

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General



**SEVENTY-FOURTH (74TH) SEMI-ANNUAL
REPORT OF THE FUNCTIONS AND
ACTIVITIES OF THE OFFICE OF THE
AUDITOR-GENERAL**

Submitted to the Nitijela during its 42nd Constitutional Regular Session
January 2021 [Part I]



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

P.O. Box 245
Majuro, Republic of the Marshall Islands 96960
Email Address: patrjun@gmail.com Web: www.rmioag.com

January 29, 2021

The Honorable Kenneth A. Kedi
Speaker
Nitijela of the Marshall Islands
Majuro, MH 96960

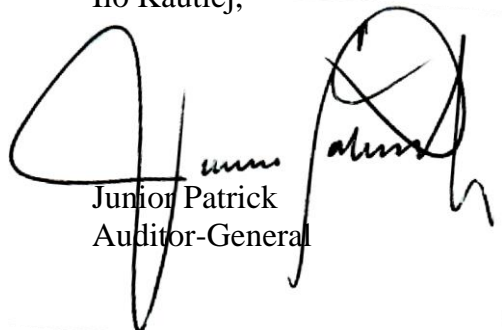
Dear Speaker Kedi:

I am pleased to submit herewith Thirty Six (36) copies of our Seventy-Fourth (74th) Semi-Annual Report of the Functions and Activities of the Office of the Auditor-General in accordance with Article VIII, Section 15(4) of the Constitution of the Republic of the Marshall Islands and Section 903(1) of the Auditor-General Act of 1986. This report covers activities of the Office during the period from July 1, 2020 thru December 31, 2020, and included all reports issued as of the printing date of this report.

The electronic copies of each report completed and included in this Semi-Annual will also be available to Honorable Members of the Nitijela, Stakeholders, and the General Public via the Office website at www.rmioag.com.

Should you or any Member (s) of the Nitijela have question concerning this submission, please do not hesitate to contact this Office.

Ilo Kautiej,



Junior Patrick
Auditor-General

Enclosures: Thirty Six (36) copies of 74th Semi-Annual Report of the Functions and Activities of the Office of the Auditor-General

TABLE OF CONTENTS

<i>INTRODUCTION</i>	1
<i>ORGANIZATIONAL STATUS</i>	2
<i>AUDIT ACTIVITIES</i>	2
<i>INVESTIGATION ACTIVITIES</i>	3
<i>TRAINING AND CAPACITY BUILDING</i>	4
<i>PUBLICATION OF AUDIT REPORTS SUBMITTED</i>	5
<i>EXHIBIT I: UPDATED ORGANIZATIONAL CHART</i>	6
<i>EXHIBIT II: AUDIT ACTIVITIES (JULY 1, 2020 THRU DECEMBER 31, 2020)</i>	7

ATTACHMENTS

[Ailinglaplap Atoll Local Government
Financial Statements and Independent Auditors' Report
Period from October 1, 2013 thru September 30, 2018](#) Attachment I

[Iabat Island Local Government
Financial Statements and Independent Auditors' Report
Period from October 1, 2013 thru September 20, 2018](#) Attachment II

[College of the Marshall Islands
\(A Component Unit of the Republic of the Marshall Islands\)
Financial Statements and Independent Auditors' Report
Years Ended September 30, 2019 and 2018](#)

[College of the Marshall Islands
\(A Component Unit of the Republic of the Marshall Islands\)
Independent Auditors' Report on Compliance for the Sole Major Program;
Report on Internal Control over Compliance; And Report on Schedule of Expenditures
of Federal Awards Required By The Uniform Guidance
Year Ended September 30, 2019](#)

[College of the Marshall Islands
\(A Component Unit of the Republic of the Marshall Islands\)
Independent Auditors' Management Letter Report
Year Ended September 30, 2019](#) Attachment III

TABLE OF CONTENTS

ATTACHMENTS

[Marshall Islands Health Fund](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Years Ended September 30, 2019 and 2018](#)

[Marshall Islands Health Fund](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2019](#)

[Marshall Islands Health Fund](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2019](#)

Attachment IV

[Kwajalein Atoll Joint Utilities Resources, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Years Ended September 30, 2019 and 2018](#)

[Kwajalein Atoll Joint Utilities Resources, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2019](#)

[Kwajalein Atoll Joint Utilities Resources, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2019](#)

Attachment V

[Enewetak/Ujelang Local Government](#)
[Food and Agriculture Support Program](#)
[\(A Governmental Fund of the Enewetak/Ujelang Local Government\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Year Ended September 30, 2019](#)

[Enewetak/Ujelang Local Government](#)
[Food and Agriculture Support Program](#)
[\(A Governmental Fund of the Enewetak/Ujelang Local Government\)](#)
[Independent Auditors' Report on Compliance for the Sole Major Federal Program;](#)
[Report on Internal Control over Compliance; And Report on Schedule of Expenditures of](#)
[Federal Awards Required By the Uniform Guidance](#)
[Year Ended September 30, 2019](#)

TABLE OF CONTENTS

ATTACHMENTS

[Enewetak/Ujelang Local Government
Food and Agriculture Support Program
\(A Governmental Fund of the Enewetak/Ujelang Local Government\)
Independent Auditors' Management Letter Report
Year Ended September 30, 2019](#) Attachment VI

[Enewetak/Ujelang Local Government
Food and Agriculture Support Program
\(A Governmental Fund of the Enewetak/Ujelang Local Government\)
Financial Statements and Independent Auditors' Report
Year Ended September 30, 2018](#)

[Enewetak/Ujelang Local Government
Food and Agriculture Support Program
\(A Governmental Fund of the Enewetak/Ujelang Local Government\)
Independent Auditors' Report on Compliance for the Sole Major Federal Program;
Report on Internal Control over Compliance; And Report on Schedule
of Expenditures of Federal Awards Required By The Uniform Guidance
Year Ended September 30, 2018](#) Attachment VII

[Republic of the Marshall Islands
Public Financial Management Project
\(Financed By the Asian Development Bank's Special Fund\)
Financial Statements and Independent Auditors' Report
Year Ended September 30, 2019 and Period from Inception \(October 17, 2017\)
Through September 30, 2018](#)

[Republic of the Marshall Islands
Public Financial Management Project
\(Financed By the Asian Development Bank's Special Fund\)
Independent Auditors' Report on Compliance with Laws and Regulations
Year Ended September 30, 2019](#) Attachment VIII

[Republic of the Marshall Islands
Public Financial Management Project
\(Financed By the Asian Development Bank's Special Fund\)
Financial Statements and Independent Auditors' Report
Period from Inception \(October 17, 2017\) Through September 30, 2018](#)

[Republic of the Marshall Islands
Public Financial Management Project
\(Financed By the Asian Development Bank's Special Fund\)
Independent Auditors' Report on Compliance with Laws and Regulations
Period from Inception \(October 17, 2017\) Through September 30, 2018](#)

TABLE OF CONTENTS

ATTACHMENTS

[Republic of the Marshall Islands](#)
[Public Financial Management Project](#)
[\(Financed By the Asian Development Bank's Special Fund\)](#)
[Independent Auditors' Management Letter Report](#)
[Period from Inception \(October 17, 2017\) Through September 30, 2018](#) Attachment IX

[Republic of the Marshall Islands](#)
[Ebeye Water Supply and Sanitation Project](#)
[\(Jointly Financed By the Asian Development Banks' Special Fund](#)
[\[Grant No. 0438-RMI SF\] And the Government of Australia \[Grant No. 0439- EF\]](#)
[Financial Statements, Additional Information and Independent Auditors' Report](#)
[Year Ended September 30, 2019](#)

[Republic of the Marshall Islands](#)
[Ebeye Water Supply and Sanitation Project](#)
[\(Jointly Financed By the Asian Development Banks' Special Fund](#)
[\[Grant No. 0438-RMI SF\] And the Government of Australia \[Grant No. 0439- EF\]](#)
[Independent Auditors' Report on Compliance with Laws and Regulations](#)
[Year Ended September 30, 2019](#) Attachment X

[Republic of the Marshall Islands](#)
[Ebeye Water Supply and Sanitation Project](#)
[\(Jointly Financed By the Asian Development Banks' Special Fund](#)
[\[Grant No. 0438-RMI SF\] And the Government of Australia \[Grant No. 0439- EF\]](#)
[Financial Statements, Additional Information and Independent Auditors' Report](#)
[Year Ended September 30, 2018](#)

[Republic of the Marshall Islands](#)
[Ebeye Water Supply and Sanitation Project](#)
[\(Jointly Financed By the Asian Development Banks' Special Fund](#)
[\[Grant No. 0438-RMI SF\] And the Government of Australia \[Grant No. 0439- EF\]](#)
[Independent Auditors' Report on Compliance with Laws and Regulations](#)
[Year Ended September 30, 2018](#) Attachment XI

[Republic of the Marshall Islands](#)
[Ebeye Water Supply and Sanitation Project](#)
[\(Jointly Financed By the Asian Development Banks' Special Fund](#)
[\[Grant No. 0438-RMI SF\] And the Government of Australia \[Grant No. 0439- EF\]](#)
[Financial Statements, Additional Information and Independent Auditors' Report](#)
[Period from Inception \(October 13, 2015\) through September 30, 2017](#)

TABLE OF CONTENTS

ATTACHMENTS

<u>Republic of the Marshall Islands</u> <u>Ebeye Water Supply and Sanitation Project</u> <u>(Jointly Financed By the Asian Development Banks' Special Fund</u> <u>[Grant No. 0438-RMI SF] And the Government of Australia [Grant No. 0439- EF]</u> <u>Independent Auditors' Report on Compliance with Laws and Regulations</u> <u>Period from Inception (October 13, 2015) through September 30, 2017</u>	Attachment XII
<u>Republic of the Marshall Islands</u> <u>Asian Development Bank Grant 0536 RMI (SF)</u> <u>Improving the Quality of Basic Education in The North Pacific</u> <u>Financial Statements, Additional Information and Independent Auditors' Report</u> <u>Year Ended September 30, 2019 and Period from Inception (July 7, 2017)</u> <u>Through September 30, 2018</u>	
<u>Republic of the Marshall Islands</u> <u>Asian Development Bank Grant 0536 RMI (SF)</u> <u>Improving the Quality of Basic Education in the North Pacific</u> <u>Independent Auditors' Report on Compliance with Laws and Regulations</u> <u>Year Ended September 30, 2019 and Period from Inception (July 7, 2017)</u> <u>Through September 30, 2018</u>	
<u>Republic of the Marshall Islands</u> <u>Asian Development Bank Grant 0536 RMI (SF)</u> <u>Improving the Quality of Basic Education in the North Pacific</u> <u>Independent Auditors' Report Management Letter Report</u> <u>Year Ended September 30, 2019 and Period from Inception (July 7, 2017)</u> <u>Through September 30, 2018</u>	Attachment XIII
<u>Republic of the Marshall Islands</u> <u>Asian Development Bank Grant 0536 RMI (SF)</u> <u>Improving the Quality of Basic Education in the North Pacific</u> <u>Statement of Project Account and Independent Auditors' Report</u> <u>Period from Inception (July 7, 2017) through September 30, 2018</u>	
<u>Republic of the Marshall Islands</u> <u>Asian Development Bank Grant 0536 RMI (SF)</u> <u>Improving the Quality of Basic Education in the North Pacific</u> <u>Independent Auditors' Report on Compliance with Laws and Regulations</u> <u>Period from Inception (July 7, 2017) through September 30, 2018</u>	Attachment XIV



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

P.O. Box 245
Majuro, Republic of the Marshall Islands 96960
Email Address: patrjun@gmail.com Web: www.rmioag.com

**SEVENTY-FOURTH (74TH) SEMI-ANNUAL REPORT OF THE FUNCTIONS
AND ACTIVITIES OF THE OFFICE OF THE AUDITOR-GENERAL
JULY 1, 2020 THRU DECEMBER 31, 2020**

INTRODUCTION

The Auditor-General, under the Constitution of the Republic of the Marshall Islands, Article VIII, Section 15, is charged with the responsibility to audit *“Public funds and accounts of the Republic of the Marshall Islands including those of all Departments or offices of the legislative, executive and judicial branches of government and of any other public corporation or statutory authority constituted under the law of the Republic unless, in relation to any such public corporation or other statutory authority, provision is made by Act for audit by any other person”*.

In addition to these responsibilities, the following legislations imposed other duties and responsibilities upon the Auditor-General:

1. Public Law 1986-25 (The Auditor-General’s Act of 1986) – *“The Auditor-General shall from time to time make such other audits of the government agencies, activities, contracts, or grants as are possible within the budget provided for him and as he deems to be in the public interest and consistent with this Act”*. This Act also imposes a responsibility upon the Office of the Auditor-General to *“prevent and detect fraud, abuse, and waste in the collection and expenditure of all public funds”*. In accordance with Section 6 (1) of the Act the *“Auditor-General may retain the services of independent certified public accountants, qualified management consultants, or other professional persons, as he deems necessary to assist him in carrying out his duties”*.
2. Public Law 1981-2 (Local Governments Act of 1980), designates the Auditor- General as auditor for local governments’ funds and accounts.
3. Public Law 1993-63 (Ethics in Government Acts of 1993). The Auditor-General is a member of the Government Ethics Board pursuant to provisions of this Act and,

therefore, the Auditor-General has a responsibility to enforce the ethical conduct principles stipulated in the Act.

The Auditor-General is required under the Constitution to report, “*at least once annually to the Nitijela at its regular session*”. We have established a policy of preparing semi-annual reports in January and August. This is the Seventy-Fourth (74th) semi-annual reports.

In the interest of maintaining organizational independence, Article VIII Section 15 (5) of the Constitution of the Republic of the Marshall Islands states, “*The Auditor-General shall not receive any direction from the Cabinet or from any other authority or person, but shall act independently*”. All reports submitted herein were performed and completed without known impairments to audit independence.

ORGANIZATIONAL STATUS

As of the reporting period, the Office of the Auditor-General (OAG) has 18 officers: 6 performance auditors; 5 financial auditors, 6 investigators, and 2 support staff. During this reporting period we lost our Audit Manager (performance auditing) who resigned on medical reasons. In addition, we also lost our IT Manger/Communication officer and two staff auditors who resigned to accept other employments within the government sector with higher pay. We promoted one of the Fraud Investigator to fill the position of IT Manager/Communication officer and recruited a new employee to fill one of the staff audit positions. Recruitment is ongoing for the remaining staff auditor position and the Fraud Investigator. New recruits are now undergoing audit trainings.

Of the 18 staffing level, four (4) are still stranded outside the country due to travel restrictions associated with Covid19. This includes our Chief of Investigations who was pursuing a Master Degree in Cyber Security under an Australian Award scholarship in Perth, Australia. Due to Australia Government regulations associated with the pandemic, the Chief Investigator had to leave Australia and will be advice when he may be able to return to Australia to resume his studies. The Chief Investigator is currently in the State of Hawaii and booked to return home in the 3rd repatriation group.

The Exhibit I describes the updated organizational structure of the Office.

AUDIT ACTIVITIES

Exhibit II provides a status of audits that were commenced and completed during the reporting period. Travel restrictions associated with Covid19 affected our planned audit activities for the year. In addition, our plan to perform follow up audits on two embassies was also postponed because of current travel restrictions.

All audits completed during this report period are enclosed in this semi-annual in *Attachment I* through *Attachment XIV*.

SINGLE AUDIT OF THE REPUBLIC OF THE MARSHALL ISLANDS FY2019

The Single Audit Report of the Government of the Republic of the Marshall Islands (RepMar) required by the Compact Treaty and U.S. Office of Management and Budget (OMB)'S Uniform Guidance (formerly OMB Circular A-133) for the fiscal year ending September 30, 2019 (FY2019) was completed on December 31, 2020.

We previously reported that the FY2019 Single Audit Report of the RepMar was late in part due to delay in the completion of the College (CMI) audit for consolidation and inclusion in the RepMar audit. Additionally, we reported that contracted-auditors were also constrained due to travel restrictions associated with Covid19. In addition, because of the implications and loss of operations caused by the pandemic, the OMB had extended the audit deadline by six (6) months or up to December 31, 2020. The Single Audit Report of the RepMar was completed and filed with Federal clearinghouse on December 31, 2020.

We congratulate RepMar on the completion of its FY2019 Single Audit Report by the extended deadline of December 31, 2020. The RepMar Single Audit Report was transmitted to the Nitijela on Tuesday, January 26, 2021 under a separate cover.

INVESTIGATION ACTIVITIES

We continue our reviews into all allegations that were previously reported to the OAG including those that we come across in our audit engagements. During this reporting period, we recorded a total of six (6) new allegations relating to misappropriation of public funds, abuse of public office for personal gains, embezzlements, procurement irregularities, bribery in official matters (kickbacks), and money laundering.

As of the reporting period, the OAG has ten (10) open investigations. Our investigations continue and the results will be referred directly to the Attorney-General when we have grounds to believe that criminal laws have been violated and other instances where civil recovery proceeding would be appropriate. In addition, we will also refer matters requiring administrative proceedings to the appropriate authorities in accordance with the revised Audit Act¹.

¹ In 2019, Nitijela passed an Amendment to the Audit Act enabling the Auditor-General to refer matters directly to any government agency for administrative remedies when the alleged breach or wrongdoing is by the agency's employee.

TRAINING AND CAPACITY BUILDING

We maintain training programs to increase staff proficiency. During this reporting period, we participated in the following training and capacity building programs:

- As reported above, our Chief of Investigations continued his Master of Cyber Security program at the Edith Cowan University in Perth, Western Australia. This is a two-year program that commenced in January 2020 and scheduled to complete on December 31, 2021. Unfortunately, due to Australian Government's policies in response to the pandemic all international students had to leave Australia. Australian Government will advise all international students when they may return to Australia to resume their studies. The Chief Investigator's participation is funded by the Australian Scholarship Awards that is administered by the Australia's Department of Foreign Affairs and Trade.



Chief Investigator (R), Vice Chancellor of Edith Cowan University (2nd from left) and other Australian Award Scholarship recipients
<https://www.ecu.edu.au>.

- During the period from September 14-18, 2020, the audit staff attended a series of trainings on *Tier 1 Training on Fundamentals of Public Sector Auditing*. The training covered the fundamental principles in public sector auditing, role of public audit offices, overview of audit process, independence and ethical requirements imposed on auditors, applicable accounting and auditing standards, governance and systems of internal control, audit risk and materiality, audit evidence, consideration of fraud in audit, audit reporting, core competencies of an auditor, and communication with

stakeholders. The trainings were sponsored by the Pacific Association of Supreme Audit Institutions (PASAI) and sessions were delivered online via Zoom.



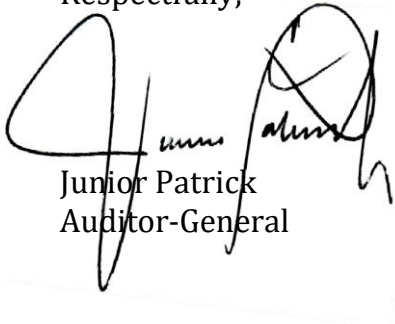
Auditors attending the Tier 1: Fundamentals of Public Sector Auditing Training_OAG Conference Room

- On October 21, 2020 the entire staff attended a two-hour session on auditing Covid19 relief funds with other auditors from the U.S. affiliated islands. The training was convened in response to the unprecedented amounts of U.S. Federal spending for Covid19 relief funds that were distributed to States, Territories, and Freely Associated States. The two-hour session included a panel of experts from the GAO, U.S. DOI's Office of the Inspector General, and senior auditors from the Colorado State Auditor's Office. The panel shared with the participants their past works in auditing Covid19 spending, the challenges and opportunities. The training was timely as auditors from the islands prepare to audit Covid19 relief funds in their respective jurisdictions. The training was sponsored by Graduate School USA with funding from the U.S. DOI's Office of Insular Affairs.

PUBLICATION OF AUDIT REPORTS SUBMITTED

In accordance with the Auditor-General Act of 1986 [P.L. 1986-25], all audits completed during this reporting period will also be made available to the Honorable Members of the Nitijela, other stakeholders, and the general public via the official website of the OAG at www.rmioag.com.

Respectfully,



Junior Patrick
Auditor-General

January 2021

EXHIBIT I: UPDATED ORGANIZATIONAL CHART

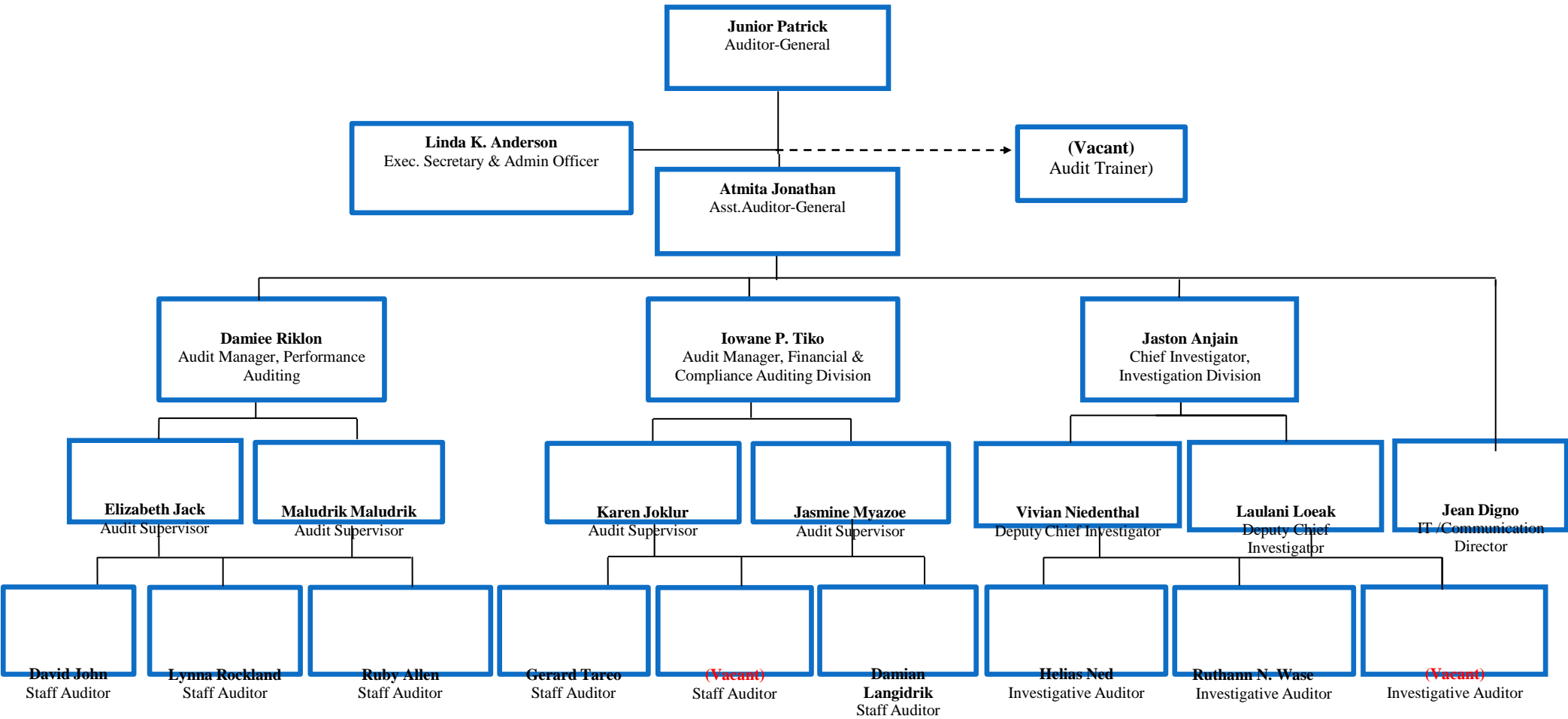


EXHIBIT II: AUDIT ACTIVITIES (JULY 1, 2020 THRU DECEMBER 31, 2020)

<u>AUDITEE</u>	<u>TYPE OF AUDIT</u>	<u>REMARKS</u>
1. Ailinlaplap Local Government	Financial/Compliance [FY2014 thru FY2018]	Report completed and included in this semiannual report
2. Jabat Local Government	Financial/Compliance [FY2014 thru FY2018]	Report completed and included in this semiannual report
3. Wotho Local Government	Financial/Compliance [FY2013 thru FY2016]	Audit to continue this financial year
4. Arno Local Government	Financial/Compliance [FY2014 thru FY2017]	Audit fieldworks in progress
5. Ailuk Atoll Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit fieldworks in progress
6. Lib Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit planning initiated
7. Jaluit Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit planning initiated
8. Ujae Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit planning initiated
9. Mili Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit Planning initiated
10. Audit of Customs Division	Performance	Report in final stage of completion
11. Audit of Immigration Division	Performance	Audit postponed for future
12. Audit of RMI Embassy in Taiwan	Internal control/compliance	Audit planning initiated, fieldworks at Embassy will commence as soon as travel restrictions are lifted
13. Audit of RMI Embassy in Japan	Internal control/compliance	Audit planning initiated, fieldwork at Embassy will commence as soon as travel restrictions are lifted

Prevent Fraud, Waste and Abuse in the collection and expenditure of all public funds

HOTLINE

Telephone Line (692) 625-1155

[The Hotline is a telephone line available Monday through Sunday and you can call us anytime of the day. Calls to this number are anonymous and non-traceable]

You may also contact us by writing to:

Facsimile (Fax) (692) 625-1156

[Messages to our fax machine are also anonymous and non-traceable]

OR

Office of the Auditor-General

P.O. Box 245

Majuro, MH 96960

[If you do not want to reveal your identity, do not disclose a return address]

OR

Fill out the Complaint Form from our website www.rmioag.com