

REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

NAMU ATOLL LOCAL GOVERNMENT
FINANCIAL STATEMENT AND INDEPENDENT
AUDITORS' REPORT FOR THE PERIOD
OCTOBER 1, 2012
THROUGH SEPTEMBER 30, 2016



AUDIT No.: OAG 10/16-2400

August 7, 2020
Date

P.O. BOX 245
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REPUBLIC OF THE MARSHALL ISLANDS

**NAMU ATOLL LOCAL GOVERNMENT
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NAMU ATOLL LOCAL GOVERNMENT
Period October 1, 2012 through 30 September 2016

TABLE OF CONTENT

	<u>Page No.</u>
1. BASIC FINANCIAL STATEMENT	
Independent Auditors' Report	1
Schedule of Cash Receipts and Disbursements	3
Notes to Schedule of Cash Receipts and Disbursements	4
2. OTHER SUPPLEMENTARY INFORMATION	
Combining Schedule of Cash Receipts and Disbursements	6
3. INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL AND ON COMPLIANCE	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based upon the Engagement to Audit Financial Statements In Accordance with <i>Government Auditing Standards</i>	7
Schedule of Findings and Responses	9-30



INDEPENDENT AUDITOR'S REPORT

Honorable Junior M. Kabua
Mayor
Namu Atoll Local Government
Republic of the Marshall Islands

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Namu Atoll Local Government (the Namu Government), which comprises the schedule of cash receipts and disbursements for the period from October 1, 2012 through September 30, 2016, and the related notes to the financial statements. The financial statement is the responsibility of the Namu Government.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2 to this financial statements; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the 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, and to issue an auditor's report. Because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial statement.

Basis for Disclaimer of Opinion

Because of inadequacies in the accounting records of the Namu Government, we are unable to form an opinion regarding the amounts recorded as cash receipts and cash disbursements in the accompanying financial statement stated at \$258,045 and \$256,492 respectively.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

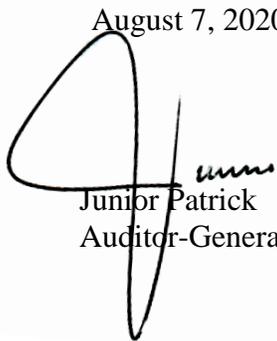
Other Supplementary Information

The Combining Schedule of Cash Receipts and Disbursements on page 6 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the engagement to audit the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis of Disclaimer of Opinion section of our report, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the other supplementary information in relation to the financial statement as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2020, on our consideration of the Namu Government’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Namu Government’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Namu Government’s internal control over financial reporting and compliance.

August 7, 2020



Junior Patrick
Auditor-General



NAMU ATOLL LOCAL GOVERNMENT

Schedule of Cash Receipts and Disbursements
Period from October 1, 2012 through September 30, 2016

	Total
Cash receipts:	
RepMar Contribution	
Local Government Fund(LGF)	\$ 59,684
OIEDF - Food Security	37,268
Korea Grant - Food Security	29,996
Other revenue	1,515
Unreported/unidentified deposits	129,582
Total cash receipts	<u>258,045</u>
Disbursements:	
OIEDF - Food Security	37,268
Korea Grant - Food Security	29,996
Salary and Wages	33,188
Other	40
Unreported/unidentified cash disbursements	156,000
Total disbursements	<u>256,492</u>
Net change in cash	<u>\$ 1,553</u>

See accompanying notes to Schedule of Cash Receipts and Disbursements

NAMU ATOLL LOCAL GOVERNMENT

Notes to Schedule of Cash Receipts and Disbursements
Period from October 1, 2012 through September 30, 2016

(1) Organization

The Namu Atoll Local Government (the Namu Government) was established pursuant to Public Law 1981-2, the Local Government Act of the Republic of the Marshall Islands and operates under the Constitution of the Namu Government. The Namu Government is governed by an elected mayor, council members and representatives.

(2) Basis of Accounting

The Schedule of Receipts and Disbursements has been prepared on the cash basis of accounting. Receipts have been recognized when received in cash and disbursements have been recognized when cash is disbursed. The cash basis differs from accounting principles generally accepted in the United States of America primarily because receipts/revenues are recognized when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred.

The Namu Government is not required to adopt fund basis accounting for local governments in conformity with standards promulgated by Governmental Accounting Standards Boards (GASB). However, the Namu Government is required to comply with accounting system requirements established by the Government of the Republic of the Marshall Islands (RepMar) Ministry of Culture and Internal Affairs.

(3) Cash

As of September 30, 2016, the carrying amount of the Namu Government's total cash was \$1,553, which corresponds to the bank balance and which is maintained in a local financial institution that is not subject to Federal Deposit Insurance Coverage (FDIC). The Namu Government does not require collateralization of its cash deposits in excess of FDIC depository limits.

(4) Budget Process

The Constitution of the Namu Government states that "no taxes shall be imposed and no other revenues shall be raised and no money of the Local Government shall be expended, unless authorized by law".

(5) RepMar Contributions

The Namu Government receives annual grant funding from RepMar's Local Government Fund (LGF), which is distributed on a quarterly basis. This quarterly allotment is contingent upon the Namu Government providing financial reports and supporting documents. For the period from October 1, 2012 through September 30, 2016, the Namu Government received \$59,684 from the LGF.

(6) Other Contributions

In 2014, the Namu Government received funding under the Outer Islands Economic Development Fund (OIEDF) in the amount of \$37,268 for Food Security and Training. In 2015, the Namu Government also received funding under the Korea Small Grant for Small Project Assistance in the amount of \$29,996 for Strengthening Food Security and Training on Namu Atoll.

NAMU ATOLL LOCAL GOVERNMENT

Notes to Schedule of Cash Receipts and Disbursements
Period from October 1, 2012 through September 30, 2016

(7) On-Behalf Payments

The Namu Government is the beneficiary of annual appropriations from RepMar under the Outer Islands Economic Development Fund (OIEDF) administered and disbursed directly to vendors by RepMar's Ministry of Finance, Banking and Postal Services. The disbursement of this grant fund is contingent upon the Namu Government providing community proposal and an approved resolution from council. For the period from October 1, 2012 through September 30, 2016, the Namu Government received a total of \$212,587 under this grant. In addition, the Namu Government is the beneficiary of annual appropriations from RepMar under the Grant-in-Aid fund administered and disbursed directly to vendors by RepMar's Ministry of Finance, Banking and Postal Services. The disbursement of this grant fund is contingent upon the Namu Government providing community proposal and an approved resolution from council. For the period from October 1, 2012 through September 30, 2016, the Namu Government received a total of \$22,264 under this grant. As these appropriations are disbursed directly by RepMar to vendors, such are not reflected as cash receipts and disbursements within the accompanying financial statement.

NAMU ATOLL LOCAL GOVERNMENT

Combining Schedule of Cash Receipts and Disbursements
Period from October 1, 2012 through September 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Cash Receipts:					
RepMar Contribution					
Local Government Fund (LGF)	\$ 8,526	\$ 17,053	\$ 17,053	\$ 17,053	\$ 59,684
OIEDF Grant - Food Security	-	37,268	-	-	37,268
Korea Grant - Food Security	-	-	29,996	-	29,996
Undeposited revenues	-	-	15	1,500	1,515
Unreported/unidentified deposits	7,250	54,774	64,171	3,387	129,195
Total cash receipts	<u>15,776</u>	<u>109,095</u>	<u>111,234</u>	<u>21,940</u>	<u>257,658</u>
Disbursements:					
OIEDF Food Security	-	37,268	-	-	37,268
Korea Food Security	-	-	29,996	-	29,996
Salary and Wages	4,210	13,890	4,210	10,878	33,188
Other	-	-	-	40	40
Unreported/unidentified disbursements	11,945	57,936	78,469	7,650	156,000
Total disbursements	<u>16,155</u>	<u>109,094</u>	<u>112,675</u>	<u>18,568</u>	<u>256,492</u>
Net change in cash	<u>\$ (379)</u>	<u>1</u>	<u>\$ (1,441)</u>	<u>\$ 3,372</u>	<u>\$ 1,553</u>

See accompanying independent auditors' report.



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE ENGAGEMENT TO AUDIT FINANCIAL STATEMENT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARD

Honorable Junior M. Kabua
Mayor
Namu Atoll Local Government
Republic of the Marshall Islands

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Namu Atoll Local Government (the Namu Government) for the period from October 1, 2012 through September 30, 2016, and the related notes to the financial statement and have issued our report thereon dated August 7, 2020. Our report stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statement due to inadequacies in the accounting records.

Internal Control over Financial Reporting

In planning the engagement to audit the financial statement, we considered the Namu Government's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Namu Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Namu Government's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as *Finding No. 4, Finding No. 7, Finding No. 10, and 11* that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of Findings and Responses as *Finding No.1 and Finding No.2, and No. 3* to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Namu Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement to audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as, *Finding No.5, Finding No.6, Finding No. 8, Finding No.9, Finding No.12, Finding No.13, Finding No.14, Finding No.15, Finding No. 16, Finding No.17, and 18* that we consider to be compliance weaknesses and other matters.

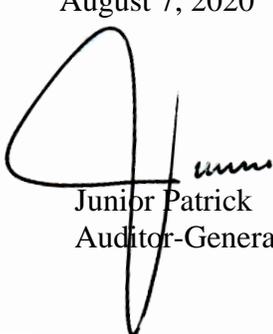
The Namu Government's Response to Findings

The Namu Government's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Namu Government's responses were not subjected to the auditing procedures applied in the engagement to audit the financial statement and, accordingly, we express no opinion on them.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the engagement to audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 7, 2020



Junior Patrick
Auditor-General



NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 1

Local Non-Compliance (Accounting System)

Criteria: All local governments are required to establish an accounting system pursuant to the Financial Memoranda No. 1987-1 issued by the Ministry of Internal Affairs. Included in the accounting system are forms developed to be used such as cash receipts and cash disbursements journals, personnel action, collection cards, purchase order, budget control worksheet, and several others for proper record keeping.

Condition: We found that the Namu local government did not adopt the local government accounting system established by the Ministry of Internal Affairs and the prescribed accounting forms described above were not utilized.

Cause: This is due to the lack of adherence to the established accounting system by the Namu government. Lack of oversight by the Ministry of Internal Affairs and Ministry of Finance in ensuring that Namu local government adopts and follows the accounting system established for all local governments.

Effect: Non-Compliance by Namu local government with the Financial Memoranda No. 1987-1 which resulted in the followings:

- Inability to perform an audit of a complete set of financial statements.
- Inadequate recording of financial transactions not recorded properly into a general ledger.
- Inaccurate verification of revenues collected and reported.
- Inaccurate verification of authorized expenses paid due to non-utilization of accounting forms.

Recommendation:

1. For Namu local government to utilize the accounting system established for all local governments under the Ministry of Internal Affairs in order to improve accountability over its financial book keeping.
2. Strict oversight by the Ministry of Internal Affairs and Ministry of Finance in ensuring that Namu and all local government adopt and implement the local government accounting system prior to release of the funding.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs and from Ministry of Finance

The Ministry of Internal Affairs and the Ministry of Finance has both concurred with our recommendations and will take necessary steps to implement them in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 2

Unsupported Disbursements

Criteria: The Local Government Financial Memoranda No. 1987-1 requires that purchases of goods and services be accompanied by receipts or invoices to proof that actual payment was made. Additionally, accountability and good governance require that supporting documents for all transactions be filed and maintained for all public funds.

Condition: During the periods under audit, the followings were noted.

- Namu Government reported salaries and sitting fees in the amount of \$33,188. For employee salaries, no time sheets and personnel actions were available on file for examination. For sitting fees, the roll call sheets were not properly documented to verify attendance.
- \$1,187.20 per check no. 115295 in 3/19/2014 for fuel purchased under the OIEDF fund was not supported by an invoice.
- \$2,544 per check no. 119977 in 9/3/2014 for 10 drums of diesel purchased under the OIEDF fund, however both the supporting purchase requisition and invoice did not indicate the intended use, hence made it difficult for us to determine the use of the purchased oil.

Cause: Lack of adherence to the Local Government Financial Memoranda No. 1987-1. Additionally, financial reports are not properly reviewed by the Ministry of Internal Affairs and Ministry of Finance. Weak internal control procedures requiring proper review and monitoring by Council over all accounting transactions of the local government.

Effect: Non-Compliance with the Local Government Financial Memoranda No. 1987-1 and the inability to determine the authenticity and the clear public purpose or benefits served.

Recommendation:

1. For Namu Government to ensure salaries and sitting fees are supported, verified and maintained on file for reference and audit purposes.
2. For Ministry of Internal Affairs and the Ministry of Finance to strictly review the quarterly financial reports and ensure that it is adequately supported by proper documentation. Ministry of Finance to pay only items that have the proper supporting documentation.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs and Ministry of Finance:

The Ministry of Internal Affairs and the Ministry of Finance has both concurred with our recommendations and will take necessary steps to implement them in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response Period from October 1, 2012 through September 30, 2016.

Finding No. 3

Checks Issued to Cash

Criteria: Proper internal control over disbursements requires that disbursements should be made directly to the designated payee by check.

Condition: There were various Cash checks issued for salaries and other expenses in the amount of \$34,870 during FY2013, 2014 and 2015. There were no indication of the payees signing as evidence of receipt of their check payments. Furthermore, \$15,760 were not reported to the Ministry of Finance. Details of these cash payments are listed below.

Item	Date	Check #	Amount	Payee	Comments
1	11/4/2013	18	10.00	Cash	Unable to determine how fund was expended due to no supporting document on file; payment was not reported to MOF
2	11/8/2013	23	5,470.00	Cash	Check was cashed & deposited to a personal bank account (#881-73-1841-6) for sitting fees & Salaries for 4th quarter 2013, however the distribution list on file did not show payees' signatures evidencing receipt of their cash payments
3	1/24/2014	14	2,985.00	Cash	Check was cashed for sitting fees & Salaries for 1st & 2nd quarters FY2014, however the distribution list on file did not show payees' signatures evidencing receipt of their cash payments
4	1/24/2014	13	2,985.00	Cash	Check was cashed for sitting fees & Salaries for 1st & 2nd quarters FY2014, however the distribution list on file did not show payees' signatures evidencing receipt of their cash payments
5	10/13/2014	29	150.00	Cash	Memo on check indicates payment for a worker, no name was indicated
6	10/13/2014	33	520.00	Cash	Memo on check indicates payment for 2 alap members. Rather than issuing checks to the members, the check was issued to cash. Copy of the bank cancelled check was not on file, hence, we are unable to determine if payees actually received their payments.
7	10/14/2014	34	250.00	Cash	Memo on check indicates payment for a council member. Rather than issuing the check to the member, the check was issued to cash. Copy of the bank cancelled check was not on file, hence, we are unable to determine if payees actually received their payments.
8	10/16/2014	30	6,750.00	Cash	Check was cashed for sitting fees & Salaries for 1st quarter FY2015, however the distribution list on file did not show payees' signatures evidencing receipt of their cash payments; additionally, salaries reported to MOF for the quarter was \$4,210, a variance of \$2,540

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response Period from October 1, 2012 through September 30, 2016.

9	2/9/2015	36	6,420.00	Cash	Unable to determine how fund was expended due to no supporting document on file; payment was not reported to MOF
10	2/23/2015	38	40.00	Cash	Unable to determine how fund was expended due to no supporting document on file; payment was not reported to MOF
11	2/27/2015	49	60.00	Cash	Unable to determine how fund was expended due to no supporting document on file; payment was not reported to MOF
12	4/1/2015	41	430.00	Cash	Unable to determine how fund was expended due to no supporting document on file
13	4/6/2015	42	2,500.00	Cash	Unable to determine how fund was expended due to no supporting document on file; payment was not reported to MOF
14	4/30/2015	61	6,300.00	Cash	Unable to determine how fund was expended due to no supporting document on file; payment was not reported to MOF

TOTAL: **34,870.00**

Cause: This is due to the lack of adequate internal control policies and procedures in governing cash disbursements.

Effect: This poses a risk that cash could be misappropriated. There is also a potential inability to determine whether designated payees received their payments.

Recommendation:

1. For the Namu local government to issue checks for all disbursements including wages and salaries.
2. For the Ministry of Culture and Internal Affairs to put in place stringent oversight procedures and take responsibility of local government affairs.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs:

The Ministry of Internal Affairs Finance has concurred with our recommendation and will take necessary steps to implement it in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response Period from October 1, 2012 through September 30, 2016.

Finding No. 4

Cash Withdrawals

Criteria: Proper internal control over disbursements requires that disbursements should be made directly to the designated payee by check.

Condition: We noted various cash withdrawals during FY2013, 2014 and 2015 amounting to \$59,808. These cash withdrawals were not supported by invoices, receipts or other related supporting document. Unreported withdrawals amounting to \$55,598. Table below shows the details of the cash withdrawals.

Item	Date	Amount	Descriptions
1	10/26/2012	150.00	Cash withdrawal, no supporting document on file; unreported to MOF.
2	10/29/2012	150.00	Cash withdrawal, no supporting document on file; unreported to MOF.
3	10/30/2012	10.00	Cash withdrawal, no supporting document on file; unreported to MOF.
4	10/30/2012	10.00	Cash withdrawal, no supporting document on file; unreported to MOF.
5	11/14/2012	10.00	Cash withdrawal, no supporting document on file; unreported to MOF.
6	11/14/2012	100.00	Cash withdrawal, no supporting document on file; unreported to MOF.
7	12/4/2012	345.00	Cash withdrawal, no supporting document on file; unreported to MOF.
8	12/4/2012	10.00	Cash withdrawal, no supporting document on file; unreported to MOF.
9	12/10/2012	4,000.00	Cash withdrawal; unable to determine how/what the fund was expended for as no supporting document available on file for examination; unreported to MOF.
10	12/24/2012	350.00	Cash withdrawal, no supporting document on file; payment not reported to MOF.
11	12/24/2012	4,575.00	Debit advice to transfer fund to bank account #881-731841-6 (a personal bank account); unable to determine how/what the fund was expended for as no supporting document available on file; unable to identify source of fund; payment not reported to MOF.
12	1/4/2013	10.00	Cash withdrawal, no supporting document on file; unreported to MOF.
13	3/26/2013	10.00	Cash withdrawal, no supporting document on file; unreported to MOF.
14	3/26/2013	2,100.00	cash withdrawal; unable to determine how/what the fund was expended for as no supporting document were available on file for examination; payment not reported to MOF.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response Period from October 1, 2012 through September 30, 2016.

15	8/22/2013	1,170.00	debit advice to withdraw cash for sitting fees & salaries for 3rd quarter FY2013; although payment was reported to MOF, the distribution list on file did not show payees signatures evidencing receipt of their cash payments.
16	8/23/2013	3,040.00	debit advice to withdraw cash for sitting fees & salaries for 3rd quarter FY2013; although payment was reported to MOF, the distribution list on file did not show payees signatures evidencing receipts of their cash payments.
17	3/3/2014	16,200.00	cash withdrawal; unable to determine how/what the fund was expended for as supporting document were not available on file for examination; unable to identify source of fund; payment was not report to MOF.
18	3/12/2014	100.00	Cash withdrawal, no supporting document on file.
19	3/13/2014	100.00	Cash withdrawal, no supporting document on file; unreported to MOF.
20	3/14/2014	100.00	Cash withdrawal, no supporting document on file; unreported to MOF.
21	3/17/2014	60.00	Cash withdrawal, no supporting document on file; unreported to MOF.
22	5/19/2014	60.00	Cash withdrawal, no supporting document on file; unreported to MOF.
23	4/7/2015	350.00	Cash withdrawal, no supporting document on file; unreported to MOF.
24	4/8/2015	26,598.00	cash withdrawal; noted that the fund was transferred from saving a/c 881-731841-6 to the LGF bank account, no evidence on file as to how this fund was expended; payment not reported to MOF.
25	4/16/2015	200.00	Cash withdrawal, no supporting document on file; unreported to MOF.
		59,808.00	

Cause: This is due to the lack of adequate internal control policies and procedures governing cash withdrawals and the maintenance of accounting records.

Effect: This poses a risk that cash could be misappropriated. It also means a potential inability to determine the authenticity and appropriateness of the cash withdrawals and disbursements, lacking clear public purpose or benefit served.

Recommendation:

1. For the Namu local government to issue checks for all disbursements including wages and salaries.
2. For the Ministry of Culture and Internal Affairs to institute appropriate procedures governing cash withdrawals and maintenance of accounting records.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 4, (Continued)

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs:

The Ministry of Internal Affairs Finance has concurred with our recommendation and will take necessary steps to implement it in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No.5

Funds Deposited to Third Party Personal account.

Criteria: Proper internal control over disbursements requires that disbursements should be made directly to the designated payee by check.

Condition: There were two payments from the LGF bank account, pertaining to check #19 and check #23 for \$1,025 and \$5,470, respectively were deposited to a personal bank account (881-73-1841-6) for payroll distribution. However, there were no documentation on file as to who received these payments and if there were any leftover from the distribution. Furthermore, an additional cash check withdrawal from the LGF fund of \$4,575 was made and deposited to the same personal bank account. There was no documentation noted on file as to how the fund got disbursed. The personal bank account in question relates to someone from outside the local government and does not work for the local government. The rationale to deposit public monies in a personal bank account for cash payments is not in line with the established guidelines stipulated in the Financial Memoranda No. 1987 and sound internal control practices.

Cause: This is due to the lack of adequate policies and procedures regarding disbursements and maintenance of accounting records.

Effect: This poses a risk that cash could be misappropriated and a potential inability to determine the authenticity and appropriateness of such payments.

Recommendation:

1. For the Namu Government to cease withdrawals from LGF accounts into personal accounts without proper documentation, it is encouraged to write checks for salaries and wages from the LGF account in order to ensure paper trail is maintained that will be auditable in the future.
2. For the Ministry of Culture and Internal Affairs to put in place stringent oversight procedures and take responsibility of local government affairs.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs:

The Ministry of Internal Affairs has concurred with our recommendation and will take steps to implement it in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 6

Revenues and Expenditures Under Reported

Criteria: Section 31(1) of the Constitution of the Namu Government states that the Executive Committee shall cause to be kept full and proper accounts and records of revenue and expenditure of the local government, assets of or under the local government and liabilities of the local government. Furthermore, good internal control dictates that all revenues and expenditures should be properly accounted for and adequately supported.

Condition: The review of the amounts reported in the quarterly financial reports for deposits and disbursements and amounts per the bank statements revealed that revenues and expenditures were under reported by \$129,194 and \$156,000, respectively, as detailed in the tables below. This indicates that revenues and expenditures were not properly accounted for.

Receipts:

Periods	Per Bank Statements	Per Quarterly Reports	Variance
2013	15,776	8,526	(7,250)
2014	71,842	17,068	(54,774)
2015	82,723	18,553	(64,170)
2016	20,053	17,053	(3,000)
Totals	\$190,394	\$61,204	(129,194)

Disbursements:

Periods	Per Bank Statements	Per Quarterly Reports	Variance
2013	16,155	4,210	(11,945)
2014	71,866	13,930	(57,936)
2015	82,679	4,210	(78,469)
2016	18,528	10,878	(7,650)
Totals	\$189,228	\$33,228	(156,000)

Cause: This is due to a lack of proper review of the quarterly financial reports by Ministry of Internal Affairs and Ministry of Finance to ensure reports are accurate and complete.

Effect: This leads to inaccurate financial reporting which diminishes accountability over Namu Government's financial operation. This also contributed to the disclaimer of opinion on cash receipts and cash disbursements.

Recommendation:

1. For Namu Government to strictly ensure all revenues and expenditures are properly reported in the quarterly financial reports.
2. That the Ministry of Internal Affairs and Ministry of Finance to thoroughly review the quarterly financial reports to ensure accuracy and completeness. They must also ensure that all monies received and all disbursements made are properly accounted for appropriately.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 6, (Continued)

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs and Ministry of Finance:

The Ministry of Internal Affairs and the Ministry of Finance has both concurred with our recommendations and will take steps to implement them in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No.7

Revenue/Cash Receipt

Criteria: A proper system of internal control requires that collection of revenues be supported by cash receipts and be deposited intact in a timely manner. Additionally, a cash receipts journal should be maintained to indicate the cash receipts being issued in a sequential manner and documents the customer name, date, amount of cash received and the type of revenue collected.

Condition: Namu Government collected and reported fees and other revenues totaling \$1,520 in their quarterly financial reports, however, these were not supported by cash receipts. We were unable to determine whether these revenues were used in the daily operation of the Namu Government due to lack of proper accounting records.

Cause: This is due to the lack of adherence to the established accounting system for local governments and the lack of proper review of the financial reports by the Ministry of Internal Affairs and the Ministry of Finance in ensuring all revenues are properly accounted for. Cash receipts and disbursements are accounted for in a timely manner and reported to the Ministry of Internal Affairs and to the Ministry of Finance appropriately in the quarterly financial reports.

Effect: There is a high possibility for misappropriation of public funds. Additionally, there is no audit trail to determine how much local revenues were collected.

Recommendation:

1. For the Namu local government to issue official cash receipts to customers when collecting local revenues on the island as a measure for transparency and accountability. These collections should be accounted for through a cash receipts journal and deposited in a timely manner.
2. For the Ministry of Internal Affairs and the Ministry of Finance to properly review the financial reports and ensure all supporting documents are provided to support amounts reported.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs and Ministry of Finance:

The Ministry of Internal Affairs and the Ministry of Finance has both concurred with our recommendations and will take steps to implement them in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No.8

Local Non-Compliance (Procurement Code)

Criteria: The OIEDF Policy, section (iv), subsection (b), states that all purchasing and procurement of goods and services shall follow the RMI procurement code and relevant policies. Furthermore, all local governments receiving funds from the RMI Government are required to adhere to the RMI procurement code. The Ministry of Finance has established that at least three (3) price quotations are required to be obtained for all purchases of \$500 and above.

Condition: The following payment was made on behalf of Namu Government totaling \$37,268 under the Outer Islands Economic Development Fund (OIEDF), for which quotations were not provided as indicated in the procurement process code.

Cause: The cause of the above condition is Cabinet through Cabinet Minute 181(2013), exempted purchases for projects approved under the OIEDF from the procurement process.

Effect: The effect of the above condition is lack of compliance with the Procurement Code by Namu Government and there is no assurance that Government is getting the best value for money spent.

Recommendation:

1. For Namu local government to strictly comply with the Procurement Code in order to get the best value for its money.
2. For the Ministry of Internal Affairs and Ministry of Finance to ensure that Namu Government complies with the procurement code prior to approval and disbursement of fund.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs and Ministry of Finance:

The Ministry of Internal Affairs and the Ministry of Finance has both concurred with our recommendations and will take steps to implement them in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 9

Fixed Assets

Criteria: The Local Government Accounting system requires that a local government should maintain a record of its fixed assets. Such register should document the type of assets acquired, costs of the assets, date of acquisition, location of the assets and who has custody of the fixed assets. Additionally, Namu Government is required to file a report of property and equipment at the Local Government Affairs Division under Ministry of Internal Affairs that indicate all assets purchased under the Outer Islands Economic Development Fund (OIEDF).

Condition: Capital expenditures amounting to \$55,227 from the OIED Fund were expensed rather than capitalized. The search/query for a fixed asset register indicated that it was non-existent.

Additionally, during our site visit to the island for physical inspection of the assets purchased, two (2) 18" gas chain saws value at \$580, could not be located.

Cause: The cause of the above condition is lack of adherence to established policies and procedures to ensure proper control of and accountability for fixed assets.

Effect: The non-compliance with established policies and procedures, possibility for misappropriation, and misuse of public assets that may not be detected in a timely manner.

Recommendation:

1. For the Namu local government to ensure all fixed assets acquired are recorded in a fixed assets register and submit the register to the Local Government Affairs Division.
2. For the Ministry of Internal Affairs to work with the Namu Government to ensure a fixed assets register is maintained for all assets purchased.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs:

The Ministry of Internal Affairs has concurred with our recommendation and will take steps to implement it in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 10

Bank Reconciliation

Criteria: Proper internal control requires that bank reconciliation be performed on a regular basis to prevent fraud and error.

Condition: The Namu Government did not reconcile its bank accounts for the entire periods under audit. The Namu Government relied on the bank to indicate what checks have been cleared and what deposits have been made into their bank accounts.

Cause: This is due to the lack of oversight by the Council and the Ministry of Internal Affairs to ensure bank reconciliations are performed on a regular basis.

Effect: The effect of this is that Namu local government may not be able to detect financial reporting irregularities caused by fraud or error in a timely manner.

Recommendation:

1. For Namu local government to reconcile its bank account on a regular basis.
2. For the Ministry of Internal Affairs and the Ministry of Finance to require Namu local government to perform bank reconciliation on a regular basis and require those monthly bank reconciliations to be provided with the quarterly financial reports.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs and Ministry of Finance:

The Ministry of Internal Affairs and the Ministry of Finance has both concurred with our recommendations and will take steps to implement them in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No.11

Council Minutes of Meeting

Criteria: The Constitution of Namu local government requires that council meet at least once every three months. Meeting minutes should represent minutes of meetings that actually took place during each quarter. Additionally, the minutes must be provided with the quarterly financial reports.

Condition: The following conditions were noted:

- Third and fourth quarter meeting minutes for FY2013 & FY2014, second third and fourth quarter FY2015 meeting minutes were not on file
- Contents of the first quarter and third quarter meeting minutes for FY2016 are the. Third quarter minutes was dated February 18, 2016, while the first quarter minutes was dated February 12, 2016. It appears that the date of the minutes was changed and used to support and satisfy the financial reporting requirements for the third quarter FY2016
- There are discrepancies noted in the fourth quarter minutes for FY2016. The minutes is dated July 21, 2016, while the date stated as meeting adjourned was July 18, 2016.
- Third and fourth quarter meeting minutes for FY2016 were not signed

Cause: This is due to the lack of adherence to established policies and procedures relating to documentation of council minutes. In addition, lack of oversight by the Ministry of Internal Affairs to ensure Namu council convenes meetings of the council as indicated by the Namu constitution and lack of review of the financial reports submitted to ensure the required meeting minutes are provided with the quarterly reports.

Effect: This creates a vague picture as to whether there were any significant financial issues discussed in the absence of the meeting minutes of the council and the possibility that directives of the council were not properly disclosed or recorded in the financial reports.

Recommendation:

1. For the Namu council to require that all minutes of council meetings be retained and be formally documented by the council clerk and approved by the Mayor.
2. For the Ministry of Internal Affairs to ensure that Namu council convenes meetings as required and meeting minutes provided are complete, accurate and represent meetings of the council that took place during the quarter being reported.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs:

The Ministry of Internal Affairs has concurred with our recommendation and will take steps to implement it in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No.12

Local Noncompliance (Budget Ordinances)

Criteria: Section 29, (1) & (2) of the Namu Atoll local government constitution states “the executive committee will be responsible to bring forward to the council each financial year (a) a budget estimates of funds to be used, and (b) an ordinance appropriate detailing how the money for the council is to be used and also have the authority to make additional ordinance for supplementary funds”.

Condition: The Appropriation Ordinances for FY2013 and FY2016 were not available on file.

Cause: This is due to the lack of adherence to the Constitution and lack of adequate policies and procedures regarding maintenance of records.

Effect: This leads to non-compliance with the constitution and inability to verify that expenses incurred in FY2013 and FY2016 were approved by the Namu local government.

Recommendation: For the Namu local government to strictly comply with the constitution and establish and implement appropriate policies and procedures regarding maintenance of records.

Auditee’s Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response Period from October 1, 2012 through September 30, 2016.

Finding No. 13

Financial Reports

Criteria: Financial reports should be accurate and accompanied by proper documentations. Additionally, the Local Government Financial Memoranda No. 1987-1, Section I (B) states that, a local government must submit a quarterly financial report to the secretary of the Ministry of Internal Affairs by no later than the 15th of January, April, July and October.

Condition: Quarterly financial reports submitted did not accurately represent disbursements for each year. Total LGF disbursed to the local government for the periods under audit was \$59,684, however, total reported to MOF was \$33,229. Additionally, Namu Government only filed 2 quarterly financial reports for FY2013, therefore only received 2 quarters from the LGF, a total loss of revenue of \$8,526.32.

We also noted the following discrepancies in the quarterly financial reports filed with the Ministry of Internal Affairs and the Ministry of Finance.

- The quarterly financial reports were not documented to indicate when they were filed at the MOCIA
- There were no indication that Salaries & Sitting Fees for FY2013, 2014 and 2015 were received by the beneficiaries as there was no evidence of their signatures in the government distribution list.
- 1st & 2nd quarter of FY2013 financial report and the related supporting documentation were not filed for examination
- 3rd quarter of FY2014 financial report form summarizing the expenditures was not prepared.
- 2nd, 3rd and 4th quarters of FY2015 financial reports and the related supporting documentation were not filed.
- Expenditures reported to MOF for 3rd and 4th quarters of FY2013 was \$7,920, however, the total of the supporting check vouchers provided with the report was \$7,620, a variance of \$300
- Expenditures reported to MOF for 1st quarter of FY2015 financial report was \$4,210, however, the total of the supporting check vouchers provided with the report was \$8,526, a variance of \$4,316
- Expenditures reported to MOF for 1st quarter of FY2016 financial report was \$2,895, however, the total of the supporting check vouchers provided with the report was \$1,375, a variance of \$1,520
- Expenditures reported to MOF for 2nd quarter of FY2016 financial report was \$4,263, however, the total of the supporting check vouchers provided with the report was \$3,495, a variance of \$768
- Expenditures reported to MOF for 4th quarter of FY2016 financial report was \$3,720, however, the total of the supporting check vouchers provided with the report was \$3,880, a variance of \$160

Cause: This is due to the lack of adherence to the Local Government Financial Memoranda 1987-1 by the Namu Government. Also, there is a lack of consistency in utilizing the Checklist that is required to be completed by Officials of the Local Government Division when receiving the quarterly financial

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 13, (Continued)

reports from a local government. The form provides for official acknowledgements and date received by and is required to be attached with the purchase requisition (PR) submitted to the Secretary of Internal

Affairs for approval before PR is transmitted to the Ministry of Finance for payment. In addition, there is lack of review by the Ministry of Internal Affairs Local Government Division and Ministry of Finance to ensure financial reports submitted are accurate, complete and properly supported prior to payment of the LGF.

Effect: Non-compliance with the reporting requirements and therefore lost funding for two quarters during FY2013.

Cause: Lack of review by of the Ministry of Internal Affairs and the Ministry of Finance in ensuring that Namu local government provides financial reports that are accurate and supported.

Recommendation:

1. For Namu local government to strictly comply with the reporting requirements as dictated in the Financial Memoranda No. 1987-1.
2. For the Ministry of Internal affairs to address these compliance issues with Namu Government on a regular basis. To resolve, and review the reports thoroughly and ensure they are accurate, complete and properly supported. In addition to this, the local government division within the Ministry of Internal Affairs should complete the required checklist form quarterly from the local governments in order to indicate review and certification.
3. For the Ministry of Finance to thoroughly review these reports and ensure proper supporting documentation are provided prior to making payment.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Internal Affairs and Ministry of Finance:

The Ministry of Internal Affairs and the Ministry of Finance has both concurred with our recommendations and will take steps to implement them in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 14

Korea Small Grant

Criteria: The Memorandum of Agreement (MoA) between the Ministry of Finance and Namu Atoll Local Government (Namu Government) states that 75% of the grant will be released upon written request by Namu Government and before final disbursement is released, Namu Government shall furnish the Secretary of Finance with an Annual Report.

Condition: During FY2015, Namu local government was awarded a grant in the amount of \$39,994 under the Korea Small Grant for strengthening food security and training projects. Of this amount, \$29,996 (75% of grant) was disbursed to the local government in accordance with the MoA, the remaining balance of \$9,998 had been withheld as Namu local governments' reports to the Secretary of Finance were overdue. On April 30, check #52 was issued out for \$26,500 to open a new bank account named Food Security – Namu Atoll Account. In reviewing the bank statement for this account, it showed total disbursements of \$33,583.82. The check vouchers and the related supporting documentation were not filed.

Cause: This is due to the lack of adherence to the MoA by the Namu local government and lack of oversight and monitoring by the Ministry of Finance in ensuring Namu local government complied with the grant agreement.

Effect: This leads to the inability to determine the authenticity and appropriateness of the disbursements made. Additionally, we are unable to determine whether the grant fund was fully utilized for the benefits of the community residents.

Recommendation:

1. For the Namu Government to strictly adhere to provisions of grant agreements regarding grants awarded for the benefit of the citizens of the community it serves.
2. For the Ministry of Finance to ensure requirements stipulated in the grant agreement are followed.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Finance:

The Ministry of Finance has concurred with our recommendation and will take steps to implement it in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No.15

Income Taxes, Health Fund and Social Security Taxes

Criteria: The Income Tax Act of 1989 states that income tax shall be collected by the employer by deducting and withholding the tax imposed on any wages and salaries as and when paid or credited to the employee. Every employer required to deduct and withhold the tax imposed shall be liable for the payment and shall pay such tax to the Secretary of Finance

The Social Security Tax Act of 1990, states that a worker or a self-employed worker shall contribute to the Administration an amount equal to 7% of his/her salaries. The worker's contributions to the Fund shall be collected by the employer of the worker, by deducting the amount of the contributions due from the worker's earnings, and the employer shall remit the same to the Administration along with the employer's contributions.

The Marshall Health Fund Act of 2002 requires every employer to pay 3.5% of their covered earnings to the Health Fund. It also requires that every employer shall remit the same to the Administration along with the employer's contributions.

Condition: Namu Government paid a total of \$33,188 in salaries and wages, however, no amounts were withheld and remitted for Income, Social Security and Health Fund tax purposes.

Cause: This is due to the lack of adherence with the Income Tax Act, the Social Security Tax Act and the Health Fund Tax Act.

Effect: A non-compliance issue with the Income Tax Act of 1989, the Social Security Tax Act of 1990 and the Health Fund Tax Act of 2002. Penalties can arise for non-compliance to such Acts.

Recommendation: For Namu Government to strictly comply with the Income Tax Act of 1989, the Social Security Tax Act of 1990 and the Health Fund Tax Act of 2002.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 16

Business Listing

Criteria: 4 MIRC Chapter 2, Section 203, states that “in order to facilitate the implementation of the tax program of the national government, every local government council shall, at the end of each quarter, submit to the Secretary of Finance, through the Secretary of Internal Affairs, a list of names of all businesses licensed under any ordinance of the council.

Condition: No business listing filed with the Ministry of Internal Affairs and the Ministry of Finance by the Namu local government for the entire periods covered by this audit.

Cause: This is due to the lack of adherence, review and oversight by the Ministry of Culture and Internal Affairs and the Ministry of Finance in ensuring that Namu local government is compliant with this provision of the Local Government Act requiring that a business listing be filed as part of the financial report.

Effect: Namu local government is not compliant with the reporting requirements of the Local Government Act.

Recommendation: For Namu local government to strictly comply with Section 203 of the Local Government Tax Fees Act of 1989.

Auditee’s Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 17

Payroll

Criteria: Mayors are full time Government employees with a respective salary. They are ideally paid out of the Ministry of Finances' payroll.

Condition: During FY2013, 2014 and 2015, the Namu local government disbursed \$10,521 for compensation to the former Mayor while being compensated by the RMI Government for that position as a full-time employee.

Cause: This is due to the lack of thorough review and oversight of the quarterly financial reports by Ministry of Internal Affairs to ensure expenditures are appropriate.

Effect: This results in double compensation of the mayor and questions rise behind the motives of such transactions.

Recommendation:

1. For the Ministry of Finance to ensure that proper documentation and verification is done before payments.
2. For the Namu local government to refrain from paying our compensation as this is handled by MOF

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

Response from Ministry of Finance:

The Ministry of Finance has concurred with our recommendation and will take steps to implement it in the future.

NAMU ATOLL LOCAL GOVERNMENT

Schedule of Findings and Response
Period from October 1, 2012 through September 30, 2016.

Finding No. 18

Check Stocks

Criteria: Good internal control over cash disbursements requires pre-numbered checks to be issued.

Condition: During FY2013 – 2015, Namu Government was using bank counter checks that are not numbered in a sequential manner. Additionally, a log recording the numbers assigned whenever counter checks were obtained from the bank was not maintained, resulting in duplicate check numbers.

Cause: This is due to the lack of adequate policies and procedures regarding pre-numbered checks.

Effect: This raises issues surrounding duplicate check numbers and the possibility for unauthorized disbursements.

Recommendation: For Namu local government to strictly implement policies and procedures regarding pre-numbered checks.

Auditee's Response and Corrective Action Plan:

The Namu Local Government has verbally agreed to our findings and recommendations at our exit meeting on the August 7, 2020.

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