner.

Prior Year Status: The lack of reconciliation of investment accounts of the NCTF was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Loans Receivable

Finding No. 2001-5

Criteria: Reconciliations of loan receivable accounts should include an evaluation of the collectibility of these amounts.

Condition: The collectibility of the loan receivable account (A/c # 25600-405, totaling \$2,588,787) from Ebje Ruktok/Rukjenlein Fishing Company, Inc. (ERRFC) is uncertain due to the representation of Kwajalein Atoll Development Authority (KADA) that ERRFC has been dissolved and that the loan has been liquidated through the transfer of assets.

Cause: The cause of the above condition is the lack of concurrence over the status of ERRFC.

Effect: The effect of the above condition is the possible misstatement of RepMar loan receivable balances.

Recommendation: We recommend that the Ministry of Finance resolve the issue of repayment of the loan receivable from ERRFC with KADA and establish a revised repayment plan. In the event that a repayment plan is not established, this loan may be deemed uncollectible and thus will be required to be included in the allowance for doubtful debts.

Prior Year Status: The lack of reconciliation of loan receivable accounts was reported as a finding in the Single Audits of RepMar for fiscal years 1997 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Due From Component Units

Finding No. 2001-6

Criteria: Financial arrangements should be supported by authorized loan agreements.

Condition: As of September 30, 2001, RepMar recorded advances (A/c # 20100-100, totaling \$500,000) to Tobolar Copra Processing Plant, Inc. (TCPPI) based on Cabinet Minute C.M. 154(99). These advances were not supported by a loan agreement that specified terms and conditions. TCPPI is of the opinion that the above amount represents an operating subsidy and that the amount will not be repaid.

Cause: The cause of the above condition is the lack of a loan agreement specifying terms and conditions.

Effect: The effect of the above condition is the possible misstatement of receivable balances; however, the total amount of the advance is reserved for as related assets.

Recommendation: We recommend that RepMar obtain a loan agreement from TCPPI for the advances with an established repayment plan. In the event that a repayment plan is not established, this advance may be deemed uncollectible and thus will be required to be included in the allowance for doubtful accounts.

Prior Year Status: The lack of financial arrangements being supported by authorized loan agreements was reported as a finding in the Single Audits of RepMar for fiscal years 1999 and 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Advances

Finding No. 2001-7

Criteria: Travel advances should be processed through a general ledger asset account dedicated to the processing, recording and summarizing of unliquidated advances made to government employees.

Condition: As of September 30, 2001, a reconciliation of general ledger account balances of travel advances to government employees to a detailed listing of unliquidated travel advances was not made available. This condition was resolved through alternative auditing procedures. The Ministry of Finance is currently processing travel advances through the Accounts Payable (A/P) module of the ADS Profund accounting system. Unliquidated travel advances are recorded as debits within the A/P module. The A/P module includes travel advances relating to pre-fiscal year 1998 that are no longer considered valid by the Ministry of Finance; however, these amounts have not been purged from the ADS Profund accounting system.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is the possible misstatement of RepMar travel advance balances.

Recommendation: We recommend that the Ministry of Finance correctly account for travel advances to government employees. Furthermore, we recommend that the Ministry of Finance review the subsidiary ledgers within the A/P module of the ADS Profund accounting system and delete the pre-fiscal year 1998 balances that are no longer considered valid.

Prior Year Status: The lack of correctly accounting for travel advances was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Property and Equipment

Finding No. 2001-8

Criteria: General fixed assets do not represent financial resources available for expenditure but are items for which financial resources have been used and for which accountability should be maintained.

Condition: The Ministry of Finance has established a General Fixed Assets Account Group containing certain fixed asset acquisitions for fiscal years 1999 through 2001 as well as acquisitions through fiscal year 1988. No inventory of fixed assets has been performed to ensure that all capital assets are correctly recorded in the General Fixed Assets Account Group.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is that RepMar is not presenting general purpose financial statements that account for all items for which resources have been used.

Recommendation: We recommend that the Ministry of Finance perform an inventory of RepMar's fixed assets as a basis for recording all fixed assets in the General Fixed Assets Account Group.

Prior Year Status: The lack of a complete General Fixed Assets Account Group was reported as a finding in the Single Audits of RepMar for fiscal years 1990 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Deferred Revenue

Finding No. 2001-9

Criteria: Deferred revenue of RepMar should reflect amounts actually received but not expended.

Condition: As of September 30, 2001, RepMar recorded deferred revenue representing amounts received from federal grantor agencies but not expended in the TTPI Federal and Other Assistance Fund (Fund 350) (A/c # 28200-350, totaling \$1,097,975) that the Federal Programs Office did not reconcile to the detailed federal grant awards.

Cause: The cause of the above condition is the lack of the assignment of staff by the Ministry of Finance to periodically reconcile this account.

Effect: The effect of the above condition is that deferred revenue and corresponding revenues may be misstated within Fund 350.

Recommendation: We recommend that the Ministry of Finance periodically reconcile these accounts to determine the actual amounts received from grantor agencies but not expended.

Prior Year Status: The lack of reconciliation of amounts received from federal grantor agencies was reported as a finding in the Single Audits of RepMar for fiscal years 1995 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

External Financial Reporting

Finding No. 2001-10

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, requires that the general purpose financial statements of the reporting entity include component units for which the primary government is either financially accountable for, or for which exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete.

Condition: As of September 30, 2001, the following component units were excluded from RepMar's general purpose financial statements:

Governmental Fund Type - Special Revenue Funds
Ministry of Education Headstart Program

Fiduciary Fund Type - Expendable Trust Funds
Four Atoll Medical Fund
Marshall Islands Scholarship, Grant and Loan Board

Component Units - Governmental Funds
National Environmental Protection Authority

Component Units - Proprietary Funds
Marshall Islands Development Bank
Marshall Islands Alternative Energy Company, Inc.
Marshall Islands Drydock, Inc.

University and College Fund Type - Higher Education Fund
College of the Marshall Islands

Cause: The cause of the above condition is the lack of audited financial statements for the respective entities.

Effect: The effect of the above condition is nonconformity with GASB Statement No. 14 resulting in a qualification in the opinion on the general purpose financial statements of RepMar.

Recommendation: We recommend that RepMar conform with GASB Statement No. 14 by obtaining audited financial statements of the above entities for inclusion within the general purpose financial statements.

Prior Year Status: The lack of including component units' in RepMar's general purpose financial statements was reported as a finding in the Single Audits of RepMar for fiscal years 1998 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-11

Criteria: Section 2 of the Over-expenditure and Over-obligation of Appropriated Funds Act, 1977, stipulates that no person shall authorize or expend any governmental funds in excess of appropriated amounts except in emergencies and only pursuant to procedures provided by law.

Condition: The Appropriations (Financial Year 2001) Act, 2001, as passed by the Nitijela of RepMar, provided appropriated amounts for fiscal year 2001 from the General Fund of \$29,266,421. No reconciliation of the Appropriations Act, 2001, to budget appropriations recorded in the ADS Profund accounting system was made available by the Ministry of Finance's Budget Office. Furthermore, the following program areas recorded in the ADS Profund accounting system reported expenditures in excess of budget appropriations for the year ended September 30, 2001:

<u>Org #</u>	<u>Program Area</u>	<u>Budgeted Expenditures</u>	<u>Budgetary Expenditures</u>	<u>Over-Expenditure</u>
1031	Print Shop	\$ -	\$ 7,128	\$ 7,128
1032	National Gazette	\$ -	\$ 25,551	\$ 25,551
1215	MLSC	\$ 29,850	\$ 30,000	\$ 150
1216	ADB Counterpart Funding	\$ 620,000	\$ 984,108	\$ 364,108
1221	MWSC Water Billings	\$ -	\$ 146,812	\$ 146,812
1223	Range Systems Engineering	\$ 100,000	\$ 283,838	\$ 183,838
1228	Tobolar Subsidy	\$ 849,964	\$ 1,649,964	\$ 800,000
1256	Prior Year Liabilities	\$ -	\$ 95,777	\$ 95,777
1400	Public Defender - Majuro	\$ 177,978	\$ 185,226	\$ 7,248
1710	Public Service Commission	\$ 85,715	\$ 88,548	\$ 2,833
2063	Youth Adolescent Health	\$ 14,209	\$ 16,602	\$ 2,393
2068	Preventive Services - Administration	\$ 30,962	\$ 32,287	\$ 1,325
2155	Support Services	\$ 35,555	\$ 37,935	\$ 2,380
2340	Agro - Forestry	\$ 98,718	\$ 114,087	\$ 15,369
2370	Energy Office	\$ 23,615	\$ 28,779	\$ 5,164
2414	Women in Development	\$ 43,823	\$ 47,857	\$ 4,034
2418	Sound System - V7AB	\$ -	\$ 10	\$ 10
2421	Administration (Electoral)	\$ 62,934	\$ 69,034	\$ 6,100
2498	Land and Surveys	\$ -	\$ 40,527	\$ 40,527
2521	Public Safety - Majuro	\$ 983,476	\$ 1,223,565	\$ 240,089
2522	Public Safety - Ebeye	\$ 224,774	\$ 307,504	\$ 82,730
2612	Finance Office - Ebeye	\$ 57,619	\$ 67,698	\$ 10,079
2622	Revenue Office - Ebeye	\$ 68,881	\$ 76,618	\$ 7,737
2626	Drug Enforcement Office	\$ -	\$ 36,179	\$ 36,179
2630	Procurement and Supply	\$ 108,007	\$ 129,564	\$ 21,557
2650	ADB Loan # 1513	\$ -	\$ 107,184	\$ 107,184
2731	USAKA LNO	\$ 91,990	\$ 117,782	\$ 25,792
2740	Majuro Immigration	\$ 68,070	\$ 78,549	\$ 10,479
2750	Washington Office	\$ 317,233	\$ 349,406	\$ 32,173
2760	Fiji Office	\$ 130,260	\$ 137,523	\$ 7,263
2770	RMI Beijing Embassy	\$ -	\$ 466	\$ 466
2780	Tokyo Embassy	\$ 181,030	\$ 272,629	\$ 91,599
2813	Mercy K Subsidy	\$ -	\$ 90,016	\$ 90,016
2814	Honolulu House Repairs	\$ -	\$ 750,373	\$ 750,373
3120	General Membership - Nitijela	\$ 878,901	\$ 931,573	\$ 52,672
3510	Maritime Surveillance Fund	\$ -	\$ 63,133	\$ 63,133
4121	General Courts	\$ 668,947	\$ 692,218	\$ 23,271
4141	Traditional Rights Court	\$ -	\$ 84,048	\$ 84,048

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-11, Continued

<u>Org #</u>	<u>Program Area</u>	<u>Budgeted Expenditures</u>	<u>Budgetary Expenditures</u>	<u>Over-Expenditure</u>
4818	ADB Loan # 1828	\$ -	\$ 1,486,788	\$ 1,486,788
4819	ADB Loan # 1829	\$ -	\$ 2,589,361	\$ 2,589,361
4911	ADB Loan #s 1218 and 1250	\$ -	\$ 5,509	\$ 5,509
7600	Local Government Fund	\$ -	\$ 176,599	\$ 176,599
7701	Postal Services Fund	\$ -	\$ 87,399	\$ 87,399
7901	CGMA	\$ 372,908	\$ 414,551	\$ 41,643
7902	MOPW Maintenance Fund	\$ -	\$ 32,030	\$ 32,030

Cause: The cause of the above condition is the lack of recording budget reprogrammings approved by the Cabinet of RepMar, and the authorization of expenditures in excess of appropriated amounts.

Effect: The effect of the above condition is noncompliance with Section 2 of the Over-expenditure and Over-obligation of Appropriated Funds Act, 1977.

Recommendation: We recommend that the Ministry of Finance's Budget Office record budget reprogrammings approved by the Cabinet of RepMar. Furthermore, we recommend that the Ministry of Finance only authorize expenditures within appropriated amounts.

Prior Year Status: The lack of compliance with Section 2 of the Over-expenditure and Over-obligation of Appropriated Funds Act, 1977 and the lack of reconciliation of the Appropriation Act to budget appropriations recorded by the Ministry of Finance was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-12

Criteria: Section 4.1 of the subsidiary loan agreements between RepMar and Majuro Water and Sewer Company, Inc. (MWSC) requires that MWSC shall pay to RepMar interest at the rate of 6.64% and 6.9% on the principal sums withdrawn and outstanding on its two subsidiary loan agreements. Furthermore, this interest is payable on May 15 and November 15 in each year for Loan #1 and March 1 and September 1 in each year for Loan #2.

Condition: As of September 30, 2001, MWSC has not made any payments to RepMar for interest on the principal sums withdrawn and outstanding.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with respect to Section 4 of the respective subsidiary loan agreements.

Recommendation: We recommend that RepMar require MWSC to comply with Section 4.1 of the subsidiary loan agreements and establish revised repayment plans. In the event that repayment plans are not established, these loans may be deemed uncollectible and thus will be required to be included in the allowance for doubtful debts.

Prior Year Status: The lack of compliance with Section 4 of the respective subsidiary loan agreements was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-13

Criteria: Article VIII, Section 11 of the Constitution of the Republic of the Marshall Islands requires that the compensation of the holder of the position of Auditor-General shall be a charge on the General Fund.

Condition: The Appropriations (Financial Year 2001) Act, 2001, as passed by the Nitijela of RepMar, did not include a charge on the General Fund for the salary of the Auditor-General.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with Article VIII, Section 11 of the Constitution of the Republic of the Marshall Islands. The salary of the Auditor-General was charged against the operational budget of the Office of the Auditor-General.

Recommendation: We recommend that the Ministry of Finance comply with Article VIII, Section 11 of the Constitution of the Republic of the Marshall Islands.

Prior Year Status: The lack of compliance with Article VIII, Section 11 of the Constitution was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

RepMar Local Noncompliance

Finding No. 2001-14

Criteria: Section 2(a) of the General Fund Investment Act, 1979, stipulates that public money shall not be deposited with any financial institution that is not a member of the Federal Deposit Insurance Corporation (FDIC) of the United States or the Federal Savings and Loan Insurance Corporation (FSLIC) of the United States.

Condition: As of September 30, 2001, the General Fund of RepMar maintained bank deposits, totaling \$2,846,327, with four financial institutions that were not members of FDIC or FSLIC.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with Section 2(a) of the General Fund Investment Act, 1979.

Recommendation: We recommend that the Ministry of Finance comply with Section 2(a) of the General Fund Investment Act, 1979.

Prior Year Status: The lack of compliance with Section 2(a) of the General Fund Investment Act, 1979, was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Section III - Federal Award Findings and Questioned Costs

Procurement and Suspension and Debarment

Finding No. 2001-15

<u>Program</u>	<u>Reason for Questioned Costs</u>						<u>Questioned Costs</u>																																																																								
U.S. Department of Education / Special Education Improvement / CFDA #84.027	<p><u>Criteria:</u> Section 80.36(d) of 34 CFR 80, <i>Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments</i>, states that for all small purchases for securing services, supplies or other property that do not cost more than \$100,000, price or rate quotations shall be obtained from an adequate number of qualified sources.</p> <p><u>Condition:</u> Of \$759,148 in non-payroll expenditures of the Special Education Improvement grant, sixty-two non-payroll expenditures, totaling \$428,266, were tested. The following expenditures did not appear to follow appropriate procurement guidelines concerning small purchases less than \$100,000:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th><u>Check #</u></th> <th><u>Amount</u></th> <th><u>Check #</u></th> <th><u>Amount</u></th> <th><u>Check #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr><td>192893</td><td>\$ 6,782</td><td>194100</td><td>\$ 7,995</td><td>196694</td><td>\$ 4,180</td></tr> <tr><td>192903</td><td>\$ 3,884</td><td>194210</td><td>\$ 4,475</td><td>197136</td><td>\$ 13,531</td></tr> <tr><td>193204</td><td>\$ 8,266</td><td>194212</td><td>\$ 4,475</td><td>197242</td><td>\$ 2,846</td></tr> <tr><td>193206</td><td>\$ 2,607</td><td>194454</td><td>\$ 18,000</td><td>197279</td><td>\$ 16,200</td></tr> <tr><td>193255</td><td>\$ 7,811</td><td>194548</td><td>\$ 2,395</td><td>197436</td><td>\$ 21,058</td></tr> <tr><td>193271</td><td>\$ 3,409</td><td>194739</td><td>\$ 2,943</td><td>197637</td><td>\$ 2,484</td></tr> <tr><td>193356</td><td>\$ 18,870</td><td>194789</td><td>\$ 19,314</td><td>199277</td><td>\$ 9,812</td></tr> <tr><td>193446</td><td>\$ 41,100</td><td>195465</td><td>\$ 15,096</td><td>199297</td><td>\$ 9,205</td></tr> <tr><td>193947</td><td>\$ 5,860</td><td>196404</td><td>\$ 2,768</td><td>199416</td><td>\$ 12,926</td></tr> <tr><td>194030</td><td>\$ 4,855</td><td>196681</td><td>\$ 3,580</td><td>199736</td><td>\$ 13,416</td></tr> <tr><td>194058</td><td>\$ 5,225</td><td>196682</td><td>\$ 3,580</td><td></td><td></td></tr> </tbody> </table>						<u>Check #</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>	192893	\$ 6,782	194100	\$ 7,995	196694	\$ 4,180	192903	\$ 3,884	194210	\$ 4,475	197136	\$ 13,531	193204	\$ 8,266	194212	\$ 4,475	197242	\$ 2,846	193206	\$ 2,607	194454	\$ 18,000	197279	\$ 16,200	193255	\$ 7,811	194548	\$ 2,395	197436	\$ 21,058	193271	\$ 3,409	194739	\$ 2,943	197637	\$ 2,484	193356	\$ 18,870	194789	\$ 19,314	199277	\$ 9,812	193446	\$ 41,100	195465	\$ 15,096	199297	\$ 9,205	193947	\$ 5,860	196404	\$ 2,768	199416	\$ 12,926	194030	\$ 4,855	196681	\$ 3,580	199736	\$ 13,416	194058	\$ 5,225	196682	\$ 3,580			\$ 298,948
<u>Check #</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>	<u>Check #</u>	<u>Amount</u>																																																																										
192893	\$ 6,782	194100	\$ 7,995	196694	\$ 4,180																																																																										
192903	\$ 3,884	194210	\$ 4,475	197136	\$ 13,531																																																																										
193204	\$ 8,266	194212	\$ 4,475	197242	\$ 2,846																																																																										
193206	\$ 2,607	194454	\$ 18,000	197279	\$ 16,200																																																																										
193255	\$ 7,811	194548	\$ 2,395	197436	\$ 21,058																																																																										
193271	\$ 3,409	194739	\$ 2,943	197637	\$ 2,484																																																																										
193356	\$ 18,870	194789	\$ 19,314	199277	\$ 9,812																																																																										
193446	\$ 41,100	195465	\$ 15,096	199297	\$ 9,205																																																																										
193947	\$ 5,860	196404	\$ 2,768	199416	\$ 12,926																																																																										
194030	\$ 4,855	196681	\$ 3,580	199736	\$ 13,416																																																																										
194058	\$ 5,225	196682	\$ 3,580																																																																												

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with procurement standards as required in the Common Rule.

Recommendation: We recommend that RepMar comply with 34 CFR 80 with respect to the procurement of services, supplies and other equipment.

Prior Year Status: The lack of compliance with procurement standards was reported as a finding in the Single Audit of RepMar for fiscal year 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Subrecipient Monitoring

Finding No. 2001-16

Program	Reason for Questioned Costs	Questioned Costs
U.S. Department of the Interior / Compact of Free Association / CFDA #15.875	<p><u>Criteria:</u> OMB's "Questions and Answers on the Single Audit provisions of OMB Circular A-128", question number twenty-three states that prime recipients of federal funding are expected to establish a system to assure that audits of subrecipients meet the requirements of Circular A-128 and such a system should include a desk review of each subrecipient report to ensure it conforms to A-128.</p> <p><u>Condition:</u> The following questioned costs of subrecipients remain unresolved for more than six months after issuance of the audit reports.</p> <p><u>Kwajalein Atoll Development Authority</u> Fiscal Year 2000</p> <p><u>Rongelap Atoll Local Government</u> Fiscal Years 1995 and 1996</p> <p><u>Utrik Atoll Local Government</u> Fiscal Year 1995</p> <p>Details of the above questioned costs are contained in the separately issued reports of the subrecipients.</p> <p>In addition, A-128/A-133 audits of the following subrecipients have not yet been released for the noted fiscal years.</p> <p>Kili/Bikini Local Government Fiscal Years 1997, 1998, 1999 and 2000</p> <p>Rongelap Atoll Local Government Fiscal Years 1991, 1992, 1998, 1999 and 2000</p> <p>Utrik Atoll Local Government Fiscal Years 1992 and 1994</p> <p>Enewetak/Ujelang Local Government Fiscal Years 1992, 1995, 1996, 1997, 1998, 1999 and 2000</p> <p>Republic of the Marshall Islands Private Industry Council, Inc. Fiscal Year 1998, 1999 and 2000</p> <p>College of the Marshall Islands Fiscal Years 1999 and 2000</p> <p>Due to the unavailability of these reports, the questioned costs relating to this condition cannot presently be determined.</p>	<p>955,962</p> <p>2,400,000</p> <p>720,000</p>

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Subrecipient Monitoring

Finding No. 2001-16, Continued

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
	<p><u>Cause:</u> The cause of the above condition is the lack of timely resolution of questioned costs by RepMar as the primary recipient of the funding.</p> <p><u>Effect:</u> The effect of the above condition is the possibility of disallowed costs.</p> <p><u>Recommendation:</u> We recommend that RepMar establish procedures to ensure timely follow-up of questioned costs for subrecipients.</p> <p><u>Prior Year Status:</u> Monitoring of subrecipients was reported as a finding in the Single Audits of RepMar for fiscal years 1988 through 2000.</p> <p><u>Auditee Response and Corrective Action Plan:</u> See attachment to this report.</p>	
	Total Questioned Costs	<u>\$ 4,374,910</u>

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Cash Management - Special Education Improvement
CFDA # 84.027

Finding No. 2001-17

Criteria: 34 CFR Section 80.21 requires that program costs funded on a reimbursement basis must be paid for by non-federal funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from U.S. Treasury and disbursement.

Condition: During the year ended September 30, 2001, RepMar made the following drawdowns that appeared to exceed cumulative expenditures incurred:

<u>Drawdown Date</u>	<u>Drawdown Amount</u>	<u>Cumulative Drawdowns</u>	<u>Cumulative Expenditures</u>	<u>Cumulative Drawdowns in Excess of Expenditures</u>
10/18/00	\$ 48,815	\$ 48,815	\$ -	\$ 48,815
11/02/00	\$ 116,006	\$ 164,821	\$ -	\$ 164,821
12/22/00	\$ 233,565	\$ 398,386	\$ -	\$ 398,386
02/22/01	\$ 309,684	\$ 708,069	\$ 568,100	\$ 139,969
04/03/01	\$ 560,316	\$ 1,268,386	\$ 727,203	\$ 541,183
05/30/01	\$ 500,000	\$ 1,768,386	\$ 992,665	\$ 775,721
09/18/01	\$ 250,000	\$ 2,018,386	\$ 1,396,535	\$ 621,851
09/30/01	\$ -	\$ 2,018,386	\$ 1,405,709	\$ 612,677

Cause: The cause of the above condition is the lack of adequate controls to ensure that disbursements are made within a timely manner from the date of the drawdown.

Effect: The effect of the above condition is noncompliance with cash management standards as required in the Common Rule.

Recommendation: We recommend that RepMar comply with cash management standards as required in the Common Rule.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Reporting - Headstart Program
CFDA # 93.600

Finding No. 2001-18

Criteria: OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (the Common Rule), require that non-Federal entities that expend \$300,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year.

Condition: During the year ended September 30, 1999, RepMar transferred the financial reporting responsibility for expenditures under the Headstart Program from the Ministry of Finance to the Ministry of Education. No trial balance was made available from the Ministry of Education in order to determine expenditures incurred under the Headstart Program.

Cause: The cause of the above condition is the lack of obtaining a single or program-specific audit by the Ministry of Education for the Headstart Program.

Effect: The effect of the above condition is noncompliance with OMB Circular A-133 and the Common Rule with respect to audit requirements.

Recommendation: We recommend that RepMar ensure a single or program-specific audit is conducted for expenditures under the Headstart Program.

Prior Year Status: The lack of a single audit by the Ministry of Education for the Headstart Program was reported as a finding in the Single Audits of RepMar for fiscal years 1999 and 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Reporting - All Federal Programs

Finding No. 2001-19

Criteria: OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (the Common Rule), require the periodic submission of financial status reports (FSR) based upon the financial accounting system (FAS) of the grantee for the period reported on.

Condition: The Office of International Donor Assistance (OIDA), within the Ministry of Finance, did not make available Financial Status Reports (SF-269A) submitted to grantor agencies for fiscal year 2001.

Cause: The cause of the above condition is an inadequate filing system within the OIDA for federal grants.

Effect: The effect of the above condition is the inability to determine the accuracy of FSRs based on the FAS.

Recommendation: We recommend that the OIDA ensure that an adequate filing system is maintained, including the maintenance of FSRs, for all federal awards.

Prior Year Status: The lack of availability of Financial Status Reports was reported as a finding in the Single Audits of RepMar for fiscal years 1998 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Equipment and Real Property Management - All Federal Programs

Finding No. 2001-20

Criteria: The Common Rule states that procedures for managing equipment, whether acquired in whole or in part with grant funds, will meet the following requirements:

- a. Property records must be maintained;
- b. A physical inventory of the property must be taken and the results reconciled with the property records at least every two years;
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property;
- d. Adequate maintenance procedures must be developed to keep the property in good condition; and
- e. If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Condition: The Ministry of Finance has established a General Fixed Assets Account Group containing certain fixed asset acquisitions for fiscal years 1999 through 2001 as well as acquisitions through fiscal year 1988. No inventory of fixed assets has been performed to ensure that all capital assets are correctly recorded in the General Fixed Assets Account Group.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with federal property standards as required in the Common Rule.

Recommendation: We recommend that the Ministry of Finance perform an inventory of RepMar's fixed assets as a basis for recording all assets in the General Fixed Assets Account Group and ensure that it is in compliance with applicable federal property rules and regulations.

Prior Year Status: The lack of a complete General Fixed Assets Account Group was reported as a finding in the Single Audits of RepMar for fiscal years 1988 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Special Tests and Provisions - Compact of Free Association, Title I, Section 103(j)
CFDA #15.875

Finding No. 2001-21

Criteria: Section 103(j)(2) of the Compact of Free Association states that “at the end of the first year after the effective date of the Compact and at the end of each year thereafter, the providing agency or agencies shall return to the Government of the Marshall Islands any unexpended funds to be returned to the Fund Manager and be made available for future use”.

Condition: Pursuant to Article II, Section 1(a) of the Agreement between the Government of the United States and the Government of the Marshall Islands for the Implementation of Section 177 of the Compact of Free Association, \$2,000,000 annually is disbursed to Mercy International Health Services (MIHS) to provide management of specified health services for eligible citizens of the Marshall Islands. As of March 31, 2000, a cumulative total of \$806,846 remains with MIHS, that has not been returned to RepMar to be, in turn, returned to the Fund Manager to be made available for future use. No financial statements were made available reporting the financial activity of MIHS for the eighteen months ended September 30, 2001.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is noncompliance with specific provisions of the Compact of Free Association.

Recommendation: We recommend that RepMar comply with the specific provisions of the Compact of Free Association and request MIHS to return the unexpended funds to RepMar to be returned to the Fund Manager and made available for future use.

Prior Year Status: Noncompliance with specific provisions of the Compact of Free Association was reported as a finding in the Single Audits of RepMar for fiscal years 1995 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Procurement and Suspension and Debarment - All Federal Programs

Finding No. 2001-22

Criteria: The Common Rule states that when procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds.

Condition: While RepMar has passed a comprehensive procurement law, it has not been implemented. Therefore, there are no procurement requirements governing federal procurement outside of those established for federal procurements.

Cause: The cause of the above condition is non-implementation of the procurement law.

Effect: The effect of the above condition is noncompliance with procurement standards as required in the Common Rule.

Recommendation: We recommend that the Ministry of Finance implement the procurement law to be in conformity with the Common Rule.

Prior Year Status: The lack of implementation of the procurement law was reported as a finding in the Single Audits of RepMar for fiscal years 1989 through 2000.

Auditee Response and Corrective Action Plan: See attachment to this report.

REPUBLIC OF THE MARSHALL ISLANDS

Unresolved Prior Year Questioned Costs
Year Ended September 30, 2001

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2001:

	<u>Questioned Costs</u>		<u>Total</u>
	<u>RepMar</u>	<u>Subrecipient</u>	
Questioned costs of RepMar as previously reported	\$ 1,267,198	\$ 4,726,605	\$ 5,993,803
Less questioned costs resolved in fiscal year 2001:			
Questioned costs of fiscal year 1997 Single Audit (1)	<u>-</u>	<u>(1,451,420)</u>	<u>(1,451,420)</u>
	1,267,198	3,275,185	4,542,383
Questioned costs of fiscal year 2001 Single Audit	<u>298,948</u>	<u>4,075,962</u>	<u>4,374,910</u>
Unresolved questioned costs of RepMar at September 30, 2001	\$ <u>1,566,146</u>	\$ <u>7,351,147</u>	\$ <u>8,917,293</u>

- (1) OMB Circular A-133, Section .315(b)(4) - questioned costs resolved as RepMar considers these findings are no longer valid as they were reported to federal agencies for in excess of the two year threshold.

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report (pages 15 through 40).



REPUBLIC OF THE MARSHALL ISLANDS
MINISTRY OF FINANCE
P.O. BOX D
Majuro, Marshall Islands

Corrective Action Plans for Findings and Questioned Costs included in the Independent Auditors' Report on Internal Control and on Compliance for the Year Ended September 30, 2001

Financial Statement Findings Section:

Finding No. 2001-1

The opportunity to make alterations and the occurrence of delays in depositing collections to the bank is attributed to the present arrangement where payments are accepted and receipted in the same office that prepares the assessment, i.e. the Revenue Office, and thereafter, transmitted to the Treasury Office for deposit to the bank.

As a corrective action, the Ministry shall effect the transfer of the task of accepting payments from the Revenue Division to the Treasury Division in Ebeye. This action is intended to do away with the present step of having to prepare a transmittal simply to transfer collections from the Revenue Office to the Treasury. In this manner, there will be no reason for the delay in depositing collections. This is also expected to establish accountability within the Treasury Office alone. The review of cash receipts and deposit slips shall be made the duty of the main Accountant presently heading the Finance Office in Ebeye.

Finding No. 2001-2

We accept the findings and below outlines the remedial actions that the Ministry will undertake.

For outstanding accounts:

1. An inventory of delinquent accounts shall be prepared and notices shall be issued.
2. A schedule of payments for such delinquent amounts shall be drawn and effected for collection.
3. A referral to the Office of the Attorney-General shall be made in case of failure to comply with payment schedule.

For monitoring individual taxpayer accounts:

The use of a taxpayer's ledger shall be revived. Such ledger shows the status of payment by each taxpayer, by type of tax. It should show the current balances of individual taxpayer accounts. These ledgers shall be maintained together as a separate file, independent from the individual folders of the taxpayers. This will allow the enforcement officer to know, at a glance, the status of the taxpayer. These ledgers shall be examined on the day immediately following the payment due dates established by law. Notices of delinquency shall be issued to taxpayers whose ledgers do not reflect any payment.

Financial Statement Findings Section, Continued:

Finding No. 2001-3

We agree with the findings. The Ministry of Finance will formulate and furnish overseas embassies with a set of guidelines not only to ensure uniformity in the reconciliation of petty cash imprest but also to ensure adherence to auditing standards and requirements.

Finding No. 2001-4

We agree with the findings. However, it should be noted that the inability of the Ministry of Finance to reconcile on a timely basis its investment accounts was due to the failure of the banks to furnish the Ministry with bank statements on time, if not, none at all. This has been corrected and the Ministry is now regularly receiving bank statements and the Ministry will ensure a periodic reconciliation of its accounts.

Finding No. 2001-5

We agree with the findings. The Ministry of Finance will pursue discussions with the Kwajalein Atoll Development Authority. The Ministry will also consult with the Asian Development Bank on the appropriate course of action to take.

Finding No. 2001-6

We agree with the findings. The Ministry of Finance is fully aware that the advances made to the Tobolar Copra Processing Plant, Inc. (TCPPI) were effected pursuant to Cabinet Minute C.M. 154(99). The same Cabinet Minute provides that such advances shall be repaid by TCPPI. The decisions laid down in the Cabinet Minute should be deemed binding upon TCPPI. It is further understood that such amounts represented advances from the 2002 subsidy due to TCPPI. The Ministry shall ensure that no release of such subsidy shall be undertaken unless repayment of the advances shall have been complied. The Ministry however agrees that a loan agreement should make the terms of these advances more transparent and clear. The Ministry will communicate the matter to the Cabinet for appropriate action.

Finding No. 2001-7

We agree with the system. The Ministry of Finance is however experiencing technical difficulties with the present automated system serving the ADS Profound accounting system. This has resulted in the non-reconciliation of accounts. The Ministry is however, in the process of addressing such difficulties. It has secured external assistance for the establishment of a more reliable financial management information system (FMIS). A need analysis has just been recently completed.

Finding No. 2001-8

We agree with the finding. A physical inventory of RepMar's fixed assets has been conducted. However, additional work is necessary to ensure accuracy and reliability of its results. The Ministry has secured a technical assistance for such purpose with the objective of having accurate entries in the General Fixed Assets Account Group.

Finding No. 2001-9

We agree with the findings. The Ministry of Finance has already on hand an additional staff who has been tasked solely to work on the reconciliation of the individual federal grant awards with Fund 350.

Financial Statement Findings Section, Continued:

Finding No. 2001-10

We agree with the finding. The Ministry however wishes to pursue the matter jointly with the Office of the Auditor-General to ensure compliance.

Finding No. 2001-11

We agree with the finding. The Ministry of Finance takes full responsibility over the matter. The Ministry will institute a system for the proper recording of reprogrammed budgetary appropriations. This will also allow the Ministry to monitor its disbursements and keep them within the appropriated levels. The Ministry will also ensure that appropriate budgetary realignments shall first be secured prior to any certification of disbursements. In addition, the Ministry will adhere to the principle of prudence in the management of expenditures.

Finding No. 2001-12

We agree with the finding. The Ministry of Finance will act in the interest of RepMar and will initiate a more aggressive collection procedure to ensure compliance by MWSC of its financial obligation towards RepMar.

Finding No. 2001-13

We agree with the finding. The Ministry of Finance has already addressed the matter by creating an account in the General Fund for the salary of the Auditor-General.

Finding No. 2001-14

We agree with the finding. We have discussed the matter with the concerned banks and we have been given the assurance that they are working their way to securing FDIC membership. The Ministry however will act accordingly after considerable time shall have lapsed and no change has taken place in the status of the banks.

Federal Award Findings and Questioned Costs Section:

Finding No. 2001-15

We agree with the finding. The Ministry of Education will develop and implement a procurement policy in order to comply with Federal procurement standards.

Finding No. 2001-16

We agree with the finding. RepMar will look into the possibility of suspending further releases of funds to subrecipients of federal funding until such time that the prime recipient shall have satisfactorily conducted a review of the questioned costs of such subrecipients.

Finding No. 2001-17

We agree with the finding. The Ministry of Finance is currently in the process of reconciling the individual federal grant awards within Fund 350. After such has been reconciled, RepMar should be able to ensure compliance with Federal cash management standards and be in a position to request for reimbursement after program costs have been funded by non-federal funds.

Federal Award Findings and Questioned Costs Section, Continued:

Finding No. 2001-18

We agree with the finding. RepMar will issue the necessary reminder to Ministry of Education to ensure strict observance of the single or program-specified audit rule as it applies to the Headstart Program. RepMar will specifically require the Ministry to make available its financial records pertaining to the Headstart Program in order that audit can be conducted in compliance with OMB Circular A-133.

Finding No. 2001-19

We agree with the finding. The Ministry of Finance has already instituted a remedial measure to address this concern by hiring a staff to manage the filing system for federal grant awards under OIDA.

Finding No. 2001-20

We agree with the finding. It has been mentioned earlier that the Ministry of Finance has secured a technical assistance to undertake/review the records of all fixed assets of RepMar. Said technical assistance is expected to produce results that will ensure accountability over such fixed assets. The Ministry will also direct its Division of Procurement and Supply to issue the necessary guidelines for the proper handling and maintenance of fixed assets. The Ministry will also ensure that there is adequate budgetary appropriation to cover maintenance requirements.

Finding No. 2001-21

We agree with the finding. RepMar will issue the necessary order to MIHS for their unexpended funds to be returned to the Fund Manager. The annual releases to the MIHS will be dependent on its compliance to such order pursuant to the relevant provision of the Compact of Free Association.

Finding No. 2001-22

We agree with the finding. The Ministry will draft the necessary rules and regulations to implement the Procurement Law to ensure adherence to the Common Rule.



REPUBLIC OF THE MARSHALL ISLANDS
MINISTRY OF FINANCE
P.O. BOX D
Majuro, Marshall Islands

Summary Schedule of Prior Audit Findings

Status of all audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2000:

Financial Statement Findings Section:

- Finding No. 2000-1 - Corrective action has been taken.
- Finding No. 2000-2 - Corrective action has been taken.
- Finding No. 2000-3 - Not corrected. See corrective action plan to Finding No. 2001-2.
- Finding No. 2000-4 - Corrective action has been taken.
- Finding No. 2000-5 - Corrective action has been taken.
- Finding No. 2000-6 - Corrective action has been taken.
- Finding No. 2000-7 - Corrective action has been taken.
- Finding No. 2000-8 - Corrective action has been taken.
- Finding No. 2000-9 - Not corrected. See corrective action plan to Finding No. 2001-3.
- Finding No. 2000-10 - Corrective action has been taken.
- Finding No. 2000-11 - Corrective action has been taken.
- Finding No. 2000-12 - Not corrected. See corrective action plan to Finding No. 2001-4.
- Finding No. 2000-13 - Not corrected. See corrective action plan to Finding No. 2001-9.
- Finding No. 2000-14 - Not corrected. See corrective action plan to Finding No. 2001-5.
- Finding No. 2000-15 - Not corrected. See corrective action plan to Finding No. 2001-6.
- Finding No. 2000-16 - Not corrected. See corrective action plan to Finding No. 2001-7.
- Finding No. 2000-17 - Corrective action has been taken.
- Finding No. 2000-18 - Not corrected. See corrective action plan to Finding No. 2001-8.

Financial Statement Findings Section, Continued:

- Finding No. 2000-19 - Corrective action has been taken.
- Finding No. 2000-20 - Corrective action has been taken.
- Finding No. 2000-21 - Corrective action has been taken.
- Finding No. 2000-22 - Corrective action has been taken.
- Finding No. 2000-23 - Corrective action has been taken.
- Finding No. 2000-24 - Corrective action has been taken.
- Finding No. 2000-25 - Corrective action has been taken.
- Finding No. 2000-26 - Corrective action has been taken.
- Finding No. 2000-27 - Not corrected. See corrective action plan to Finding No. 2001-10.
- Finding No. 2000-28 - Corrective action has been taken.
- Finding No. 2000-29 - Corrective action has been taken.
- Finding No. 2000-30 - Not corrected. See corrective action plan to Finding No. 2001-11.
- Finding No. 2000-31 - Corrective action has been taken.
- Finding No. 2000-32 - Not corrected. See corrective action plan to Finding No. 2001-12.
- Finding No. 2000-33 - Corrective action has been taken.
- Finding No. 2000-34 - Corrective action has been taken.
- Finding No. 2000-35 - Corrective action has been taken.
- Finding No. 2000-36 - Corrective action has been taken.
- Finding No. 2000-37 - Not corrected. See corrective action plan to Finding No. 2001-13.
- Finding No. 2000-38 - Not corrected. See corrective action plan to Finding No. 2001-14.

Federal Award Findings and Questioned Costs Section:

- Finding No. 2000-39 - Corrective action has been taken.
- Finding No. 2000-40 - Corrective action has been taken.
- Finding No. 2000-41 - Corrective action has been taken.
- Finding No. 2000-42 - Not corrected. See corrective action plan to Finding No. 2001-15.
- Finding No. 2000-43 - Corrective action has been taken.

Federal Award Findings and Questioned Costs Section, Continued:

Finding No. 2000-44 - Not corrected. See corrective action plan to Finding No. 2001-16.

Finding No. 2000-45 - Not corrected. See corrective action plan to Finding No. 2001-18.

Finding No. 2000-46 - Not corrected. See corrective action plan to Finding No. 2001-19.

Finding No. 2000-47 - Not corrected. See corrective action plan to Finding No. 2001-20.

Finding No. 2000-48 - Not corrected. See corrective action plan to Finding No. 2001-21.

Finding No. 2000-49 - Not corrected. See corrective action plan to Finding No. 2001-22.