

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General



**Seventy-Fifth (75th) 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**

August 2021



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

P.O. Box 245

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September 16, 2021

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

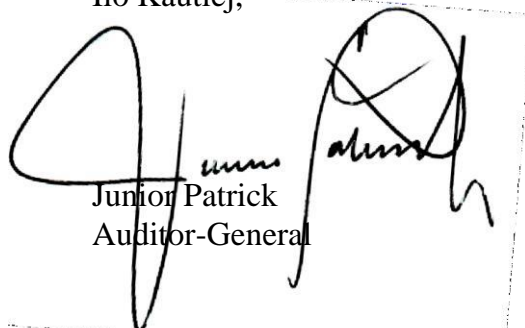
Dear Speaker Kedi:

I am pleased to submit herewith Thirty Six (36) copies of our Seventy-Fifth (75th) 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 January 1, 2021 thru June 30, 2021, 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 75th Semi-Annual Report of the Functions and Activities of the Office of the Auditor-General

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Attachment VII



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

P.O. Box 245
Majuro, Republic of the Marshall Islands 96960
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**SEVENTY-FIFTH (75TH) SEMI-ANNUAL REPORT OF THE
FUNCTIONS AND ACTIVITIES OF THE OFFICE OF THE
AUDITOR-GENERAL JANUARY 1, 2021 THRU JUNE 30, 2021**

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-Fifth (75th) 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 19 officers: 5 performance auditors; 6 financial auditors, 6 investigators, and 2 support staff. During this reporting period we lost one of our Audit Supervisors (performance auditing) who resigned to care for a sick family member. In addition, we also lost our IT Manger/Communication officer who resigned to accept other employment with higher pay. Recruitment is ongoing for the Audit Supervisor and IT Manager/Communication Officer positions.

Our four (4) staffs who were stranded outside the country due to travel restrictions associated with Covid-19 have returned home safely, except one, who decided to stay in the U.S. due to medical reasons.

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. We completed the following audits during this report period (*See Attachment I and II*).

- Performance Audit of the Customs Division
- Ailuk Atoll Local Government FY2014 thru FY2018

OTHER AUDITS COMPLETED

Financial statements audit of other governmental entities and component units below were complete under contractual arrangements. These audits are included in this semi-annual report (*See Attachments III thru Attachment VII*).

- Marshall Islands Marine Resources Authority FY2020;
- Air Marshall Islands, Inc. FY2020;
- Marshall Islands Judiciary Fund FY2020;
- Marshall Islands National Telecommunication Authority FY2020; and
- Marshall Islands Office of Commerce, Investment and Tourism FY2020.

SINGLE AUDIT OF THE REPUBLIC OF THE MARSHALL ISLANDS FY2020

The Single Audit 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, 2020(FY2020) is currently in progress. Due to Covid19 challenges the deadline for this audit has been extended by six months beyond the normal due. Accordingly, the deadline to complete the Single Audit of RepMar for FY2020 is December 31, 2021.

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 seven (7) new allegations relating to misappropriation of public funds, abuse of public office for personal gains, embezzlements, procurement irregularities, bribery in official matters, and money laundering. One major investigation was completed and referred to the appropriate RMI authorities to initiate administrative sanctions or legal proceedings or both. Another investigation conducted jointly with other law enforcement agencies was completed and legal proceedings have commenced. Three (3) investigations are in final stage of completion and will soon be referred to appropriate authorities for further legal proceedings.

As of the reporting period, the OAG has five (5) 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.

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:

- On January 5-7, 2021, the Assistant Auditor-General, the 2 Audit Managers and an Audit Supervisor attended a three-hour training on *Essentials of Risk-Based Auditing*. The training was conducted virtually and sponsored by Graduate School USA with funding from U.S. DOI's Office of Insular Affairs.
- On January 20-22, 2021, the audit staff attended a three-hour training on *Planning for Successful Audits*. The training was conducted virtually and sponsored by Graduate School USA with funding from U.S. DOI's Office of Insular Affairs.
- On February 2-3, 2021, the audit staff attended a two-hour training on *Practical Ethics for Government Employees*. The training was delivered virtually and sponsored by Graduate School USA with funding from the U.S. DOI's Office of Insular Affairs.
- On May 3-7, 2021, the Assistant Auditor-General and the performance auditing staff attended the 2021 Annual Conference of the Association of Local Government Auditors (ALGA) and general audit trainings during the conference. The annual conference was sponsored by ALGA.
- On May 17-19, 2021, the audit staff attended a three-hour training on *Managing for Effective Results*. The training was conducted virtually and sponsored by Graduate School USA with funding from the U.S. DOI's Office of Insular Affairs.
- On May 28, 2021 the entire staff attended a two and half-hour training on *Interpersonal Communication Skills for Auditors*. The training was conducted virtually and sponsored and funded by the Pacific Association of Supreme Audit Institutions (PASAI).
- During June 14-25, 2021, the new Audit Manager in our Performance auditing division and Audit Supervisor in our financial auditing division joined other participants from the insular

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 sanctions and remedies when the alleged breach or wrongdoing is by the agency's employee.

areas and attend the *Lakewood Experience* capacity building program. The program is designed to address capacity building needs of auditors from the islands and included formal training sessions and working on case studies. The Lakewood Experience was conducted virtually this time around for four-hours a day for 2 weeks. The training program was conducted by the Office of the Inspector General (OIG), U.S. Department of the Interior (DOI) under a partnership agreement with the Association of Pacific Islands Public Auditors or APIPA.

- During the reporting period, our Investigators attended several online webinars/trainings on investigations conducted by ALGA. In addition, the team also worked with a Fraud Advisor remotely to review current investigations manual for improvement. The Fraud Adviser's services are funded through the Budget Support program from the EU towards RMI's Public Financial Management (PFM) reforms.

OTHER MATTERS

OAG WON AN ALGA AWARD & NATIONAL

OAG is proud to report that its [Audit of Passport Program](#) won a 2020 Distinguished Knighton Award from the Association of Local Government Auditors (ALGA) for best performance audit in the Small Shop Category. Each year, local government audit organizations from the U.S. and Canada submit their best performance audit reports for judging. The purpose of the competition is to improve government services by encouraging and increasing levels of excellence among government auditors. Judges from peer organizations determined that this audit was among the best of 2020. The Award was presented virtually during ALGA's Annual Conference on May 4, 2021.

The award winning audit was judged on several key elements, such as the potential for significant impact, the persuasiveness of the conclusions, the focus on improving government efficiency and effectiveness, and its clarity and conciseness.

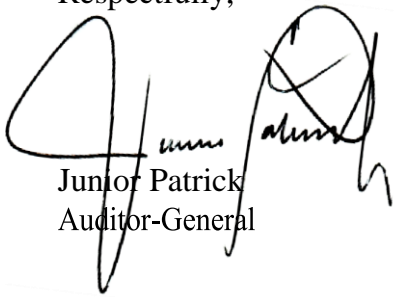
OAG congratulates its staffs on the achievement of this prestigious award and shares this award with former auditors who made contributions to this audit.

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

September 2021

EXHIBIT I: UPDATED ORGANIZATIONAL

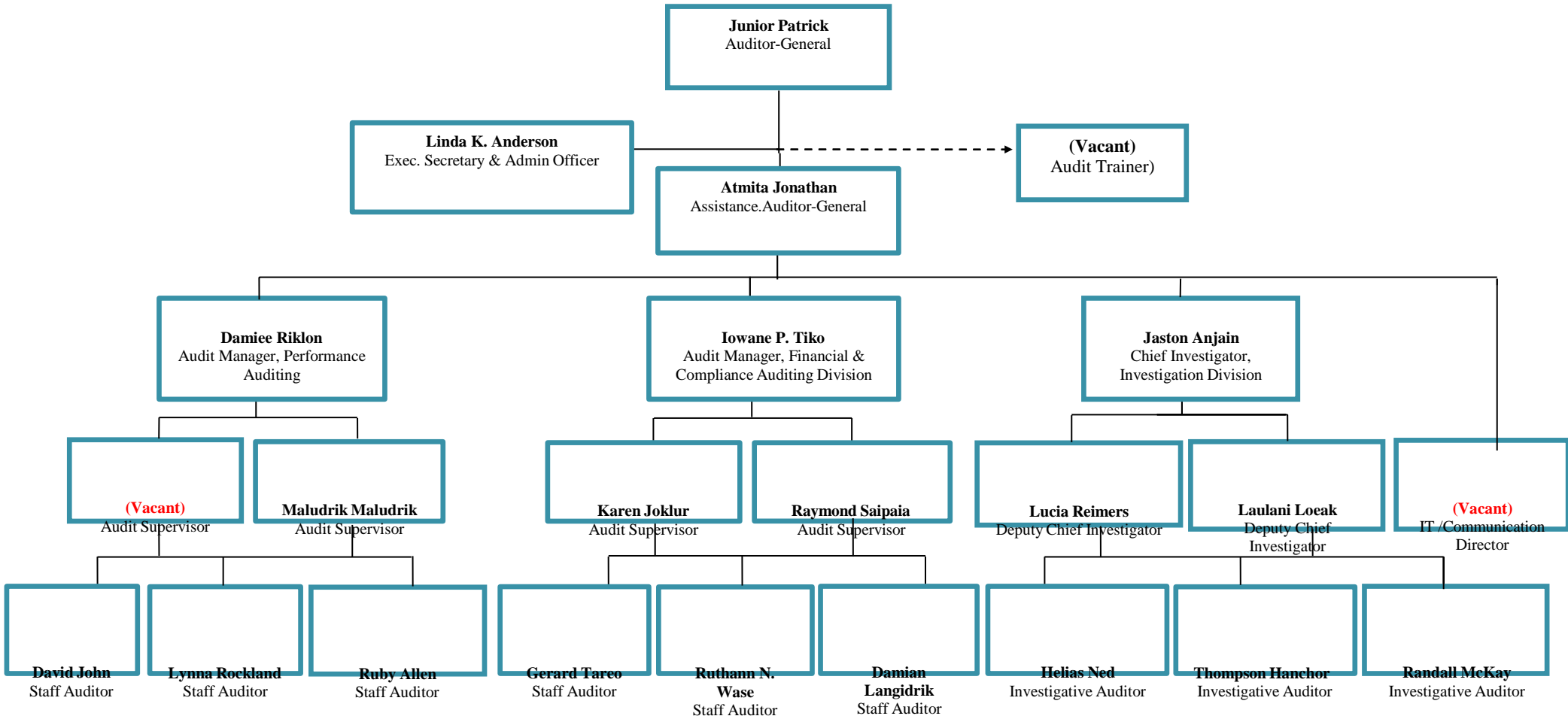


EXHIBIT II: AUDIT ACTIVITIES (JANUARY 1, 2021 THRU JUNE 30, 2021)

<u>AUDITEE</u>	<u>TYPE OF AUDIT</u>	<u>REMARKS</u>
1. Audit of Customs Division	Performance Audit [FY2017 thru FY2019]	Report completed and included in this semi-annual report
2. Ailuk Atoll Local Government	Financial/Compliance [FY2014 thru FY2018]	Report completed and included in this semi-annual report
3. Wotho Local Government	Financial/Compliance [FY2013 thru FY2016]	Audit is ongoing
4. Arno Local Government	Financial/Compliance [FY2014 thru FY2017]	Audit fieldworks in progress
5. Lib Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit is ongoing
6. Jaluit Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit planning initiated
7. Ujae Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit is ongoing
8. Mili Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit Planning initiated
9. Lae Atoll Local Government	Financial/Compliance [FY2013 thru FY2017]	Audit fieldworks in progress
10. Audit of RMI Embassy in Taiwan	Internal control/compliance	Audit pushed back due to travel restrictions
11. Audit of RMI Embassy in Japan	Internal control/compliance	Audit pushed back due to travel restrictions

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