

REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

JALUIT ATOLL LOCAL GOVERNMENT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

PERIOD FROM OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2018



AUDIT No.: OAG 05/20-2400

August 03, 2023

Date

P.O. BOX 245
MAJURO, MH 96960
REPUBLIC OF THE MARSHALL ISLANDS

JALUIT ATOLL LOCAL GOVERNMENT

**FINANCIAL STATEMENT AND INDEPENDENT
AUDITORS' REPORT**

PERIOD FROM OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2018

JALUIT ATOLL LOCAL GOVERNMENT
Period October 1, 2013 through September 30, 2018

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INDEPENDENT AUDITORS' REPORT

Honorable Alington Robert
Mayor
Jaluit Atoll Local Government
Republic of the Marshall Islands

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Jaluit Atoll Local Government (Jaluit Government), which comprises the schedule of cash receipts and disbursements for the period from October 1, 2013 through September 30, 2018, and the related notes to the financial statements. The financial statement is the responsibility of the Jaluit Government.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial statement.

Basis for Disclaimer of Opinion

Because of inadequacies in the accounting records of the Jaluit Government, we are unable to form an opinion regarding the amounts recorded as cash receipts and cash disbursements in the accompanying financial statement stated at \$175,501 and \$167,019 respectively.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement. Accordingly, we do not express an opinion on the accompanying financial statement of Jaluit Government.

Basis of Accounting

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

Other Matters


Other Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 03, 2023 on our consideration of the Jaluit Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jaluit Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jaluit Government's internal control over financial reporting and compliance.

August 03, 2023

For 

Junior Patrick
Auditor-General

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Cash Receipts and Disbursements
Period from October 01, 2013 Through September 30, 2018

Cash Receipts:	<u>Total</u>
RepMar Contribution	
Local Government Fund (LGF)	124,693
Head Tax	2,724
Departure Fee	750
Truck Charter	2,353
Business License	9,650
Other Revenues	5,325
Bank Adjustments	4,677
Unreported/unidentified deposits	25,329
Total cash receipts	<u>175,501</u>
Cash Disbursements:	
Salary	54,696
Sitting Fees	40,475
Refreshments	1,490
Equipment	1,000
Travel/Per Diem	660
Contributions	200
Supplies & Materials	408
Other Expenses	11,397
Bank Charges	3,201
Unreported/unidentified cash disbursements	53,492
Total disbursements	<u>167,019</u>
Net change in cash	<u>8,482</u>

See Accompanying Notes to Schedule of Cash Receipts and Disbursements.

JALUIT ATOLL LOCAL GOVERNMENT
Notes to Schedule of Cash Receipts and Disbursements
Period from October 1, 2013 through September 30, 2018

(1) Organization

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

(2) Basis of Accounting

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

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

(3) Cash

As of September 30, 2018, the carrying amount of the Jaluit Government's total cash was \$8,482 which corresponds to the bank balance and which is maintained at a local financial institution which is not subject to Federal Deposit Insurance Coverage (FDIC). The Jaluit Government does not require collateralization of its cash deposits in excess of FDIC depository limits.

(4) Budget Process

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

(5) RepMar Contributions

The Jaluit Government receives annual grant funding from RepMar's Local Government Fund (LGF), which is distributed on a quarterly basis. This quarterly allotment is contingent upon the Jaluit Government providing financial reports and supporting documents. For the period from October 1, 2013 through September 30, 2018, the Jaluit Government received \$124,693 from the LGF.

(6) Other Financing Sources and Contributions

The Jaluit Government is the beneficiary of annual appropriations from RepMar under the Outer Islands Economic Development Fund (OIEDF) administered and disbursed directly to vendors by RepMar's Ministry of Finance, Banking and Postal Services (Ministry of Finance). The disbursement of this grant fund is contingent upon the Jaluit Government providing community proposal and an approved resolution from council.

JALUIT ATOLL LOCAL GOVERNMENT
Notes to Schedule of Cash Receipts and Disbursements
Period from October 1, 2013 through September 30, 2018

(6) Other Financing Sources and Contributions (continued)

For the period from October 1, 2013 through September 30, 2018, the Jaluit Government received a total of \$552,905 under this grant. In addition, the Jaluit Government is the beneficiary of annual appropriations from RepMar under the Grant-in-Aid fund administered and disbursed directly to vendors by RepMar's Ministry of Finance, Banking & Postal Services. The disbursement of this grant fund is contingent upon the Jaluit Government providing community proposal and an approved resolution from council. For the period from October 1, 2013 through September 30, 2018, the Jaluit Government received a total of \$24,549 under this grant. As these appropriations are disbursed directly by RepMar to vendors, such are not reflected as cash receipts and disbursements within the accompanying financial statement.

(7) Related Party Transactions

During the period October 1, 2013 through September 30, 2018, the Jaluit Government made certain payments for the benefits of certain members of council, this amounted to \$40,475 in sitting fees.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Cash Receipts and Disbursements Period from October 01, 2013 Through September 30, 2018

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>Total</u>
Cash Receipts:						
RepMar Contribution						
Local Government Fund (LGF)	14,723	19,631	19,706	19,629	51,002	124,693
Head Tax	-	-	650	-	2,074	2,724
Departure Fee	-	-	396	212	142	750
Truck Charter	-	-	448	1,615	290	2,353
Business License	-	-	6,300	500	2,850	9,650
Other Revenues	-	-	1,300	2,431	1,594	5,325
Bank Adjustments	113	241	1,000	1,225	2,098	4,677
Unreported/unidentified deposits	3,331	1,906	(2,502)	5,335	17,259	25,329
Total cash receipts	18,167	21,778	27,298	30,947	77,309	175,501
Cash Disbursements:						
Salary	2,825	-	12,063	8,925	30,883	54,696
Sitting Fees	6,375	16,230	4,770	6,600	6,500	40,475
Refreshments	-	-	730	-	760	1,490
Equipments	-	-	-	-	1,000	1,000
Travel/Per Diem	-	-	420	-	240	660
Contributions	-	-	200	-	-	200
Supplies & Materials	-	-	-	-	408	408
Other Expenses	-	-	9,405	629	1,363	11,397
Bank Charges	903	279	515	283	1,221	3,201
Unreported/unidentified cash disbursements	7,917	5,251	(779)	13,310	27,793	53,492
Total cash disbursements	18,020	21,760	27,324	29,747	70,168	167,019
Net change in cash	147	18	(26)	1,200	7,141	8,482

See Accompanying Notes to Schedule of Cash Receipts and Disbursements.



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

Honorable Alington Robert
Mayor
Jaluit Atoll Local Government
Republic of the Marshall Islands

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Jaluit Atoll Local Government (the Jaluit Government) for the period from October 1, 2013 through September 30, 2018, and the related notes to the financial statement and have issued our report thereon dated August 03, 2023. Our report stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statement due to inadequacies in the accounting records.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as *Finding No. 1, Finding No. 2, Finding No. 3, Finding No. 4, Finding No. 5, and Finding 6*, that we consider to be material weaknesses

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of Findings and Responses as *Finding No.7* to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jaluit Government’s financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement to audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as, *Finding No. 8, Finding No. 9, Finding No. 10, Finding No. 11, Finding No. 12, Finding 13 and Finding No. 14* that we consider to be compliance weaknesses and other matters.

The Jaluit Government’s Response to Findings

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

Purpose of the Report

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

August 03, 2023

For 

Junior Patrick
Auditor-General

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No. 1

Accounting System

Criteria: All Local Governments are required to establish an accounting system pursuant to the Financial Memoranda No. 1987-1 issued by the Ministry of Culture and Internal Affairs (MOCIA). Furthermore, Article VI of Section 6 (1) of Jaluit Government Constitution states that the Executive Committee shall cause to be kept full and proper accounts and records of revenues, expenditures, assets and liabilities of the local government.

Included in the Accounting system are forms developed to be used such as cash receipt and cash disbursement journals, collection cards for each taxpayer, summary sheet for the clerk to record taxes received daily, fines and rentals record, payroll register, stipends and casual employment pay sheet, personnel action form, travel expense report, and purchase order form for proper record keeping.

Condition: We found that Jaluit Government did not adopt the accounting system established by the MOCIA and accounting forms as described in the above criteria were not utilized.

Cause: The cause of the above condition is due to the lack of adherence to the established accounting system by the Jaluit Government. In addition, there is a lack of oversight by the MOCIA and Ministry of Finance, Banking & Postal Services (MOFBPS) in ensuring that the Jaluit Government adopts and follows the accounting system in place.

Effect: The effect of the above condition is noncompliance by Jaluit Government with the Accounting Standards and Financial Memoranda No. 1987-1 which resulted in the followings:

- Inability to perform an audit of a complete set of financial statements.
- Inadequate recording of financial transactions into a general ledger.
- Inability to verify the accuracy of revenues collected and reported.
- Inability to verify the accuracy of expenses paid & reported.

Recommendation: We recommend that Jaluit Government utilize the accounting system established for all local governments under MOCIA in order to improve accountability over its financial bookkeeping. We also recommend proper oversight by the MOCIA and MOFBPS to ensure that Jaluit Government adopts and implements the local government accounting system prior to release of its Local Government Fund.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

Response from the MOCIA:

The MOCIA provided a general response agreeing to our findings and recommendations (See Appendix I).

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2013 through September 30, 2018.

Finding No.1 (continued)

Response from the MOFBPS:

The Ministry of Finance acknowledges and accepts the finding. Ways forward, the Ministry also strongly encourages MOCIA to ensure that all Local Governments adopt the forms developed by MOCIA's Local Government Act accounting system.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses

Period from October 1, 2013 through September 30, 2018.

Finding No. 2

Unsupported Disbursements

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

Condition: During the periods under audit, we have noted the following disbursements totaling \$55,790.88 that were not supported by invoices, receipts, copies of tickets, and other related supporting documentation as presented in the table below. Additionally, thirty-two (32) of these payments, totaling \$42,208.70 were issued for cash, which we have also reported in Finding No. 4.

Disbursements Not Supported by Proper Documentations

Fiscal Year	Date	Check no.	Description	Amount
FY2014	11/4/2013	185	Not Indicated	\$428.00
	12/24/2013	216	Not Indicated	\$1,850.00
	1/7/2014	219	Not Indicated	\$270.00
	3/24/2014	223	Not Indicated	\$1,000.00
	6/3/2014	225	Not Indicated	\$350.00
	8/1/2014	251	Not Indicated	\$3,200.00
	8/4/2014	254	Not Indicated	\$1,023.50
	10/16/2013	171	Not Indicated	\$125.00
	12/4/2013	189	Not Indicated	\$40.00
	1/7/2014	218	Not Indicated	\$80.20
	2/26/2014	222	Not Indicated	\$45.00
	8/4/2014	255	Not Indicated	\$160.00
	8/11/2014	257	Not Indicated	\$100.00
	8/20/2014	265	Not Indicated	\$100.00
	8/20/2014	259	Not Indicated	\$100.00
FY2015	4/28/2015	268	Not Indicated	\$690.00
	7/15/2015	273	Not Indicated	\$9,185.00
	8/24/2015	1	Not Indicated	\$4,315.00
	9/7/2015	275	Not Indicated	\$600.00
	9/9/2015	276	Not Indicated	\$300.00
	10/27/2014	258	Not Indicated	\$260.00
	4/7/2015	263	Not Indicated	\$267.00
	9/15/2015	277	Not Indicated	\$100.00
	9/21/2015	278	Not Indicated	\$100.00
FY2016	1/8/2016	282	Not Indicated	\$2,848.00
	1/11/2016	284	Not Indicated	\$1,150.00
	1/18/2016	299	Not Indicated	\$1,240.00
	4/20/2016	345	Not Indicated	\$2,050.00
	5/4/2016	358	Inauguration Transportation	\$1,014.00

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
 Period from October 1, 2013 through September 30, 2018.

Finding No.2 (continued)

FY2016	5/5/2016	367	Food Stipend	\$715.00
	5/9/2016	368	Not Indicated	\$410.00
	5/30/2016	352	Transport Day 4 Meeting	\$504.00
	6/13/2016	4	Not Indicated	\$500.00
	8/2/2016	18	Not Indicated	\$380.00
	8/22/2016	1	Not Indicated	\$4,500.00
	8/29/2016	1	Not Indicated	\$420.00
	9/26/2016	1	Not Indicated	\$470.00
	10/12/2015	279	Not Indicated	\$60.00
	12/21/2015	280	Not Indicated	\$300.00
	3/29/2016	343	Preparation	\$60.00
	5/3/2016	357	Not Indicated	\$218.30
	5/4/2016	361	Room for Mayor	\$300.00
	5/9/2016	354	Council Operation	\$253.75
	7/19/2016	17	Not Indicated	\$100.00
	8/29/2016	1	Not Indicated	\$200.00
FY2017	1/30/2017	429	Not Indicated	\$799.45
	2/2/2017	431	Not Indicated	\$525.00
	1/20/2017	372	Not Indicated	\$301.00
	1/23/2017	393	Not Indicated	\$212.00
	1/23/2017	336	Not Indicated	\$70.00
	1/26/2017	430	Not Indicated	\$100.00
	2/8/2017	428	Not Indicated	\$200.00
	6/2/2017	438	Not Indicated	\$245.00
	9/11/2017	538	Not Indicated	\$150.00
9/21/2017	541	Not Indicated	\$113.00	
FY2018	12/18/2017	677	Not Indicated	\$1,600.00
	8/23/2018	1080	Jaluit Day	\$4,000.00
	11/9/2017	650	Cartridge	\$259.98
	12/22/2017	673	Council Operation	\$109.40
	12/27/2017	680	Council Operation	\$160.50
	1/26/2018	686	Council Operation	\$53.75
	2/1/2018	771	Food Stipend	\$176.00
	2/6/2018	746	Reform Youth	\$100.00
	2/8/2018	715	Council Operation	\$42.90
	2/16/2018	821	Food Stipend	\$114.85
	2/16/2018	820	T-Shirt Finance	\$135.00
	4/6/2018	796	Council Operation	\$352.00
	4/19/2018	848	Gas	\$96.00
	5/2/2018	875	May-Day	\$500.00
	5/29/2018	946	Gas/Oil	\$151.50
	9/24/2018	948	10 gal/4 oil	\$112.00
6/11/2018	968	Police Operation Binglep	\$185.00	
6/18/2018	976	Cartridge	\$200.00	

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.2 (continued)

	7/11/2018	999	Council Operation	\$71.85
	7/19/2018	1022	Not Indicated	\$96.50
	7/27/2018	1023	Not Indicated	\$656.75
	8/29/2018	1051	Council Operation	\$81.00
	9/10/2018	1093	Council Operation	\$135.00
	9/12/2018	1118	Council Operation	\$253.70
	9/19/2018	1176	Council Operation	\$310.00
	9/26/2018	1189	Not Indicated	\$600.00
	9/26/2018	1048	Council Operation	\$140.00
	Total			\$55,790.88

Cause: The cause of the above condition is due to the lack of adherence to the Local Government Financial Memoranda No. 1987-1 and lack of proper review of the financial reports by the MOCIA and MOFBPS to ensure all disbursements are adequately supported. Additionally, internal controls surrounding local government accounting of transactions are inexistent.

Effect: The effect of the above condition is non-compliance with the Local Government Financial Memoranda No. 1987-1 by the Jaluit Government and the inability to determine the authenticity and appropriateness of the disbursements made and the clear public purpose or benefits served.

Recommendation: We recommend that the Jaluit Government ensure all disbursements are supported by invoices or receipts and are maintained on file for reference and audit purposes. We also recommend that the MOCIA and the MOFBPS strictly review the quarterly financial reports and ensure that they are adequately supported by proper documentation as required by the Local Government Financial Memoranda No. 1987-1.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

Response from the MOCIA:

The MOCIA provided a general response agreeing to our findings and recommendations (See Appendix I).

Response from the MOFBPS:

The Ministry of Finance acknowledges and accepts the finding. Corrective action has been implemented and all current documentations are properly on file.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No. 3

Revenue/Cash Receipts

Criteria: A proper system of internal control requires that the collection of revenues be supported by cash receipts and be deposited intact in a timely manner. Additionally, the Local Government Accounting System established by the MOCIA requires that cash receipts be issued for all monies collected, and if cash receipts are not available, utilize the collection cards.

Condition: During the periods covered by this audit, Jaluit Government reported in their quarterly financial reports \$20,802 in total local revenues collected, however, these revenues are not supported by cash receipts. As such, we could not determine how much was actually collected and the sources.

Cause: This is due to the lack of adherence to the Local Government Accounting System requiring the issuance of cash receipts and utilization of the cash receipts journal.

Effect: There is no audit trail to determine how much local revenues were collected which increases the possibility for misappropriation of local revenues which may not be detected and corrected in a timely manner.

Recommendation: For Jaluit Government to issue official cash receipts to customers, or utilize the collection cards when collecting the required fees and taxes on the island as a measure for transparency and accountability. These collections should be accounted for through a cash receipts journal and deposited in a timely manner.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No. 4

Checks Issued to Cash

Criteria: Proper Internal Control over cash disbursements requires that disbursements be issued directly to the payee and not be issued to cash.

Condition: During the periods under audit, we noted numerous checks totaling \$42,208.70 that were issued to cash for which the justification and purpose of payment were not provided. The details of these checks are listed in the table below.

Date	Check no.	Payee	Amount	Comments
1/7/2014	219	Cash	\$270.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
3/24/2014	223	Cash	\$1,000.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
5/29/2014	224	Cash	\$4,375.00	Check was cashed for Council sitting fee, however distribution record not available; inability to determine whether designated payee(s) actually received the payment.
6/3/2014	225	Cash	\$350.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
12/4/2013	189	Cash	\$40.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
1/7/2014	218	Cash	\$80.20	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
11/20/2014	261	Cash	\$380.00	Check was cashed for Council sitting fee, however distribution record not available; inability to determine whether designated payee(s) actually received the payment.
7/15/2015	273	Cash	\$9,185.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
 Period from October 1, 2013 through September 30, 2018.

Finding No.4 (continued)

8/24/2015	1	Cash	\$4,315.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
9/7/2015	275	Cash	\$600.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
9/9/2015	276	Cash	\$300.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
10/27/2014	258	Cash	\$260.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
4/7/2015	263	Cash	\$267.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
9/15/2015	277	Cash	\$100.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
9/21/2015	278	Cash	\$100.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
1/8/2016	282	Cash	\$1,150.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
1/18/2016	299	Cash	\$1,240.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2013 through September 30, 2018.

Finding No.4 (continued)

2/19/2016	301	Cash	\$500.00	Check issued to cash for sitting fees rather than issue the check directly to the payee.
4/20/2016	345	Cash	\$2,050.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
4/29/2016	353	Cash	\$2,580.00	Check issued to cash for salary in advance rather than issue directly to the employee.
5/5/2016	367	Cash	\$715.00	Check was cashed for food stipend rather than issue directly to the vendor.
5/9/2016	368	Cash	\$410.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
5/24/2016	370	Cash	\$2,000.00	Check issued to cash for payroll rather than issue directly to the payee.
6/13/2016	4	Cash	\$500.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
8/2/2016	18	Cash	\$380.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
8/22/2016	1	Cash	\$4,500.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
8/29/2016	1	Cash	\$420.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
9/26/2016	1	Cash	\$470.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2013 through September 30, 2018.

Finding No.4 (continued)

10/12/2015	279	Cash	\$60.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
12/21/2015	280	Cash	\$300.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
3/29/2016	343	Cash	\$60.00	Check was cashed without clear justification and valid supporting documentation for verification.
7/19/2016	17	Cash	\$100.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
8/29/2016	1	Cash	\$200.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
1/26/2017	430	Cash	\$100.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
12/18/2017	677	Cash	\$1,600.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
5/2/2018	875	Cash	\$500.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
5/29/2018	946	Cash	\$151.50	Check issued to cash for fuel rather than issue directly to the vendor.
9/26/2018	1189	Cash	\$600.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, hence, unable to determine what the fund was used for.
	<u>Total</u>		<u>\$42,208.70</u>	

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.4 (continued)

Cause: The cause of the above condition is the lack of adequate internal control policies and procedures governing cash disbursements.

Effect: The effect of the above condition is the inability to determine the authenticity and appropriateness of the disbursements made or the clear public purpose or benefits served, and the possibility that cash could be misappropriated which may not be detected in a timely manner.

Recommendation: We recommend that the Jaluit Government cease the practice of writing checks to cash and issue checks directly to the appropriate payee. In the event checks have to be issued to cash, then relevant and appropriate supporting documentation should be maintained for accountability purposes. We also recommend that the MOCIA put in place strict oversight procedures and take responsibility for the local government affairs.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

Response from the MOCIA:

The MOCIA provided a general response agreeing to our findings and recommendations (See Appendix I).

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No. 5

Financial Reports

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

Condition: Our review of the quarterly financial reports filed with the MOCIA and MOFBPS revealed the following issues:

- Filing and receiving dates of the quarterly financial reports were not documented by Officials of the Local Government Office to ensure compliance with the reporting requirement stipulated under the Local Government Financial Memoranda No. 1987-1.
- Bank Statements were not provided with the financial reports.
- There were missing quarterly reports and their supporting documents (meeting minutes, check copies, ordinances, resolution, invoices and receipts) for the following:
 - *FY2014 – 1st quarterly report*
 - *FY2015 – 4th quarterly report.*
- Not all relevant checks vouchers, invoices, and receipts were provided and attached to the quarterly financial reports.
- Not all quarterly reports were submitted on time to the MOCIA and MOFBPS.

Cause: The cause of the above condition is the lack of adherence to the Local Government Financial Memoranda No. 1987-1 by Jaluit Government. Also, there is a lack of consistency in utilizing the checklist that is required to be completed by the MOCIA when receiving the quarterly financial reports from the local government. The form provides for official acknowledgements and date received by and is required to be attached with the purchase requisition submitted to the Secretary of the MOCIA for approval before transmitted to the MOFBPS for payment. In addition, there is a lack of review by the MOCIA and MOFBPS to ensure financial reports submitted are accurate, complete, and properly supported prior to payment of the Local Government Fund.

Effect: Non-compliance with the reporting requirements leads to a missing file for the 1st quarter report for FY2014, 4th quarter report for FY2016, and the related supporting documentation. In addition, the lack of review by the MOCIA and MOFBPS has resulted in inaccurate and unreliable financial reports.

Recommendation: We recommend that the Jaluit Government comply with the reporting requirements as dictated in the Financial Memoranda No. 1987-1. We also recommend that the MOCIA address these compliance issues with Jaluit Government on a regular basis. Review the reports thoroughly and ensure they are accurate, complete and properly supported. In addition, the Officials at the local government division should complete the required checklist form quarterly from the local governments in order to

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.5 (continued)

indicate review and verification. Further, we recommend that the MOFBPS thoroughly review these reports and ensure accurate and reliable proper supporting documentation are provided before releasing the fund.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

Response from the MOCIA:

The MOCIA provided a general response agreeing to our findings and recommendations (See Appendix I).

Response from the MOFBPS:

The Ministry of Finance acknowledges and accepts the finding. Corrective action has been implemented and all current financial reports and supporting documentations are properly on file. Furthermore, with the new accounting system adopted by the Ministry of Finance, all files are properly scanned electronically.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No. 6

Fixed Assets

Criteria: Under the Local Government Act 1980 (PL 1981-2, Section 46(2) (b), every local government is required to file a report of properties in their possession.

Condition: Based on our review of the documents provided to MOCIA & MOFBPS, we noted that the Jaluit Government did not file a report or a listing of all Fixed Assets bought and are in its possession as stipulated under the Local Government Act of 1980 during the period audited.

Cause: This is due to the lack of adherence to the above criteria by Jaluit Government and lack of oversight by MOCIA in making sure assets purchased are recorded and reported as required.

Effect: The effect of the above condition is the possibility for misappropriation of assets which may not be detected and corrected in a timely manner.

Recommendation: We recommend that Jaluit Government must comply with the Local Government Act of 1980 and submit a report or listing of all fixed assets bought under the name of the Local Government Office.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.7

Revenues and Expenditures

Criteria: Article VI of Section 6(1) of the Constitution of Jaluit Government requires that the Executive Committee cause to be kept full and proper accounts and records of revenues and expenditures of the local government, assets and liabilities under the control of the local government. Furthermore, good internal control dictates that all revenues and expenditures are properly accounted for and adequately supported.

Condition: Based on our review of the quarterly financial reports and the bank statements for the periods under audit for revenues and disbursements, we have found that revenues and expenditures for Jaluit Government were under-reported by \$25,329 and \$53,492 respectively. In addition, we were unable to determine whether parts of these disbursements totaling \$53,492, was reported to MOFBPS due to missing quarterly reports and related supporting documentation.

Receipts:

Periods	Bank Statements	Financial Summary Report	Under/Over Reported
FY2014	\$18,054	\$14,723	\$3,331
FY2015	\$21,537	\$19,631	\$1,906
FY2016	\$26,299	\$28,801	(\$2,502)
FY2017	\$29,722	\$24,387	\$5,335
FY2018	\$75,211	\$57,952	\$17,259
Total	\$170,823	\$145,494	\$25,329

Disbursements:

Periods	Bank Statements	Financial Summary Report	Under/Over Reported
FY2014	\$17,117	\$9,200	\$7,917
FY2015	\$21,481	\$16,230	\$5,251
FY2016	\$26,809	\$27,588	(\$779)
FY2017	\$29,464	\$16,154	\$13,310
FY2018	\$68,946	\$41,153	\$27,793
Total	\$163,817	\$110,325	\$53,492

Cause: The cause of the above condition is the lack of oversight by the Executive Committee to ensure proper records-keeping and reporting of Jaluit Government's revenues and expenditures during the period.

Effect: The effect of the condition is noncompliance with the Jaluit Constitution. In addition, lack of proper financial reporting greatly diminishes accountability over Jaluit Government funds and increases the possibility for unauthorized transactions to occur which may not be detected and corrected in a timely manner.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2013 through September 30, 2018.

Finding No.7 (continued)

Recommendation: We recommend that the Mayor and Executive Committee Members of the Jaluit Government keep full and proper accounts and records of all their revenues and expenditures. We also recommend that the MOCIA ensure that the Mayor and Executive Committee Members received proper training on how to properly record and report revenues and expenditures.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

Response from the MOCIA:

The MOCIA provided a written general response agreeing to our findings and recommendations (See Appendix I).

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.8

Bank Reconciliation

Criteria: The Local Government Financial Memoranda No. 1987-1 requires all local governments to perform bank reconciliation of the accounts regularly to prevent fraud and error.

Condition: Based on our review, we found that Jaluit Government did not reconcile its cash at bank for the entire period under review. The Jaluit Government relied on the bank to indicate what checks have been cleared and what deposits have been made into their bank account.

Cause: The cause of the above condition is the lack of oversight by the Executive Committee and MOCIA to ensure that bank reconciliations are performed on a regular basis.

Effect: The effect of the above condition is noncompliance with the requirements and the Jaluit Government may not be able to detect potential financial errors and/ or fraud in a timely manner.

Recommendation: We recommend that the Executive Committee of the Jaluit Government ensures that the bank reconciliations are prepared monthly. In addition, we recommend that MOCIA ensure that Jaluit Government is performing its bank reconciliation on a regular basis and provide these with the quarterly financial reports.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

Response from the MOCIA:

The MOCIA provided a general response agreeing to our findings and recommendations (See Appendix I).

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.9

Budget

Criteria: Article VI of Section 2(1) and (2) of the Jaluit Government Constitution states “The Executive Committee shall prepare a budget estimates for the Jaluit Council and there shall be no appropriation ordinance passed by the Council if it was not introduced by the Executive Committee”. Additionally, in accordance with the Accounting Procedures for Local Government it requires that each local government must have at least one Budget for each fiscal year to maintain and keep track of the council’s money which ultimately belongs to the community.

Condition: A review of the Budget Ordinance for the periods covered by the audit disclosed the followings:

- The Annual Budget ordinance for FY2014 was not provided on file.
- The anticipated expenditures budgeted for FY2015 and FY2016 are exceedingly greater than the actual income received and collected during the period.
- The Annual Budget Ordinance for FY2017 appeared to be incomplete as it did not include anticipated expenditures for the period.
- An over-budget spending during the period of FY2018 as indicated in the table below.

Periods	Budget (Expenditures)	Financial Summary Report	Variance
FY2014	Unable to locate on file	\$9,200.00	-
FY2015	\$104,509.00	\$16,230.00	\$88,279.00
FY2016	\$104,509.00	\$27,587.85	\$76,921.15
FY2017	Incomplete – anticipated expenditures were not provided on file.	\$16,154.00	-
FY2018	\$38,731.00	\$41,152.66	(\$2,421.66).

Cause: The cause of the above condition is the lack of adherence to the Constitution and the lack of review and monitoring by the Council to ensure expenditures are incurred following the approved spending limits.

Effect: Non-compliance with the Constitution and expenditures were incurred more than the authorized amounts. Additionally, we were unable to verify whether expenses accrued during the period were approved and authorized by the Council.

Recommendation: We recommend that the Jaluit Government shall establish and implement appropriate policies and procedures regarding a balanced budget. Additionally, the Council should review the quarterly financial reports against the budget to ensure expenditures are not exceeding the approved amounts.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2013 through September 30, 2018.

Finding No.9 (continued)

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.10

Income Taxes, Social Security and Health Fund Taxes.

Criteria: The Income Tax Act of 1989 states that income tax shall be collected at a tax rate of eight percent (8%) upon the first \$10,400, to be prorated at \$200 per week, or \$866.67 per month, and twelve percent (12%) upon the amount over \$10,400, as prorated by pay period of all wages and salaries received by every employee, except as provided in subsection (2) of 93) of this section. Every employer is required to deduct and withhold the tax imposed and shall pay such tax to the Secretary of Finance.

The Social Security Tax Act of 1990, states that a worker or a self-employed worker shall contribute to the Administration an amount equal to 7% of his/her salaries. This increased in the Social Security Amendment 2016 by an additional 1% on January 1 2017. The worker's contributions to the Fund shall be collected by the employer of the worker, by deducting the amount of the contributions due from the worker's earnings, and the employer shall remit the same to the Administration along with the employer's contributions.

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

Condition: Based on our review, we found that Jaluit Government paid a total of \$34,775.00 in salaries and sitting fees, however, no taxes were withheld for Income Tax, Social Security and Health Fund Taxes.

Periods	Description	Amount
FY2014	Sitting Fees	\$6,450.00
FY2015	Sitting Fees	\$5,330.00
FY2016	Salary & Sitting Fees	\$4,930.00
FY2017	Salary & Sitting Fees	\$10,725.00
FY2018	Salary & Sitting Fees	\$7,340.00
Total		\$34,775.00

Cause: The cause of the above condition is due to a lack of oversight from the Jaluit Government to ensure income tax, social security tax, and health fund tax are withheld when salaries and sitting fees are issued.

Effect: The effect of the above condition is noncompliance with the Income Tax Act of 1989, the Social Security Tax Act of 1990 and the Health Fund Tax Act of 2002.

Recommendation: We recommend that the Jaluit Government comply with the Income Tax Act of 1989, the Social Security Tax Act of 1990 and the Health Fund Tax Act of 2002.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2013 through September 30, 2018.

Finding No.10 (continued)

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.11

Personnel File

Criteria: Personnel action files should be maintained to have evidence that a person receiving salaries/compensations was actually hired. A personnel file should include an approved personnel action form, job descriptions that clearly define duties and responsibilities, and other related documents.

Condition: Personnel files and time sheets were not being maintained, however, salaries in the amount of \$54,696 were paid to council employees that included police officers, tax collectors, clerks, and administration staff. In the absence of these documents, we are unable to determine whether employees paid are in fact employees of the Jaluit Government.

Cause: The cause of the above condition is due to the lack of internal control policies and procedures regarding personnel files and time sheets.

Effect: The effect of the above conditions is the inability to determine the appropriateness of the compensations paid and whether they were properly authorized. This also led to additional expenses that were not budgeted for respectively.

Recommendation: We recommend that the Jaluit Government establishes and implements internal control policies and procedures requiring that personnel files are established for all employees of the Jaluit Government and that copies are maintained on file.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.12

Business Listing

Criteria: Section 203 of the Local Government Tax and Fees Act of 1989 requires, at the end of each quarter, every local government council shall provide to the Secretary of Finance through the Secretary of Internal Affairs a list of names of all businesses licensed under its jurisdiction.

Condition: We did not find any business listing filed by Jaluit Government with the MOCIA for the entire period covered by this audit.

Cause: The cause of the above condition is the lack of proper oversight by the MOCIA to require that the Jaluit Government provides a business listing as part of its reporting package.

Effect: The effect of the above condition is that Jaluit Government did not comply with the requirement of the Local Government Tax and Fees Act of 1989.

Recommendation: We recommend that the Jaluit Government strictly complies with Section 203 of the Local Government Tax and Fees Act of 1989. We also recommend that the MOCIA, as the administrator, requires that the Jaluit Government complies with the requirements of the Local Government Tax and Fees Act of 1989.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

Response from the MOCIA:

The MOCIA provided a general response agreeing to our findings and recommendations (See Appendix I).

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.13

Procurement Code Violation

Criteria: All Local Governments who receive funds from the RMI Government are required to adhere to the RMI Procurement Code Policies established by the MOFBPS for small purchases \$.01-25,000.

- i. Procurement \$.01 to \$500 under General Fund requires a minimum of 1 quotation only.
- ii. \$500 to \$25,000 for General Fund requires a minimum of 3 valid and relevant quotations.
- iii. For all other funds, \$.01 to \$24,999.99 requires a minimum of 3 valid and relevant quotations.

Condition: We found that Jaluit Government did not provide any price quotation for all payments where price quotations are mandatory. For instance, the following payments were made from the Local Government Fund (LGF) for which the 3 price quotations requirement was not followed.

Date	Check no.	Description	Amount	Remarks
5/5/2016	367	Food Stipend	\$715.00	No price quotations on file
1/30/2017	429	Not Indicated	\$799.45	No price quotations on file
12/18/2017	677	Not Indicated	\$1,600.00	No price quotations on file
8/23/2018	1080	Jaluit Day	\$4,000.00	No price quotations on file
5/2/2018	875	May-Day	\$500.00	No price quotations on file
7/27/2018	1023	Not Indicated	\$656.75	No price quotations on file
9/26/2018	1189	Not Indicated	\$600.00	No price quotations on file
Total			\$8,871.20	

Cause: The cause of the above condition is the lack of proper oversight, monitoring and enforcement to ensure the Jaluit Government complies with the RMI Procurement Code Policy.

Effect: The effect of the above condition is noncompliance with the Procurement Code by Jaluit Government and there is no assurance whether the Local Government is getting the best value for money spent.

Recommendation: We recommend that the Jaluit Government strictly comply with the Procurement Policy to get the best value for its money. We recommend also that the MOCIA and MOFBPS ensure that Jaluit Government complies with the procurement code prior approval and disbursements of funds.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2013 through September 30, 2018.

Finding No.13 (continued)

Response from the MOCIA:

The MOCIA provided a general response agreeing to our findings and recommendations (See Appendix I).

Response from the MOFBPS:

The Ministry of Finance acknowledges and accepts the finding in adherence to the Procurement Code stating the requirement of 3 price quotation for any spending of \$500 - \$25,000.

JALUIT ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2013 through September 30, 2018.

Finding No.14

Council Meetings

Criteria: Section 102 of the Local Government (Amendment) Act 2016 indicates that the constitution of every local government shall provide for a meeting of the Council at least once every three (3) months. Additionally, Article III of Section 6 of the Jaluit Constitution states that the meetings of the Jaluit Council shall be held every three months for seven days.

Condition: Our examination of the Council minutes revealed the following issues:

Periods	Quarters	Issues
FY2014	1 st & 4 th Quarters	Council minutes were missing
FY2015	3 rd & 4 th Quarters	Council minutes were missing
FY2016	2 nd Quarter	Council minutes were missing
FY2017	1 st Quarter	Council minutes were missing
FY2018	2 nd , 3 rd , & 4 th	Council minutes were missing

Cause: The cause of the above condition is the lack of adherence with Section 102 of the Local Government (Amendment) Act 2016 by the Administration of Jaluit Government.

Effect: Non-compliance with the records-keeping requirements under the Local Government Act and the Jaluit Constitution. In the absence of the Council meeting minutes, major decisions are not documented for accountability purposes. This also leads to a culture of loosened oversight and negligence of duties by the Jaluit Government administration.

Recommendation: We recommend that the Administration review and comply with the Local Government (Amendment) Act 2016 and Article III of Section 6 of the Jaluit Constitution.

Auditee's Response and Corrective Action Plan:

The Jaluit Government has verbally agreed to our findings and recommendations at our exit conference on July 11, 2023.



Republic of the Marshall Islands

MINISTRY OF CULTURE AND INTERNAL AFFAIRS

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28 July 2023

Mr. Junior Patrick
Auditor General
Office of the Auditor General
Majuro, Marshall Islands 96960

Iakwe Auditor General,

I wish to take this opportunity to commend you and your staff for patiently trying to cope with the enormous task of auditing the 24-Local Government Councils as to how they routinely utilize the grant funds allocated to them on a yearly basis from the National Government through the Ministry of Culture and Internal Affairs.

With respect to the draft audit on Jaluit Atoll Local Government covering the period from October 1, 2013-to-September 30, 2018, the Ministry does not dispute any of the audit cited in the draft audit report findings.

The Ministry agrees with the findings and has been working tirelessly to come up with a scheme to upgrade and considerably improve on the level of internal control and compliance which have been the utmost challenging to date for the Local Governments and the Ministry.

The MoCIA and the management team shall develop a Standard Operating Procedure (SOP) to be reviewed with the leaderships of all 24 Local Governments and the focused will be on striving to minimize the questions/costs related to the continued findings arising from lack of internal control and compliance.

The Ministry stands firm and ready to collaborate with you on all matters related to improving the auditing for the Local Governments and bring it up to standards.

Komol tata

A handwritten signature in black ink, appearing to read 'Brenda Alik'.

Brenda Alik
Secretary
Ministry of Culture & Internal Affairs

cc: Minister, MoCIA
Mayor, JALGOV
Local Government Affairs
file

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