

REPUBLIC OF THE MARSHALL ISLANDS

INDEPENDENT AUDITOR'S REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2021

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

His Excellency David Kabua
President
Republic of the Marshall Islands:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements, and have issued our report thereon dated March 9, 2023. Our report includes an adverse opinion due to the omission of certain component units and emphasis-of-matter paragraphs concerning collectability of federal grants receivable, social security obligations, and the impact of COVID-19.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters did not include the Marshall Islands Scholarship, Grant and Loan Board; the Marshall Islands Judiciary Fund; the Health Care Revenue Fund; the Marshall Islands Health Fund; the Marshall Islands Social Security Administration; and the discretely presented component units, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RepMar's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control. Accordingly, we do not express an opinion on the effectiveness of RepMar's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002, 2021-003 and 2021-014 through 2021-017 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-006 to be significant deficiencies.

Compliance and Other Matters

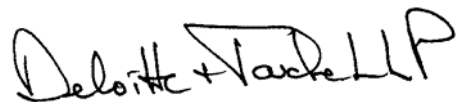
As part of obtaining reasonable assurance about whether RepMar's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-005 through 2021-007.

RepMar's Response to Findings

RepMar's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



March 9, 2023

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

His Excellency David Kabua
President
Republic of the Marshall Islands:

Report on Compliance for Each Major Federal Program

We have audited the Republic of the Marshall Islands' (RepMar's) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of RepMar's major federal programs for the year ended September 30, 2021. RepMar's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in note 3 to the Schedule of Expenditures of Federal Awards, RepMar's basic financial statements include the operations of certain entities whose federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2021. Our audit, described below, did not include the operations of the entities identified in note 3 as these entities conducted separate audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RepMar's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RepMar's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of RepMar's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in items 2021-002, 2021-003, 2021-005 and 2021-010 through 2021-013 in the accompanying Schedule of Findings and Questioned Costs, RepMar did not comply with requirements regarding the following:

| Finding # | ALN | Program Name | Compliance Requirement |
|-----------|--------|--|--|
| 2021-002 | 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases | Allowable Costs/Cost Principles |
| 2021-003 | 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases | Equipment and Real Property Management |
| 2021-012 | 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases | Reporting |
| 2021-003 | 15.875 | Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants | Equipment and Real Property Management |
| 2021-005 | 15.875 | Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants | Procurement and Suspension and Debarment |
| 2021-010 | 15.875 | Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants | Reporting |
| 2021-011 | 17.225 | Unemployment Insurance | Reporting |
| 2021-013 | 17.225 | Unemployment Insurance | Special Tests and Provisions |

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

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, RepMar complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-004 and 2021-007 through 2021-009. Our opinion on each major federal program is not modified with respect to these matters.

RepMar's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

RepMar is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. RepMar's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of RepMar is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RepMar's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RepMar's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002, 2021-003, 2021-005 and 2021-010 through 2021-013 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-004 and 2021-007 through 2021-009 to be significant deficiencies.

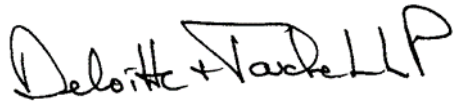
RepMar's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

RepMar is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. RepMar's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of RepMar as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements. We issued our report thereon dated March 9, 2023, which contained an adverse opinion on the aggregate discretely presented component units, unmodified opinions on the governmental activities, each major fund, and the aggregate remaining fund information, and included emphasis-of-matters paragraphs concerning collectability of federal grants receivable, social security obligations, and the impact of COVID-19. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

March 9, 2023

REPUBLIC OF THE MARSHALL ISLANDS

Summary Schedule of Expenditures of Federal Awards, By Grantor
Year Ended September 30, 2021

| <u>Agency</u> | <u>Federal Expenditures</u> |
|---|---------------------------------|
| U.S. Department of Agriculture | \$ 566,622 |
| U.S. Department of Commerce | 452,930 |
| U.S. Department of the Interior | 65,553,614 |
| U.S. Department of Labor | 5,663,759 |
| U.S. Institute of Museum and Library Services | 51,868 |
| U.S. Department of Education | 1,781,284 |
| U.S. Department of Health and Human Services | 9,214,521 |
| U.S. Department of Homeland Security | <u>37,746</u> |
| | <u>\$ 83,322,344</u> |

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

Reconciliation to the 2021 financial statements is as follows:

| | |
|--|----------------------|
| U.S. Federal Grants Fund - Total Expenditures | (1) 19,346,887 |
| U.S. Federal Grants Fund - Total Transfers Out | (1) 1,737,051 |
| Enewetak Food and Agricultural Support Fund | (1) 1,355,918 |
| Compact Sector Fund - Total Expenditures | (1) 37,311,819 |
| Compact Sector Fund - Total Transfers Out | (1) 786,981 |
| Section 212 Kwajalein Landowners Fund - Total Expenditures | (2) 22,568,306 |
| Section 213 Audit Fund - Total Expenditures | (1) <u>215,382</u> |
| | <u>\$ 83,322,344</u> |

(1) Presented on page 100 of the 2021 financial statements.

(2) Presented on page 89 of the 2021 financial statements.

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

| Federal ALN | Federal Grantor/Program or Cluster Title | Passed Through to Subrecipients | Federal Expenditures |
|----------------|---|------------------------------------|-------------------------|
| | <u>U.S. Department of Agriculture:</u> | | |
| 10.582 | Fresh Fruit and Vegetable Program | | \$ 566,622 |
| | <u>U.S. Department of Commerce:</u> | | |
| 11.460 | Special Oceanic and Atmospheric Projects | | 452,930 |
| | <u>U.S. Department of the Interior:</u> | | |
| 15.875 | Economic, Social, and Political Development of the Territories: Compact of Free Association Program, As Amended: Sector Grants: | | |
| | Section 211(a)(1) Education Sector | \$ 1,579,205 | 10,614,254 |
| | Supplemental Education Grant | 338,325 | 5,444,820 |
| | Section 211(a)(2) Health Sector | 100,000 | 7,573,757 |
| | Section 211(b)(1) Ebeye Special Needs | 325,000 | 5,947,583 |
| | Section 211(b)(2) Landowners Special Needs | 938,930 | 2,837,996 |
| | Section 211(b)(3) Kwajalein Environment | | 225,372 |
| | Section 211(d)(1) Public Infrastructure Development | 500,000 | 5,219,791 |
| | Section 211(d)(2) Infrastructure Maintenance | | 235,227 |
| | Section 211(e)(1) Disaster Assistance | | - |
| | Sub-total Compact of Free Association, As Amended, Sector Grants | | 38,098,800 |
| | Section 212 Kwajalein Impact and Use | | 22,568,306 |
| | Section 213 Audit | | 215,382 |
| | EULG Food & Agriculture Support Program | | 1,355,918 |
| | Four Atoll Health Care | | 1,737,051 |
| | Namdrik Solar Energy Project | | 350,000 |
| | KBE Seawall Project | | 490,692 |
| | RMI Census | | 321,196 |
| | Sub-total ALN 15.875 | | 65,137,345 |
| 15.904 | Historic Preservation Fund Grants-In-Aid | | 416,269 |
| | Total U.S. Department of the Interior | | 65,553,614 |
| | <u>U.S. Department of Labor:</u> | | |
| 17.225 | COVID-19 - Unemployment Insurance | | 5,663,759 |
| | Total U.S. Department of Labor | | 5,663,759 |
| | <u>U.S. Institute of Museum and Library Services</u> | | |
| 45.310 | Grants to States | | 51,868 |
| | Total U.S. Institute of Museum and Library Services | | 51,868 |
| | <u>U.S. Department of Education:</u> | | |
| | Special Education Cluster (IDEA): | | |
| 84.027 | Special Education-Grants to States | | 1,781,284 |
| | Total Special Education Cluster (IDEA) and Total U.S. Department of Education | | 1,781,284 |
| | <u>U.S. Department of Health and Human Services:</u> | | |
| 93.069 | Public Health Emergency Preparedness | | 422,063 |
| 93.074 | Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements | | 142,657 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | | 65,856 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | 687,709 |
| 93.217 | Family Planning-Services | | 141,895 |
| | Health Center Program Cluster: | | |
| 93.224 | Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Health Centers) | | 984,880 |
| 93.224 | COVID-19 - Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Health Centers) | | 468,458 |
| | Sub-total Health Center Program Cluster | | 1,453,338 |
| 93.243 | Substance Abuse and Mental Health Services - Projects of Regional and National Significance | | 168,652 |
| 93.268 | Immunization Cooperative Agreements | | 883,243 |
| 93.268 | COVID-19 - Immunization Cooperative Agreements | | 564,956 |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases | | 335,074 |
| 93.323 | COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases | | 1,838,386 |
| 93.354 | Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (B) | | 563,156 |
| 93.391 | COVID-19 - Activities to Support State, Tribal, Local & Territorial (STLT) Health Department Response to Public Health or Health Care Crises | | 10,880 |
| 93.889 | COVID-19 - National Bioterrorism Hospital Preparedness Program | | 18,091 |
| 93.898 | Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | | 436,490 |
| 93.917 | HIV Care Formula Grants | | 41,430 |
| 93.945 | Assistance Programs for Chronic Disease Prevention and Control | | 209,344 |
| 93.958 | Block Grant for Community Mental Health Services | | 122,178 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | | 838,020 |
| 93.991 | PHHS Block Grant | | 47,263 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | | 223,840 |
| | Total U.S. Department of Health and Human Services | | 9,214,521 |
| | <u>U.S. Department of Homeland Security</u> | | |
| 97.042 | Emergency Management Performance Grants | | 37,746 |
| | Total U.S. Department of Homeland Security | | 37,746 |
| | TOTAL EXPENDITURES OF FEDERAL AWARDS | \$ 3,781,460 | \$ 83,322,344 |

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, 2021

(1) Scope of Audit

The Republic of the Marshall Islands (RepMar) is a governmental entity governed by its own Constitution. All significant operations of RepMar are included in the scope of the Single Audit. The U.S. Department of the Interior has been designated as RepMar's cognizant agency for the Single Audit.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of RepMar under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of RepMar, it is not intended to and does not present the financial positions or changes in financial positions of RepMar.

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which RepMar maintains its accounting records. All expenditures and capital outlays that represent the federal share are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

b. Reporting Entity

For purposes of complying with the Single Audit Act of 1984, as amended in 1996, RepMar's reporting entity is defined in Note 1A to its September 30, 2021 basic financial statements, except that the Marshall Islands Scholarship, Grant and Loan Board; the Marshall Islands Judiciary Fund; the Health Care Revenue Fund; the Marshall Islands Health Fund; the Marshall Islands Social Security Administration; and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule presents the federal award programs administered by RepMar, as defined above, for the year ended September 30, 2021.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

(3) Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

The federal award totals for the excluded component units as of September 30, 2021, are as follows:

| <u>Component Unit</u> | <u>Federal Award Total</u> |
|--|----------------------------|
| Air Marshall Islands, Inc. | \$ - |
| Health Care Revenue Fund | \$ - |
| Majuro Atoll Waste Company | \$ - |
| Majuro Resort, Inc. | \$ - |
| Marshall Islands Development Bank | \$ - |
| Marshall Islands Health Fund | \$ - |
| Marshall Islands Judiciary Fund | \$ - |
| Marshall Islands National Telecommunications Authority | \$ - |
| Marshall Islands Postal Service Authority | \$ - |
| Marshall Islands Scholarship, Grant and Loan Board | \$ 1,262,385 |
| Marshall Islands Shipping Corporation | \$ - |
| Marshall Islands Social Security Administration | \$ - |
| Marshall Islands Energy Company, Inc. | \$ - |
| National Environmental Protection Authority Fund | \$ - |
| RMI Office of Commerce, Investment and Tourism | \$ - |
| RMI Ports Authority | \$ - |
| Tobolar Copra Processing Authority | \$ - |

c. Matching Costs

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

d. Indirect Cost Allocation

RepMar has not entered into an approved indirect cost negotiation agreement covering fiscal year 2021. RepMar did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance and did not charge federal programs for indirect costs during fiscal year 2021.

e. ALN 15.875

ALN 15.875 represents funding from the Office of Insular Affairs (OIA), U.S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Compact of Free Association (the Compact), which is a treaty, and is not a federal program. The Compact is comprised of various funded programs, each with separate compliance requirements. To maximize audit coverage of OIA funding, the OIG has recommended that programs administered under ALN 15.875 be grouped by like compliance requirements and such groupings be separately evaluated for purposes of major program determinations.

f. Subrecipients

Certain program funds are passed through RepMar to subrecipient organizations. The Schedule does not contain separate schedules disclosing how the subrecipients, outside of RepMar's control, utilized the funds.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Adverse and Unmodified

Internal control over financial reporting:

2. Material weakness(es) identified? Yes

3. Significant deficiency(ies) identified? Yes

4. Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

5. Material weakness(es) identified? Yes

6. Significant deficiency(ies) identified? Yes

7. Type of auditors' report issued on compliance for major federal programs:

ALN 15.875 Sector Grants Qualified

ALN 17.225 Unemployment Insurance Qualified

ALN 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Qualified

8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

9. Identification of major federal programs:

| <u>ALN</u> | <u>Name of Federal Program</u> |
|------------|--|
| 15.875 | Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants |
| 17.225 | Unemployment Insurance |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) |

10. Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,499,670

11. Auditee qualified as low-risk auditee? No

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Section II - Financial Statement Findings

| <u>Finding Number</u> | <u>Findings</u> |
|---------------------------|--|
| 2021-001 | Allowable Costs/Cost Principles |
| 2021-002 | Allowable Costs/Cost Principles |
| 2021-003 | Equipment and Real Property Management |
| 2021-005 | RMI Procurement Code |
| 2021-006 | Allowable Costs/Cost Principles |
| 2021-007 | RMI Procurement Code |
| 2021-014 | Embassy Imprest Accounts |
| 2021-015 | Accounts Receivable |
| 2021-016 | Revenue Recognition |
| 2021-017 | Journal Entries/Adjustments |

Section III - Federal Award Findings and Questioned Costs

| <u>Finding Number</u> | <u>AL Number</u> | <u>Findings</u> | <u>Questioned Costs</u> |
|---------------------------|----------------------|--|-----------------------------|
| 2021-001 | 15.875 | Allowable Costs/Cost Principles | \$ 162,992 |
| 2021-002 | 93.323 | Allowable Costs/Cost Principles | 1,115,563 |
| 2021-003 | 15.875 | Equipment and Real Property Management | Undeterminable |
| 2021-003 | 93.323 | Equipment and Real Property Management | Undeterminable |
| 2021-004 | 15.875 | Period of Performance | - |
| 2021-005 | 15.875 | Procurement and Suspension and Debarment | 375,028 |
| 2021-006 | 93.268 | Allowable Costs/Cost Principles | 72,441 |
| 2021-007 | 93.323 | Procurement and Suspension and Debarment | 33,129 |
| 2021-008 | 15.875 | Subrecipient Monitoring | 164,688 |
| 2021-009 | 17.225 | Eligibility | 26,991 |
| 2021-010 | 15.875 | Reporting | - |
| 2021-011 | 17.225 | Reporting | - |
| 2021-012 | 93.323 | Reporting | - |
| 2021-013 | 17.225 | Special Tests and Provisions | - |
| | | | <u>\$ 1,950,832</u> |

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-001

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$162,992

Area: Allowable Costs/Cost Principles

Criteria: Federal program expenditures should be necessary and reasonable for the performance of the Federal award, in accordance with allowable costs/cost principles requirements, and directly related to, and in accordance with, program intent and objectives.

Condition: Of \$20,767,579 in non-payroll expenditures for the Compact Sector Grants, sixty (60) items totaling \$4,879,382 were tested, with the following deficiencies noted:

| <u>Item #</u> | <u>Fund #</u> | <u>Compact Sector</u> | <u>Encumbrance/ Voucher/JV #</u> | <u>Total</u> |
|---------------|---------------|--------------------------|--------------------------------------|-------------------|
| 1 | 410110 | Health | 756478 | \$ 1,048 |
| 2 | 410110 | Health | 756484 | 1,149 |
| 3 | 410110 | Health | P82838 | 35,695 |
| 4 | 410160 | Landowners Special Needs | G21-154H | <u>125,100</u> |
| | | | | <u>\$ 162,992</u> |

Item #s 1 and 2 pertain to Ministry of Health and Human Services (MOHHS) utility expenditures for the months of April and July 2021 amounting to \$87,047 and \$32,692, respectively, of which \$1,048 and \$1,149, respectively, appear to relate to personal utility charges for certain MOHHS staff members.

Item # 3 pertains to the acquisition of a pickup truck for Outer Island dispensaries. Such purchase is not provided for in the underlying grant budget, and evidence of grantor pre-approval was not available for examination.

Item # 4 pertains to a Journal Voucher entry that was not supported by adequate documentation to ascertain whether such expenditures were allowable costs of the underlying grants.

Cause: RepMar did not effectively monitor the validity and allowability of expenditures.

Effect: RepMar is in noncompliance with allowable costs/cost principles requirements. Accordingly, questioned costs of \$162,992 for ALN 15.875 result.

Recommendation: RepMar management should strengthen monitoring controls so that expenditures are verified for validity and allowability.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-002

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$1,115,563

Area: Allowable Costs/Cost Principles

Criteria: Federal program expenditures should be necessary and reasonable for the performance of the Federal award, in accordance with allowable costs/cost principles requirements, and directly related to, and in accordance with, program intent and objectives.

Condition: Of \$2,635,956 in non-payroll expenditures for the Epidemiology and Laboratory Capacity for Infectious Diseases Program, forty-six items totaling \$1,570,692 were tested, with the following deficiencies noted:

| <u>Item #</u> | <u>Encumbrance/ Voucher/JV #</u> | <u>Cost Center #</u> | <u>COVID</u> | <u>Non-COVID</u> | <u>Total</u> |
|---------------|--------------------------------------|----------------------|-------------------|-------------------|---------------------|
| 1 | C14722 | FK7608 | \$ 228,904 | \$ - | \$ 228,904 |
| 2 | C14721 | FK7608 | 198,844 | - | 198,844 |
| 3 | C14915 | FL7615 | 84,822 | - | 84,822 |
| 4 | C14911 | FL7615 | 67,252 | - | 67,252 |
| 5 | 714431 | FK7608 | 53,457 | - | 53,457 |
| 6 | 738264 | FL7616 | 78,001 | - | 78,001 |
| 7 | P83157 | FK7608 | 9,693 | - | 9,693 |
| 8 | C14077 | FK7608 | 4,000 | - | 4,000 |
| 9 | P84813 | FK7608 | 8,516 | - | 8,516 |
| 10 | P85473 | FL7615 | 14,830 | - | 14,830 |
| 11 | P85475 | FL7615 | 14,440 | - | 14,440 |
| 12 | 718222 | FL7610 | - | 10,000 | 10,000 |
| 13 | 740351 | FL7615 | 93,973 | - | 93,973 |
| 14 | C14036 | FK7602 | - | 168,022 | 168,022 |
| 15 | P86843 | FL7615 | 29,000 | - | 29,000 |
| 16 | P86844 | FK7608 | 24,495 | - | 24,495 |
| 17 | G21-165H | FL7615 | 9,425 | - | 9,425 |
| 18 | G21-165H | FL7615 | 7,278 | - | 7,278 |
| 19 | G21-165H | FK7608 | 10,611 | - | 10,611 |
| | | | <u>\$ 937,541</u> | <u>\$ 178,022</u> | <u>\$ 1,115,563</u> |

Item #s 1 through 4 pertain to construction-related costs which are specifically prohibited by the grant.

Item #s 5 and 6 pertain to MOHHS utility expenditures for the months of October 2020 and January 2021 for which there was inadequate documentation justifying why such were allocable to the grant.

Item #s 7 through 11 pertain to various costs which are not identified in the grant's approved budget. Specifically, item #s 7, 10 and 11 pertain to POL (fuel) purchases; and item #s 8 and 9 pertain to advertisement costs.

Item #s 12 and 13 pertain to MOHHS communication expenditures for which there was inadequate documentation justifying why such were allocable to the grant.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-002, Continued

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$1,115,563

Area: Allowable Costs/Cost Principles

Condition, Continued:

Item # 14 pertains to medical supplies purchased for Kwajalein Atoll hospital. Receipt of the supplies could not be verified as the underlying receiving report was not available for examination.

Item #s 15 and 16 pertain to the acquisition of two vehicles. Such purchase is not provided for in the underlying grant budget, and evidence of grantor pre-approval was not available for examination.

Item #s 17 through 19 pertain to Journal Voucher entries that were not supported by adequate documentation to ascertain whether such expenditures were allowable costs of the underlying grant.

Cause: RepMar did not effectively monitor the validity and allowability of expenditures.

Effect: RepMar is in noncompliance with allowable costs/cost principles requirements. Accordingly, questioned costs of \$937,541 (COVID) and \$178,022 (non-COVID) for ALN 93.323 result.

Recommendation: RepMar management should strengthen monitoring controls so that expenditures are verified for validity and allowability.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-003

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$ Undeterminable

Area: Equipment and Real Property Management

Criteria: Section 200.313(d) of the Uniform Guidance and Article VI, Section 1(f)(4) of the Fiscal Procedures Agreement state that procedures for managing equipment, whether acquired in whole or in part with grant funds, will follow state laws and procedures. The following requirements are applicable:

- a. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date and cost of the property, the percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
- b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years;
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated;
- d. Adequate maintenance procedures must be developed to keep the property in good condition; and
- e. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Additionally, the carrying amount of long-lived assets and the estimated useful lives of assets should be periodically re-assessed and adjusted, as appropriate, based on actual experience and relevant factors and circumstances.

Condition: Capital assets records do not meet the criteria above and are not effectively maintained since updates to the records occur only once a year. Specifically, we noted the following deficiencies:

- An inventory of capital assets has not been performed in the recent past in accordance with the above criteria; therefore, a reconciliation of capital asset records and a physical inventory has not occurred at least once in the last two years.
- As capital assets records are not effectively maintained, it does not appear that RepMar has effectively developed means to adequately safeguard capital assets from loss, damage, or theft, or to reasonably investigate such occurrences.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-003, Continued

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$ Undeterminable

Area: Equipment and Real Property Management

Condition, Continued:

- RepMar has not established policies and procedures governing property maintenance and has not effectively implemented an entity-wide maintenance plan.
- Long-lived assets are not routinely evaluated for possible impairment.

Capital outlays within the Compact Sector Grants Fund for fiscal years 2021, 2020 and 2019 were as follows:

| | |
|------------------|--------------|
| Fiscal Year 2021 | \$ 5,909,859 |
| Fiscal Year 2020 | \$ 3,358,375 |
| Fiscal Year 2019 | \$ 3,163,936 |

Capital outlays within the Epidemiology and Laboratory Capacity for Infectious Diseases program are not quantifiable.

Cause: RepMar lacks adequate internal control policies and procedures to satisfy compliance with federal property rules and regulations and lacks effective procedures governing property maintenance, as well as periodic assessment of asset impairment conditions and useful lives. Moreover, internal control policies and procedures requiring periodic and timely performance and independent review of capital assets reconciliations and related general ledger accounts are not effectively implemented.

Effect: RepMar is in noncompliance with applicable equipment and real property management requirements, and possible misstatement of capital assets and related accounts exists. Questioned costs, if any, that may result from inadequate property records, maintenance procedures, and the absence of timely reconciliations are not determinable.

Identification as a Repeat Finding: Finding 2020-001

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-003, Continued

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$ Undeterminable

Area: Equipment and Real Property Management

Recommendation: The Ministry of Finance, Banking and Postal Services should perform an inventory of RepMar's capital assets as a basis for recording all assets in the financial statements, should complete such inventory in accordance with applicable property rules and regulations, and should develop adequate maintenance procedures in order to keep property in good condition. Furthermore, RepMar should implement internal control policies and procedures requiring periodic and timely performance and independent review of capital assets reconciliations and related general ledger accounts.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-004
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$0

Area: Period of Performance

Criteria: The Compact Sector Grants stipulate the period of performance during which time only costs resulting from obligations of the funding period may be charged.

Condition: Of \$20,767,579 in Compact Sector Grants non-payroll expenditures, sixty items totaling \$4,879,382 were tested. Compliance with period of performance requirements could not be ascertained for Journal Voucher G21-154H amounting to \$125,100 for Fund 410160 Landowners Special Needs, due to inadequate documentation.

This item is also reported as a matter of noncompliance within Finding No. 2021-001, including associated questioned costs. Therefore, no questioned costs are presented at this finding.

Cause: RepMar lacks adequate internal control policies and procedures requiring retention of sufficient documentation for all transactions.

Effect: RepMar is potentially in noncompliance with applicable period of performance requirements.

Recommendation: RepMar should implement adequate internal control policies and procedures requiring retention of sufficient documentation for all transactions.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-005
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$375,028

Area: Procurement and Suspension and Debarment

Criteria: Article VI, Section 1(j)(1) of the Fiscal Procedures Agreement (FPA) states that RepMar may use its own procedures for procurement, whether done by the government or its Sub-Grantees, provided that they meet the standards identified in the FPA.

RepMar's Procurement Code states the following:

- (a) Section 124 - unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.
- (b) Section 127 - procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures promulgated by RepMar's Policy Office. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. RepMar's Ministry of Finance, Banking and Postal Services has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from three qualified sources.
- (c) Section 128 - a contract may be awarded for a supply, service, or construction item without competition when it is determined in writing that there is only one source for the required supply, service, or construction item.

Condition: Of \$20,767,579 in Compact Sector Grants non-payroll expenditures, sixty items totaling \$2,120,694 were tested, with the following deficiencies noted:

- (1) For 3 items (or 5%), procurement was not supported by competitive sealed bid or another appropriate procurement methodology; thus, the following purchases appear to have been sole sourced without written justification:

| <u>Item #</u> | <u>Fund #</u> | <u>Compact Sector</u> | <u>Encumbrance/ Voucher/JV #</u> | <u>Total</u> |
|---------------|---------------|--------------------------|--------------------------------------|-------------------|
| 1 | 410100 | Education | C12349 | \$ 88,220 |
| 2 | 410150 | Ebeye Special Needs | Q25030 | 115,585 |
| 3 | 410160 | Landowners Special Needs | C14740 | <u>102,000</u> |
| | | | | \$ <u>305,805</u> |

Item # 1 pertains to a contract addendum extending the period of the contract for online literacy instruction, without any written rationale as to why other vendors were not allowed an opportunity to participate in this federally funded service.

Item # 2 pertains to the purchase of two pickup trucks and a bus, for which only one vendor submitted a price quotation. The method of procurement utilized was small purchase rather than competitive sealed bidding as required by Section 124 of RepMar's Procurement code.

Item # 3 pertains to the purchase of equipment which was not supported by documentation evidencing compliance with Section 124 of RepMar's Procurement code.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-005, Continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$375,028

Area: Procurement and Suspension and Debarment

Condition, Continued:

(2) For 7 items (or 12%), supporting procurement documentation was not sufficient to substantiate compliance with small purchase procedures:

| <u>Item #</u> | <u>Fund #</u> | <u>Compact Sector</u> | <u>Encumbrance/ Voucher/JV #</u> | <u>Description</u> | <u>Total</u> |
|---------------|---------------|-----------------------|--------------------------------------|----------------------|------------------|
| 1 | 410100 | Education | 725842 | Insurance | \$ 6,460 |
| 2 | 410102 | SEG | T22503 | Boat charter | 865 |
| 3 | 410102 | SEG | P84991 | Computer equipment | 16,487 |
| 4 | 410102 | SEG | P85880 | Computer equipment | 6,875 |
| 5 | 410110 | Health | C14331 | Contractual services | 24,427 |
| 6 | 410110 | Health | P84681 | Water | 7,800 |
| 7 | 410150 | Ebeye Special Needs | Q25560 | Office supplies | 6,309 |
| | | | | | <u>\$ 69,223</u> |

Cause: RepMar did not enforce internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements.

Effect: RepMar is in noncompliance with applicable procurement requirements and questioned costs of \$375,028 for ALN 15.875 result.

Identification as a Repeat Finding: Finding 2020-002

Recommendation: Responsible personnel should require that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the rationale for contractor or vendor selection.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-006
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.268 Immunization Cooperative Agreements
Federal Award No.: NH23IP922588-02-00
Questioned Costs: \$72,441

Area: Allowable Costs/Cost Principles

Criteria: Federal program expenditures should be necessary and reasonable for the performance of the Federal award, be in accordance with allowable costs/cost principles requirements, and be directly related to, and in accordance with, program intent and objectives. Furthermore, capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency.

Condition: During the year ended September 30, 2021, the Ministry of Health and Human Services (MOHHS) incurred vehicle rental costs for two vehicles (License Plate #s 6846 and 7109) amounting to \$54,446 under rental agreement CL# 14542 and \$17,995 under rental agreement CL# 15157. A summary of vehicle rental costs by Cost Center # follows:

| <u>Rental Agreement #</u> | <u>Cost Center #</u> | <u>COVID</u> | <u>Non-COVID</u> | <u>Total</u> |
|---------------------------|----------------------|------------------|------------------|------------------|
| CL# 14542 | FL7543 | \$ - | \$ 14,144 | \$ 14,144 |
| CL# 14542 | FL7543 | - | 14,144 | 14,144 |
| CL# 14542 | FL7543 | - | 12,053 | 12,053 |
| CL# 14542 | FL7544 | 14,105 | - | 14,105 |
| CL# 15157 | FL7544 | <u>17,995</u> | <u>-</u> | <u>17,995</u> |
| | | <u>\$ 32,100</u> | <u>\$ 40,341</u> | <u>\$ 72,441</u> |

The initial rental agreement was for the period July 1, 2020 through June 30, 2021, which was extended by MOHHS for an additional year under a lease-to-own arrangement for the period July 1, 2021 through June 30, 2022. The initial amount of \$17,995 was paid upon signing of rental agreement CL15157 with a remaining amount of \$17,995 to be paid upon transfer of ownership to MOHHS. Total anticipated rental costs associated with these two vehicles is \$90,436 or \$45,218 per vehicle. Evidence of grantor pre-approval was not available for examination, and the per-vehicle-cost does not appear to be reasonable for the performance of the Federal award.

Cause: RepMar did not effectively monitor the validity and allowability of expenditures.

Effect: RepMar is in noncompliance with allowable costs/cost principles requirements. Accordingly, questioned costs of \$72,441 for ALN 93.268 result.

Recommendation: RepMar management should strengthen monitoring controls so that expenditures are verified for validity and allowability.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-007
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$33,129

Area: Procurement and Suspension and Debarment

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

RepMar's Procurement Code states the following:

- (a) Section 124 - unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.
- (b) Section 127 - procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures promulgated by RepMar's Policy Office. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. RepMar's Ministry of Finance, Banking and Postal Services has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from three qualified sources.
- (c) Section 128 - a contract may be awarded for a supply, service, or construction item without competition when it is determined in writing that there is only one source for the required supply, service, or construction item.

Condition: Of \$2,635,956 in non-payroll expenditures for the Epidemiology and Laboratory Capacity for Infectious Diseases Program, forty-six items totaling \$1,570,692 were tested, with the following deficiencies noted:

- For two items, procurement was not supported by competitive sealed bids or another appropriate procurement methodology for purchase of computers and electronic tablets (PO #s P82416 and P83240). Expenditures liquidated against the two purchase orders totaled \$24,303 (COVID) and \$8,826 (Non-COVID).
- For one item, the method of procurement used for a contractual service (C14077) was sole source as allowed by Section 128 of RepMar's Procurement Code; however, no documentation was provided to justify use of this procurement method. Expenditures liquidated against this contract totaled \$4,000 (COVID).

Cause: RepMar did not enforce adequate internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements.

Effect: RepMar is in noncompliance with applicable procurement requirements. Accordingly, questioned costs of \$28,303 (COVID) and \$8,826 (Non-COVID) for ALN 93.323 result. Questioned costs of \$33,129 are reported at this finding whilst questioned costs of \$4,000 are not presented as they are questioned costs at Finding 2021-002.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-007, Continued
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$33,129

Area: Procurement and Suspension and Debarment

Recommendation: Responsible personnel should require that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the rationale for contractor or vendor selection.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-008
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$164,688

Area: Subrecipient Monitoring

Criteria:

- 1) Article VI, Section 1(a)(1) of the Fiscal Procedures Agreement (FPA) states that fiscal control and accounting procedures of RepMar, as well as its Sub-Grantees, shall be sufficient to: (i) permit the preparation of reports required by the FPA and the Compact, as amended; and (ii) permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used in compliance with the provisions of the Compact, as amended, and applicable agreements. Furthermore Article VI, Section 1(k)(1) of the FPA states that RepMar shall ensure that: (i) every Sub-Grant includes any clauses required by the Compact, as amended, the sector Grant awards, and the FPA; (ii) Sub-Grantees are aware of the requirements imposed upon them by the Compact, as amended, the sector Grants and the FPA; and (iii) Sub-Grantees can meet the financial management standards of the FPA.
- 2) In accordance with applicable subrecipient monitoring requirements, the pass-through entity (PTE) must follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal awards provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

Condition:

- 1) RepMar has not established formal policies and procedures over subrecipient monitoring, including compliance with related Compact provisions. For all four (or 100%) subrecipients tested, deficiencies were noted with the following:

| <u>Item #</u> | <u>Subrecipient</u> | <u>Fund #</u> | <u>Compact Sector</u> | <u>Sub-Grant</u> |
|---------------|---------------------------|---------------|-----------------------|-------------------|
| 1 | Canvasback Missions, Inc. | 410110 | Health | \$ 100,000 |
| 2 | Ebeye Calvary School | 410150 | Ebeye Special Needs | 29,675 |
| 3 | Ebeye SDA School | 410150 | Ebeye Special Needs | 74,909 |
| 4 | Queen of Peace | 410150 | Ebeye Special Needs | 37,583 |
| | | | | <u>\$ 242,167</u> |

Although the subrecipients submitted financial reports, as required by the underlying Memoranda of Agreement (MOAs), there is no documented evidence of review and verification by the Ministry of Finance, Banking and Postal Services to ascertain compliance with the MOAs, Compact Agreement, grant award, and FPA. Furthermore, the following discrepancies were noted:

- SG-1 forms were not signed by the overseeing ministry, as required;
- Certain subrecipient financial reports covered periods inconsistent with the underlying grant; and,
- Frequency of payments were inconsistent with MOA terms.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-008, Continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$164,688

Area: Subrecipient Monitoring

Condition, Continued:

- 2) RepMar did not perform the required monitoring activities for one subrecipient. The 2020 Single Audit Report for Kwajalein Atoll Joint Utilities Resources, Inc., dated April 5, 2022, reported questioned costs of \$164,688 for noncompliance with procurement and suspension and debarment requirements.

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

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

Effect: RepMar is in noncompliance with specific provisions of the FPA over subgrant agreements and applicable subrecipient monitoring requirements. No questioned costs are reported for Condition # 1) since the subrecipients submitted the financial reports required by RepMar. For Condition # 2), questioned costs of \$164,688 for ALN 15.875 result.

Identification as a Repeat Finding: Finding 2020-004

Recommendation: RepMar should comply with the specific provisions of the FPA, execute subgrant agreements with all sub-grantees, and comply with subrecipient monitoring requirements. Responsible personnel should enforce compliance with the FPA and sub-grant agreements, and adequate subrecipient monitoring procedures should be developed and adopted. Furthermore, upon receipt of a subrecipient's Single Audit Report, the responsible personnel should identify whether deficiencies pertaining to the PTE's Federal award were detected. For all identified deficiencies, the responsible personnel should issue a management decision within six months and follow up on corrective action.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-009
 Federal Agency: U.S. Department of Labor
 AL Program: 17.225 Unemployment Insurance
 Federal Award No.: COVID-19 Pandemic Unemployment Assistance (PUA)
 Federal Award No.: COVID-19 Federal Pandemic Unemployment Compensation (FPUC)
 Questioned Costs: \$26,991

Area: Eligibility

Criteria: In accordance with applicable eligibility requirements, claimants are eligible to receive pandemic unemployment assistance and Federal pandemic unemployment compensation if they file an initial application and weekly certifications.

Condition: Of 60 case files tested, aggregating \$1,054,201 of \$5,493,003 in total program benefits, we noted the following:

- For 5 (or 8%), the claimant received paid leave or other paid benefits yet received full PUA and/or FPUC benefits.

| | <u>Claimant #</u> | <u>Questioned Cost</u> |
|---|-------------------|------------------------|
| 1 | 514833 | \$ 262 |
| 2 | 514256 | 720 |
| 3 | 514672 | 1,048 |
| 4 | 511395 | 7,972 |
| 5 | 504801 | 4,243 |
| | | \$ <u>14,245</u> |

- For 9 (or 15%), the claimant appears to have received benefits in excess of the maximum 79 weeks.

| | <u>Claimant #</u> | <u># of Weeks</u> | <u>Questioned Cost</u> |
|---|-------------------|-------------------|------------------------|
| 1 | 504784 | 85 | \$ 1,406 |
| 2 | 514735 | 80 | 243 |
| 3 | 255046 | 91 | 2,634 |
| 4 | 505226 | 85 | 1,406 |
| 5 | 514760 | 86 | 1,770 |
| 6 | 504801 | 90 | 2,034 |
| 7 | 514704 | 85 | 1,369 |
| 8 | 202052 | 86 | 1,642 |
| 9 | 506690 | 80 | 242 |
| | | | \$ <u>12,746</u> |

Cause: RepMar did not effectively monitor compliance with applicable eligibility requirements.

Effect: RepMar is in noncompliance with applicable eligibility requirements and questioned costs of \$26,991 result.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-009, Continued
Federal Agency: U.S. Department of Labor
AL Program: 17.225 Unemployment Insurance
Federal Award No.: COVID-19 Pandemic Unemployment Assistance (PUA)
Federal Award No.: COVID-19 Federal Pandemic Unemployment Compensation (FPUC)
Questioned Costs: \$26,991

Area: Eligibility

Recommendation: RepMar should periodically monitor compliance with eligibility requirements. Responsible personnel should determine overpayments and enforce recovery.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-010
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$0

Area: Reporting

Criteria: Article VI, Section 1(b)(1) of the Fiscal Procedures Agreement requires the submission of quarterly financial reports which should reconcile with underlying accounting records.

Condition: The SF-425 reports for the quarters ended March 31, 2021 and September 30, 2021 were not available for examination.

Cause: RepMar lacks adequate internal control policies and procedures requiring retention of copies of reports submitted to grantors.

Effect: RepMar is potentially in noncompliance with applicable reporting requirements. No questioned cost is reported as the condition relates to unavailable reports.

Recommendation: RepMar should implement adequate internal control policies and procedures requiring retention of copies of reports submitted to grantors.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-011
Federal Agency: U.S. Department of Labor
AL Program: 17.225 Unemployment Insurance
Federal Award No.: COVID-19 Pandemic Unemployment Assistance (PUA)
Federal Award No.: COVID-19 Federal Pandemic Unemployment Compensation (FPUC)
Questioned Costs: \$0

Area: Reporting

Criteria: In accordance with applicable reporting requirements, ETA 9130, Financial Status Report, UI Programs should be prepared and submitted quarterly. Financial data is required to be reported cumulatively from grant inception through the end of each reporting period.

Condition: ETA 9130 reports were not prepared and submitted.

Cause: RepMar lacks adequate internal control policies and procedures over reporting requirements.

Effect: RepMar is in noncompliance with applicable ETA 9130 reporting requirements.

Recommendation: RepMar should implement adequate internal control policies and procedures over reporting requirements. Responsible personnel should be aware of and monitor the status of required reports and take steps to effect accurate and complete submissions in a timely manner.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-012
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$0

Area: Reporting

Criteria: In accordance with applicable reporting requirements, financial reports should be prepared and submitted quarterly.

Condition: SF-425 reports were not available for examination.

Cause: RepMar lacks adequate internal control policies and procedures requiring retention of copies of reports submitted to grantors.

Effect: RepMar is potentially in noncompliance with applicable reporting requirements. No questioned cost is reported as condition relates to unavailable reports rather than unsupported expenditures.

Recommendation: RepMar should implement adequate internal control policies and procedures requiring retention of copies of reports submitted to grantors.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-013
Federal Agency: U.S. Department of Labor
AL Program: 17.225 Unemployment Insurance
Federal Award No.: COVID-19 Pandemic Unemployment Assistance (PUA)
Federal Award No.: COVID-19 Federal Pandemic Unemployment Compensation (FPUC)
Questioned Costs: \$0

Area: Special Tests and Provisions – UI Program Integrity - Overpayments

Criteria: In accordance with applicable special tests and provisions requirements for overpayments, states should recover PUA and FPUC overpayments.

Condition: A record of overpayments was not available. Therefore, test of compliance with respect to applicable special tests and provisions requirements for overpayments could not be performed.

Cause: RepMar did not effectively monitor compliance with applicable special tests and provisions requirements for overpayments.

Effect: RepMar is potentially in noncompliance with applicable special tests and provisions requirements for overpayments. No questioned costs are reported as we are unable to quantify the impact of noncompliance.

Recommendation: RepMar should implement adequate internal control policies and procedures over special tests and provisions requirements. Responsible personnel should be aware of and monitor compliance with applicable special tests and provisions requirements.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-014
Area: Embassy Imprest Accounts

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

Condition: As of September 30, 2021, the Ministry of Finance, Banking and Postal Services recorded nine embassy imprest accounts, for which the September 2021 imprest account reconciliations reported unknown variances or shortages and included the following reconciling items, which were neither timely investigated nor properly accounted for:

- Suva, Fiji Embassy September 2021 reconciling items:
 - \$194,295 unreconciled deposits
 - \$209,714 disallowed disbursements
 - \$71,840 unknown differences
- Tokyo, Japan Embassy September 2021 reconciling items:
 - \$500,135 unreconciled deposits
 - \$628,729 disallowed disbursements
 - \$71,401 unknown differences
- Taipei, Taiwan Embassy September 2021 reconciling items:
 - \$144,451 unreconciled deposits
 - \$88,705 disallowed disbursements
 - \$32,605 outstanding replenishments
 - \$46,439 unknown differences
- UN Mission September 2020 reconciling items:
 - \$315,199 unreconciled receipts
 - \$381,881 disallowed disbursements
 - \$15,411 outstanding replenishments
 - \$16,815 unknown differences
- Washington, D.C. Embassy September 2021 reconciling items:
 - \$53,274 unreconciled deposits
 - \$60,283 disallowed disbursements
 - \$23,490 outstanding replenishments
 - \$13,733 unknown differences
- Arkansas Consulate September 2021 reconciling items:
 - \$46,310 unreconciled deposits
 - \$13,085 disallowed disbursements
 - \$15,935 outstanding replenishments
 - \$1,335 unknown differences

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-014, Continued
Area: Embassy Imprest Accounts

Condition, Continued:

- Seoul, Korea Embassy September 2021 reconciling items:
 - \$79,871 unreconciled deposits
 - \$74,717 disallowed disbursements
 - \$5,447 outstanding replenishments
 - \$8,700 unknown differences
- Geneva Mission September 2021 reconciling items:
 - \$34,611 unreconciled deposits
 - \$57,641 disallowed disbursements
 - \$51,177 outstanding replenishments
 - \$306 unknown difference
- Honolulu Consulate September 2021 reconciling items:
 - \$106,702 unreconciled deposits
 - \$31,675 disallowed disbursements
 - \$8,206 outstanding replenishments

Cause: RepMar lacks prescribed rules and regulations governing reconciliation of embassy imprest accounts and timely resolution of reconciling items.

Effect: Possible misappropriation of RepMar assets by custodians and a possible misstatement of cash, liabilities and expenditures pertaining to embassy imprest accounts could result from this matter, which RepMar considered were not material to the financial statements.

Identification as a Repeat Finding: Finding 2020-005

Recommendation: The Secretary of Finance, Banking and Postal Services, pursuant to Section 151 of the Financial Management Act of 1990, should issue rules and regulations governing reconciliation of embassy imprest accounts and resolution of reconciling items. In addition, management should examine personnel staffing requirements and qualifications associated with RepMar's Accounting Office. RepMar employees responsible for reconciliation and replenishment of imprest accounts should have adequate training to facilitate the investigation and review process.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-015
Area: Accounts Receivable

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

Condition: Grants may not be timely billed and collected. Specifically, certain federal grant receivables for Public Infrastructure Sector and Non-Compact grants recorded by the Ministry of Finance, Banking and Postal Services have yet to be timely billed and collected. Specifically, RepMar recorded receivables as of September 30, 2021 of \$19,034,337, which included Compact Sector receivables of \$12,368,080 and Non-Compact federal grants receivables of \$5,970,439.

Cause: RepMar lacks adequate policies and procedures requiring periodic and timely analysis of grant expenditures to ascertain whether reimbursement of grant expenditures can occur. Further, drawdown requests are not monitored for timely reimbursement and resolution of errors.

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

Identification as a Repeat Finding: Finding 2020-006

Recommendation: RepMar management should strengthen and implement policies and procedures requiring periodic and timely analysis of grant expenditures to ascertain whether reimbursement of grant expenditures can occur and to monitor drawdown requests. In addition, management should examine personnel staffing requirements and qualifications associated with RepMar's Accounting Office. RepMar employees responsible for federal grants should have adequate training to facilitate the billing and collection process.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-016
Area: Revenue Recognition

Criteria: GASB Statement No. 33 establishes accounting and financial reporting standards for government-mandated and voluntary nonexchange transactions.

Condition: For the year ended September 30, 2021, RepMar recorded expenditures associated with World Bank grants for which related revenues of \$1,999,573 were not recognized. An audit adjustment was proposed to correct this misstatement. In addition, RepMar recognized expenditures associated with certain other grants for which related revenues were not recognized. Specifically, Cost Center #s NL7412 and NL8068 recorded expenditures of \$226,641 and \$269,804, respectively, for which no related revenues were recognized. An audit adjustment was proposed to correct this misstatement.

Cause: The Ministry of Finance, Banking and Postal Services did not perform timely reconciliations and did not perform monitoring controls over revenue recognition associated with World Bank and other grants.

Effect: The aforementioned grant revenue and related grant receivables were misstated.

Recommendation: RepMar should develop monitoring procedures for financial reporting purposes that includes timely recognition of both World Bank project and other grant related transactions. Furthermore, Ministry of Finance, Banking and Postal Services management should assess whether additional personnel well versed in accounting reconciliations, or additional training of existing responsible personnel, may be required to allow for accurate and complete financial reporting.

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-017
Area: Journal Entries/Adjustments

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

Condition: Numerous journal entries recorded throughout the year, while approved, were inaccurate. Some of the errors were ultimately corrected by management during year-end reconciliations in preparation for the annual audit. Additionally, Journal Voucher #s G21-192H to G21-220H and G21-831K could not be located and provided for examination. Scrutiny of the general ledger of the recorded entries concluded that the entries lacked economic substance and represented the transfer of expenditures between cost centers. Audit adjustments were proposed to correct significant errors overlooked by management.

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

Effect: Inaccurate financial reporting throughout the year.

Identification as a Repeat Finding: Finding 2020-007

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

Views of Responsible Officials: RepMar agrees with the finding and provides details in its Corrective Action Plan.



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Summary Schedule of Prior Audit Findings
 Year Ended September 30, 2021

| <u>Finding Number</u> | <u>CFDA Number</u> | <u>Questioned Costs</u> | <u>Status</u> |
|-----------------------|--------------------|-------------------------|---------------|
| 2008-5 | 15.875 | \$ 74,318 | Refer Note 1. |
| 2008-7 | 15.875/ | 294,900 | Refer Note 1. |
| | 93.110 | 8,927 | Refer Note 1. |
| 2009-1 | 15.875 | 208,243 | Refer Note 1. |
| 2009-2 | 15.875 | 848 | Refer Note 1. |
| 2009-9 | 15.875 | 18,363 | Refer Note 1. |
| 2010-4 | 10.567/ | 18,706 | Refer Note 1. |
| | 93.003/ | 8,671 | Refer Note 1. |
| | 93.069/ | 47,659 | Refer Note 1. |
| | 93.110/ | 15,336 | Refer Note 1. |
| | 93.118/ | 16,450 | Refer Note 1. |
| | 93.163/ | 38,450 | Refer Note 1. |
| | 93.268/ | 94,554 | Refer Note 1. |
| | 93.889/ | 31,995 | Refer Note 1. |
| | 93.938/ | 14,082 | Refer Note 1. |
| | 93.958/ | 2,552 | Refer Note 1. |
| | 93.959/ | 4,906 | Refer Note 1. |
| | 93.977/ | 51,690 | Refer Note 1. |
| | 93.988/ | 2,062 | Refer Note 1. |
| 2010-5 | 93.069/ | 170,600 | Refer Note 1. |
| | 93.217/ | 8,323 | Refer Note 1. |
| | 93.889/ | 155,500 | Refer Note 1. |
| | 93.003 | 170,000 | Refer Note 1. |
| 2011-05 | 11.460/ | 50,705 | Refer Note 1. |
| | 93.959 | 59,400 | Refer Note 1. |
| 2012-01 | 15.875 | 2,203 | Refer Note 1. |
| 2012-05 | 15.875 | 30,252 | Refer Note 1. |
| 2013-001 | 15.875 | 642 | Refer Note 1. |
| 2013-002 | 93.889 | 58,278 | Refer Note 1. |
| 2013-005 | 15.875 | 4,725 | Refer Note 1. |
| 2014-001 | 15.875 | 2,871 | Refer Note 1. |
| 2015-006 | 10.567 | 30,155 | Refer Note 1. |
| 2017-005 | 15.875 | 188,265 | Refer Note 1. |
| 2017-007 | 15.875 | 208,929 | Refer Note 1. |
| 2018-001 | 15.875 | 552 | Refer Note 1. |
| 2018-002 | 15.875 | 13,813 | Refer Note 1. |
| 2018-003 | 93.243 | - | Refer Note 2. |
| 2018-004 | 15.875 | - | Refer Note 1. |
| 2018-005 | 15.875 | 17,929 | Refer Note 1. |
| 2018-006 | 15.875 | - | Refer Note 1. |
| 2018-007 | 93.243 | - | Refer Note 1. |
| 2018-008 | 15.875 | 177,234 | Refer Note 1. |
| 2018-009 | 93.243 | - | Refer Note 1. |
| 2018-010 | N/A | - | Refer Note 1. |
| 2018-011 | N/A | - | Refer Note 1. |



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Summary Schedule of Prior Audit Findings, Continued
 Year Ended September 30, 2021

| <u>Finding Number</u> | <u>CFDA Number</u> | <u>Questioned Costs</u> | <u>Status</u> |
|-----------------------|--------------------|-------------------------|--|
| 2019-001 | 15.875 | \$ 89,733 | Refer Note 1. |
| 2019-002 | 15.875 | - | Refer Note 1. |
| 2019-002 | 84.027 | - | Refer Note 1. |
| 2019-003 | 15.875 | 283,502 | Refer Note 1. |
| 2019-004 | 15.875 | - | Refer Note 1. |
| 2019-005 | 93.243 | 1,026,136 | Refer Note 1. |
| 2019-006 | N/A | - | Refer Note 1. |
| 2019-007 | N/A | - | Refer Note 1. |
| 2020-001 | 15.875 | - | Not corrected. Refer Finding 2021-003. |
| 2020-002 | 15.875 | 309,528 | Refer Note 1. |
| 2020-003 | 15.875 | 3,008,010 | Refer Note 1. |
| 2020-004 | 15.875 | 1,200,864 | Refer Note 1. |
| 2020-005 | N/A | - | Not corrected. Refer Finding 2021-014. |
| 2020-006 | N/A | - | Not corrected. Refer Finding 2021-015. |
| 2020-007 | N/A | - | Not corrected. Refer Finding 2021-017. |
| | | <u>\$ 8,220,861</u> | |

Note 1: Management is awaiting follow-up and issuance of a management decision from the Federal agency.

Note 2: Resolved through a grantor agency determination dated March 2, 2023.



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CORRECTIVE ACTION PLAN
2 CFR § 200.511 (c)
Year ended September 30, 2021

| Finding Number | ALN/CFDA No. | Compliance Requirement | Questioned Cost | Corrective Action Plan | Completion Date | Responsible Person |
|----------------|--------------|---------------------------------|-----------------|--|-----------------|--|
| 2021-001 | 15.875 | Allowable Costs/Cost Principles | \$162,992 | <p>For Items #1 and #2, the Laura Staff House and the Jaluit MOH Staff House were converted as extensions to the existing health dispensaries, however the Ministry does note that the name on the account should be revised to reflect the accurate health facilities charged under the Ministry's utilities expenses. Furthermore, the Ministry's MLT will be revisiting current policies on utility benefits for its staff.</p> <p>For Item #3, the MOHHS was able to provide the supporting documents indicating the grantor's pre-approval of the procurement of the OIDS pickup truck. The Ministry also notes that any significant changes to the approved budget will require grantor approval communication to be attached to the supporting documents.</p> <p>For Item #4, this pertains to retention payable accrual for which complete supporting documents were already provided. No further issues were raised after submission.</p> | September 2023 | Jack Niedenthal -MOHHS Secretary Francyne Jacklick -MOHHS Deputy Secretary Patrick Langrine - MOF Secretary Deeann Reimers - MOF Asst. Sec. |
| 2021-002 | 93.323 | Allowable Costs/Cost Principles | \$1,115,563 | <p>For Items #1 to #4, the MOFBPS and MOHHS discussed that renovations can only be recorded in the financial books as either Repairs (minor renovations) or Construction in Progress/Capital Asset (major renovations) in accordance with accounting rules. The MOHHS shall consider this in future discussions with the grantors.</p> <p>For Items #5 & #6, Utilities budget request under Others was approved by the grantor.</p> <p>For items #7, #10 & #11, Fuel/POL budget request was approved by the grantor.</p> <p>For items #8 & #9, Advertisement under Others was approved (post award request for approval) by the grantor.</p> <p>For Items #12 and #13, Communication under Others was approved by the grantor.</p> | September 2023 | Jack Niedenthal -MOHHS Secretary Francyne Jacklick -MOHHS Deputy Secretary Patrick Langrine - MOF Secretary Deeann Reimers - MOF Asst. Sec. |



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CORRECTIVE ACTION PLAN
2 CFR § 200.511 (c)
Year ended September 30, 2021

| Finding Number | ALN/CFDA No. | Compliance Requirement | Questioned Cost | Corrective Action Plan | Completion Date | Responsible Person |
|----------------|---------------|--|-----------------|---|-----------------|--|
| | | | | <p>For Item #14, due to the urgent need of the equipment on Kwajalein for the quarantine, it was immediately shipped to Kwajalein to avoid disruption to the services. However, the MOHHS does note that proper coordination is necessary between MOHHS and MOFBPS Procurement and Supply when receiving goods. Furthermore, an annual training is conducted at the MOHHS to remind staff of this process.</p> <p>For items #15 & #16, Vehicle under Others was approved by the grantor.</p> | | |
| 2021-003 | 15.875/93.323 | Equipment and Real Property Management | Undeterminable | <p>A Fixed Assets Management Manual was rolled out to all the M/D/A starting June 2019 which mainly referred to the basic criteria of the Fiscal Procedures Agreement (FPA). The execution of the policies and procedures though requires adequate manpower, an established function unit and thorough coordination among line ministries/agencies.</p> <p>Physical inspection by the MOFBPS Procurement and Supply Department is still ongoing mainly in major ministries, MOHSS, PSS and MWIU, that have custody of most of the government assets.</p> <p>A new FMIS with a Fixed Asset Module is in its implementation stage which is anticipated to address the proper recording and accounting of all the government assets throughout its life.</p> | September 2023 | Patrick Langrine -MOF Secretary Deeann Reimers -MOF Asst. Sec. Bruce Loeak -MOF Chief of Procurement Jack Niedenthal -MOHHS Secretary Jefferson Barton - MWIU Secretary |
| 2021-004 | 15.875 | Period of Performance | \$0 | This is similar to Item# 4 under Finding 2021-001, which pertains to retention payable accrual. Complete supporting documents were provided to the auditors and no further issues were raised. | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Secretary |
| 2021-005 | 15.875 | Procurement and Suspension and Debarment | \$375,028 | For items #1 to #3 involving large purchases, the MOFBPS, PSS and MWIU will ensure that all procurements are supported by competitive sealed bids or other appropriate methodologies in compliance with GRMI's Procurement Code. This will be emphasized during the government-wide Procurement Forum scheduled for March 2023. | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Bruce Loeak- MOF Chief of Procurement |



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CORRECTIVE ACTION PLAN
2 CFR § 200.511 (c)
Year ended September 30, 2021

| Finding Number | ALN/CFDA No. | Compliance Requirement | Questioned Cost | Corrective Action Plan | Completion Date | Responsible Person |
|----------------|--------------|--|-----------------|--|-----------------|---|
| | | | | <p>Item #1 to #4 involving small purchases, the MOFBPS and PSS will ensure that sufficient documentation be provided to substantiate compliance with small purchase procedures. The new system also supports online workflows wherein scanned copies of supporting documents are required to be uploaded as a requirement for approval.</p> <p>For item #5, as a corrective action, effective FY22 onward, the Ministry implemented a multiyear contract with said contractor as the services provided are recurring.</p> <p>Upon further discussion with the Auditor, for items #6 & #7, procurement documents were not provided at the time it was requested to support the selection of vendors. MOFBPS and MOHHS met to discuss the audit findings where it was emphasized that timely submission of audit deliverables should always be observed. Furthermore, the new system supports online workflows wherein scanned copies of supporting documents are required to be uploaded as a requirement for approval.</p> <p>All key requirements of the RMI Procurement Code shall be tackled in the government-wide Procurement Forum scheduled for March 2023.</p> | | |
| 2021-006 | 93.268 | Allowable Costs/Cost Principles | \$72,441 | Direct procurement of vehicles under the Immunization grant is not allowable under the CDC Immunization Program Operations Manual, hence the annual rental of vehicles for the Program. | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Jack Niedenthal – MOHHS Secretary |
| 2021-007 | 93.323 | Procurement and Suspension and Debarment | \$33,129 | As a corrective action, MOHHS shall scan all procurement-related documents for submission to the MOFBPS. This is in line with the online workflows in place through the new FMIS wherein scanned copies of supporting documents are required to be uploaded as a requirement for approval. Furthermore, key requirements of the RMI Procurement Code shall be tackled in the government-wide Procurement Forum scheduled for March 2023. | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec.- Accounting Jack Niedenthal- MOHHS Secretary |



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CORRECTIVE ACTION PLAN
2 CFR § 200.511 (c)
Year ended September 30, 2021

| Finding Number | ALN/CFDA No. | Compliance Requirement | Questioned Cost | Corrective Action Plan | Completion Date | Responsible Person |
|----------------|--------------|-------------------------|-----------------|---|-----------------|---|
| 2021-008 | 15.875 | Subrecipient Monitoring | \$164,688 | <p>The Grants Management Manual of the MOFBPS has been in place since FY2019 and was previously shared with the auditors. A copy is readily available if and when requested. The said Manual has also been submitted to grantors directly over the years for different purposes and was duly accepted as sufficient. As this is a recurring finding raising the same issues as previous years, the MOFBPS reiterates its response. A Compliance Officer position was specifically opened in FY2019 to oversee the subrecipients monitoring area ensuring that all requirements as prescribed by the Manual were being complied with, which is true for the four samples cited.</p> <p>As regards the finding on KAJUR, in accordance with the standard monitoring in place, the MOFBPS shall strengthen the review of the audit section of the SG2 form particularly by the SOE Monitoring Unit for all SOEs.</p> | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Jasmine Myazoe- Chief Internal Auditor Ywao Elanzo - MOF Deputy Secretary |
| 2021-009 | 17.225 | Eligibility | \$26,991 | The Labor Division will review these cases, analyze, and make necessary corrections with the procedures given in accordance with UI 20-21 Change 1 of the program. | May 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Travis Joe- Director-Labor Peggy Trevor- Deputy Director- Labor |
| 2021-010 | 15.875 | Reporting | \$0 | All SF-425 reports are saved in the Accounting shared drive of the MOFBPS and should have been available for examination, including the reports for the quarter ended March 31, 2021 and September 30, 2021 cited in the finding. | | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. |
| 2021-011 | 17.225 | Reporting | \$0 | The FY21 ETA 9130 reports for the PUA/FPUC program were prepared and submitted online through the DOL grantee reporting system. | | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. |
| 2021-012 | 93.323 | Reporting | \$0 | The FY21 SF-425 reports for the ELC program were prepared and submitted online through the PMS grantee reporting system. The reports should have been available for examination. | | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. |



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CORRECTIVE ACTION PLAN
2 CFR § 200.511 (c)
Year ended September 30, 2021

| Finding Number | ALN/CFDA No. | Compliance Requirement | Questioned Cost | Corrective Action Plan | Completion Date | Responsible Person |
|----------------|--------------|--|-----------------|--|-----------------|--|
| 2021-013 | 17.225 | Special Tests and Provisions - UI Program Integrity - Overpayments | | <p>The Labor Division is planning to address the finding following steps in accordance with UI 20-21 Change 1:</p> <ol style="list-style-type: none"> 1. Identify, establish and record overpayment. 2. Determine the cause and the party at fault (claimant, employer, official, or combination thereof). 3. Request Overpayment Waiver if not a fraudulent case in accordance with UI 20-21 Change 1 guideline. 4. If a fraudulent case, take every possible effort to recover overpayment. | May 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Travis Joe- Director-Labor Peggy Trevor- Deputy Director- Labor |
| 2021-014 | | Embassy Imprest Accounts | - | <p>An Imprest Fund Procedures Manual was rolled out to RMI embassies/consulates starting February 2019 to serve as a guide in implementing the uniform procedures and reporting templates. With the staff turnover and changes in the headship of the embassies/ consular office, MOFBPS and MOFAT continuously provide training as necessary.</p> <p>The MOFBPS is closely coordinating with MOFAT and the embassies to avoid and eliminate disallowed disbursements.</p> <p>RMI Embassies had less or no disallowed disbursements, neither an unknown difference since FY2021.</p> | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Anjanette Kattil MOFAT Secretary Calvin Myaoze- MOFAT Asst. Sec. |
| 2021-015 | | Accounts Receivable | - | <p>The MOF Reform Coordination Unit (MOF-RCU) continues to assist in training Compact and Federal Officers in the areas of grants drawdown and reporting. RCU is also assisting in the ongoing reconciliation and discussion with the US DOI, particularly concerning expired Compact infrastructure grants, in order to collect outstanding receivables. Once this is done, the reconciliation shall continue to cover other grants.</p> | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. |
| 2021-016 | | Revenue Recognition | - | <p>MOFBPS will ensure close coordination with the implementing and executing agencies to have a timely reconciliation and monitoring of grants.</p> | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. Mallie Tarwillin -MOF Asst. Sec. |



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CORRECTIVE ACTION PLAN
2 CFR § 200.511 (c)
Year ended September 30, 2021

| Finding Number | ALN/CFDA No. | Compliance Requirement | Questioned Cost | Corrective Action Plan | Completion Date | Responsible Person |
|----------------|--------------|-----------------------------|-----------------|---|-----------------|---|
| 2021-017 | | Journal Entries/Adjustments | - | Capacity building continues through hands-on training of Accounting Officers as and when needed. The new FMIS went live in October 2022 in time for the start of FY2023. The new COA along with several changes to standard system entries intended to simplify the old approach under 4Gov should also lead to the elimination of some recurring adjusting entries. As part of the FMIS implementation, the Budget and Accounting Divisions together with the RCU held several intensive discussions on the COA and accounting entries, which should further help in reducing erroneous adjustments. | September 2023 | Patrick Langrine- MOF Secretary Deeann Reimers- MOF Asst. Sec. |