

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General

Seventy-Seventh (77th) Semi-Annual Report
of the Functions and Activities of the Office
of the Auditor-General



SUBMITTED TO THE NITIJELA DURING ITS 43RD
CONSTITUTIONAL REGULAR SESSION [PART II]

AUGUST 2022



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

September 21, 2022

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

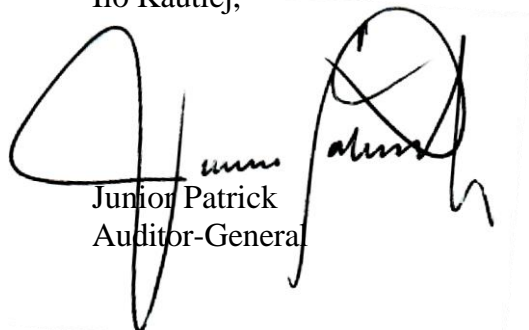
Dear Speaker Kedi:

I am pleased to submit herewith Thirty Six (36) copies of our Seventy-Seventh (77th) 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, 2022 thru June 30, 2022, and it included all reports completed 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 and other Stakeholders including 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 77th Semi-Annual Report of the Functions and Activities of the Office of the Auditor-General

Table of Contents

INTRODUCTION	1
ORGANIZATIONAL STATUS	2
AUDIT ACTIVITIES.....	2
INVESTIGATION ACTIVITIES.....	3
TRAINING AND CAPACITY BUILDING	4
OTHER MATTERS.....	6
PUBLICATION OF AUDIT REPORTS SUBMITTED.....	7
EXHIBIT I: UPDATED ORGANIZATIONAL CHART	9
EXHIBIT II: AUDIT ACTIVITIES (JANUARY 1, 2022 THRU JUNE 30, 2022 (INCLUDED STATUS AS OF PRINTING DATE OF THIS REPORT).....	10

Attachments

[Arno Atoll Local Government
Financial Statements and Independent Auditors' Report
Period from October 1, 2013 thru September 30, 2017](#)

[Arno Atoll Local Government
Independent Auditors' Report on Internal Control and on Compliance
Period from October 1, 2013 thru September 30, 2017](#)

Attachment I

[Wothe Atoll Local Government
Financial Statements and Independent Auditors' Report
Period from October 1, 2012 thru September 30, 2018](#)

[Wothe Atoll Local Government
Independent Auditors' Report on Internal Control and on Compliance
Period from October 1, 2012 thru September 30, 2018](#)

Attachment II

[Rongelap Atoll Local Government
Financial Statements and Independent Auditors' Report
Year Ended September 30, 2016](#)

[Rongelap Atoll Local Government
Independent Auditors' Report on Internal Control and on Compliance
Year Ended September 30, 2016](#)

Table of Contents

Attachments

<u>Rongelap Atoll Local Government Independent Auditors' Management Letter Report Year Ended September 30, 2016</u>	Attachment III
<u>Utrök Atoll Local Government Financial Statements And Independent Auditors' Report Year Ended September 30, 2015</u>	
<u>Utrök Atoll Local Government Independent Auditors' Report On Internal Control and on Compliance Year Ended September 30, 2015</u>	
<u>Utrök Atoll Local Government Independent Auditors' Management Letter Report Year Ended September 30, 2015</u>	Attachment IV
<u>Majuro Atoll Waste Company (A Component Unit of the Republic of the Marshall Islands) Financial Statements and Independent Auditors' Report Years Ended September 30, 2021 and 2020</u>	
<u>Majuro Atoll Waste Company (A Component Unit of the Republic of the Marshall Islands) Independent Auditors' Report on Internal Control and on Compliance Year Ended September 30, 2021</u>	
<u>Majuro Atoll Waste Company (A Component Unit of the Republic of the Marshall Islands) Independent Auditors' Management Letter Report Year Ended September 30, 2021</u>	Attachment V
<u>Marshall Islands Judiciary Fund (A Governmental Fund of the Republic of the Marshall Islands) Financial Statements, Additional Information And Independent Auditors' Report Year Ended September 30, 2021</u>	
<u>Marshall Islands Judiciary Fund (A Governmental Fund of the Republic of the Marshall Islands) Independent Auditors' Report on Internal Control and on Compliance Year Ended September 30, 2021</u>	
<u>Marshall Islands Judiciary Fund (A Governmental Fund of the Republic of the Marshall Islands) Independent Auditors' Management Letter Report Year Ended September 30, 2021</u>	Attachment VI

Table of Contents

Attachments

[Marshall Islands National Telecommunication Authority
\(A Component Unit of the Republic of the Marshall Islands\)
Financial Statements and Independent Auditors' Report
Years Ended September 30, 2021 and 2020](#)

[Marshall Islands National Telecommunication Authority
\(A Component Unit of the Republic of the Marshall Islands\)
Independent Auditors' Report on Internal Control and on Compliance
Year Ended September 30, 2021](#)

[Marshall Islands National Telecommunication Authority
\(A Component Unit of the Republic of the Marshall Islands\)
Independent Auditors' Report on Compliance with Aspect of Contractual
Agreement and Regulatory Requirements
Year Ended September 30, 2021](#)

[Marshall Islands National Telecommunication Authority
\(A Component Unit of the Republic of the Marshall Islands\)
Independent Auditors' Management Letter Report
Year Ended September 30, 2021](#)

Attachment VII

[Air Marshall Islands, Inc.
\(A Component Unit of the Republic of the Marshall Islands\)
Financial Statements and Independent Auditors' Report
Years Ended September 30, 2021 and 2020 \(As Restated\)](#)

[Air Marshall Islands, Inc.
\(A Component Unit of the Republic of the Marshall Islands\)
Independent Auditors' Report on Internal Control and on Compliance
Year Ended September 30, 2021](#)

[Air Marshall Islands, Inc.
\(A Component Unit of the Republic of the Marshall Islands\)
Independent Auditors' Management Letter Report
Year Ended September 30, 2021](#)

Attachment VIII



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-SEVENTH (77TH) SEMI-ANNUAL REPORT OF THE FUNCTIONS
AND ACTIVITIES OF THE OFFICE OF THE AUDITOR-GENERAL
JANUARY 1, 2022 THRU JUNE 30, 2022

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, 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-Seventh (77th) semi-annual report.

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 20 officers: 5 performance auditors; 6 financial auditors, 6 investigators, and 3 support staff. During this reporting period we lost our Audit Manager (performance auditing) who resigned to accept another employment with much higher salary package. We have promoted one of our Audit Supervisors to become Audit Manager and are in the process of recruiting a replacement for the Audit Supervisor position. During the period also, we were able to recruit an Office Cleaner who is responsible to provide cleaning services to ensure a clean and sanitary work environment at all times.

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

AUDIT ACTIVITIES

Exhibit II provides a status of audits that were commenced, ongoing and completed during the reporting period. The following audits were completed during this reporting period (*See Attachment I and VIII*).

- Arno Atoll Local Government FY2014 thru FY2017
- Wotho Atoll Local Government FY2013 thru FY2018
- Rongelap Atoll Local Government FY2016
- Utrōk Atoll Local Government FY2015
- Majuro Atoll Waste Company FY2021
- Marshall Islands Judiciary Fund FY2021
- Marshall Islands National Telecommunication Authority FY2021
- Air Marshall Islands, Inc. FY2021

SINGLE AUDIT OF REPMAR FY2021

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, 2021 (FY2021) is currently in progress.

In order for RepMar to meet this reporting requirement, we are required to audit the financial statements of RepMar and all its component units and include them in the audit of RepMar each year. As of the printing date of this report, the FY2021 Single Audit of RepMar is still in progress. As of the printing date of this report, all component units of RepMar have submitted their final FY2021 trial balances for audit purposes with the exception of Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR) and Majuro Water & Sewer Company, Inc (MWSC). KAJUR and MWSC are considered to be material component units of RepMar. Accordingly, if either of the financial statements of these component units are omitted from the RepMar reporting entity, such will result in a qualified opinion on RepMar's financial statements.

We will continue to follow up with these entities and remind them about their responsibility to ensure all accounting records are ready and available for audit.

SINGLE AUDIT OF REPMAR FY2020

The Single Audit of the RepMar for the fiscal year ending September 30, 2020 or FY2020 has been completed and transmitted under a separate cover to the Nitijela on August 22, 2022.

INVESTIGATION ACTIVITIES

We continue our reviews into all known allegations of fraud that are reported to us including those that we come across in our audit engagements. During this reporting period, we recorded a total of ten (10) new allegations, two (2) of which we could not pursue due to jurisdictional issues. The other allegations relate to embezzlement and/or misappropriation of public funds and other assets. During this reporting period also, we completed four (4) investigations and referred them to the appropriate authorities to initiate administrative sanctions or legal proceedings or both.

As of this reporting period, we have six (6) open investigations: One (1) investigation is in the final stage of completion and the other five (5) are in the information collection stage of the investigation process. 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 Act.

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 25, 2022, the audit staff participated in a 2-hour training on *Preparing Finance Offices for the New Auditing Standards* to gain knowledge of the changes encompassed in SAS Statements on Auditing Standards (SAS) 134-140 and be better prepared for the next audit incorporating these changes. The training was delivered virtually and sponsored by the Graduate School USA's Pacific and Virgin Islands Training Initiatives with funding support from the U.S. Department of the Interior's Office of Insular Affairs.
- From February 16 to 17, 2022, the audit staff participated in a training on *Building Employee Engagement in the New Workplace* which is intended for public sector professional interested in maximizing employee engagement. It was an interactive workshop where participants discussed:
 - ✓ What engagement is and how improving engagement can improve organizational performance (i.e., the business case for engagement)
 - ✓ Why it is important to measure engagement – and how to measure it;
 - ✓ A highly actionable roadmap to measuring and improving engagement, including in financial management;
 - ✓ Specific strategies to improve engagement, especially in the new workplace; and
 - ✓ How to achieve a permanent culture of engagement

The training was delivered virtually and sponsored by the Graduate School USA's Pacific and Virgin Islands Training Initiatives with funding support from the U.S. Department of the Interior's Office of Insular Affairs.

- From February 22, 2022 thru March 04, 2022, the investigators attended a series of training entitled *Pacific AML/CFT Supervision Fundamentals Workshop*. The workshop was part of a larger AML/CFT Supervision Training project for APG Pacific members. The objective of the training was to enhance and strengthen APG Pacific members' capability to undertake AML/CFT supervision of financial institutions and designated non-financial businesses and professions. The workshop was delivered by Amanda Wood, and included presentations from Australia, New Zealand, and APG Pacific members on their AML/CFT supervision regimes.
- On March 09, 2022, the investigators attended a webinar on *Parallel Financial Investigation & Asset Recovery: Corruption Proceeds*. The training was on

'Strengthening Anti-Corruption, Transparency and Accountability in Pacific Island Countries and part of the Pacific Anti-Corruption Project and was hosted by the UNDP Pacific Office. The speakers included UNDP Pacific Anti-Corruption Adviser Ms. Sonja Stefanovska-Trajanoska, Law Enforcement Expert Mr. Chris Douglas, Legal Expert Ms. Michelle Harwood, and Governance Consultant Mr. Avaneesh Raman.

- On April 27, May 3 and 4, May 16, and again on June 17, 2022, the financial auditors attended a series of training on *Planning, Budgeting, and Performance Measurement* which examined the relationship between performance measurement, strategic and annual planning. The training was sponsored by the Graduate School USA with funding support from the RMI Project to Strengthen Budget Execution and Financial Reporting Systems (PFM).
- From May 10-12, 2022, the investigators attended a training on *Understanding Financial Statements*. The course provided an overview of governmental accounting systems, internal controls, and documentation requirements. The training was sponsored by the Graduate School USA with funding support from the RMI PFM.
- Beginning May 31, 2022, the audit staff attended a 3-day 3-hour training on *Understanding the Compliance Audit* with other key government finance officers at the Public Service Commission's Training Room. The training was delivered virtually and looked at the Single Audit coverage, various compliance requirements, findings and corrective action plan, among others. The training was sponsored by the Graduate School USA with funding support from the RMI PFM.
- From July 13-14, 2022, the audit staff participated in a 2 half-days training on *Internal Auditing* with other senior government finance officers. The training look at why internal audit function is crucial to effective financial management and how it can contribute to improve governance, by ensuring integrity at the earliest. The training was sponsored by the Asian Development Bank (ADB) and is part of a plan to strengthen internal auditing functions in ADB's Pacific member countries.
- On July 19, 2022, the audit staff and investigators attended a webinar on *Building Strong National Integrity Systems* in the Pacific. The webinar was intended to provide a forum for Pacific Supreme Audit Institutions, Public Service Commissions, and Ombudsmen to share knowledge and expertise about building strong integrity systems which explored how three public sector organizations in New Zealand contribute to a strong national integrity system. The Speakers were John Ryan, Auditor-General of New Zealand, Peter Hughes, Public Service Commissioner of New Zealand, and Peter Boshier, Ombudsman

of New Zealand. The webinar was organized by the Office of the Auditor-General of New Zealand.

- During the week of August 29 2022 thru September 2, 2022, the entire staff attended the 34th annual Conference and Workshop of the Association of Pacific Islands Public Auditors (APIPA). The purpose of the annual APIPA workshop is to provide trainings for our auditors to maintain the training hours (continuing professional education or CPEs) required of auditors that are performing audits and attestations engagement that are guided by the *Government Auditing Standards*. The workshop was organized by the Public Auditor of the Federated States of Micronesia in collaboration with the Graduate School USA and funded by the U.S. Department of the Interior’s Office of Insular Affairs. As with the 2020 and 2021 annual workshop, the 2022 APIPA conference was virtual (via Zoom platform) due to travel restrictions associated with Covid19.

OTHER MATTERS

OAG NEW STRATEGIC PLAN

We completed our new Five-Year Strategic Plan FY2023 – FY2027. The new Strategic Plan was developed through a consultation process with our key stakeholders as well as consideration of issues and recommendations that were identified in the past studies such as the SAI Performance Management Framework (SAI PMF) Report (2021) and the regional study on Accountability and Transparency (2015) in which OAG’s legal framework was assessed against the internationally-recommended setting for SAI or audit institution as stipulated in the *Mexico Declaration on SAI Independence*.

The strategic plan outlines our priorities and 4 desired outcomes (goals), and how we plan to achieve them. For each of our goals, we have identified measurable actions to allow us to monitor our progress and know we have achieved our goals. We will regularly monitor and evaluate the success of this strategic plan through an annual implementation matrix from 2023 to 2027. A copy of our new Strategic Plan is attached as Exhibit III to this report and electronic copy is available on Office website at www.rmioag.com.

We hope to receive the support and resources we require to successfully implement this new Strategic Plan.

STATUS OF OAG COMPLEX REPAIR AND EXTENSION

We reported previously that Office complex was undergoing repair and expansion works. The project included construction of a new second floor on the east side of the complex to add more

office space to house additional staffs. The project has been delayed from its initial completion date and is now anticipated to be completed by the end of September 2022.

We are grateful to the Nitijela for the funding that has made this much needed repair and expansion works possible.



OAG REPAIR & EXTENSION PROJECT - PROGRESS PHOTOS

DELOITTE TO DISCONTINUE AUDIT SERVICES IN MICRONESIA

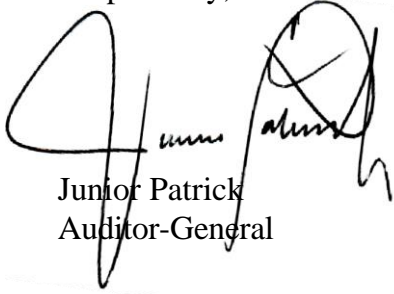
Deloitte LLP of Guam, commonly referred to as Deloitte Micronesia, will discontinue its auditing business in the Micronesia region at the end of the calendar year. Deloitte has been the private CPA firm engaged by the RMI Government to perform its annual Single Audit report which include audit of its Reporting Entities over the years.

In August 2021, Deloitte was awarded a new contract to perform the annual Single Audit of the RMI Government and its Reporting Entities for the fiscal year endings September 30th 2021, 2022, and 2023. However, with the development concerning Deloitte winding down its business and eventually will cease providing audit services in the region, we will need to terminate the current audit service agreement between RMI Government and Deloitte and search for a new auditor. The actual termination date will be determined later and it depends on Deloitte completing the audits that are currently underway.

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 and other stakeholders including the general public via the official website of the OAG at www.rmioag.com.

Respectfully,



Junof Patrick
Auditor-General

September 2022

EXHIBIT I: UPDATED ORGANIZATIONAL CHART

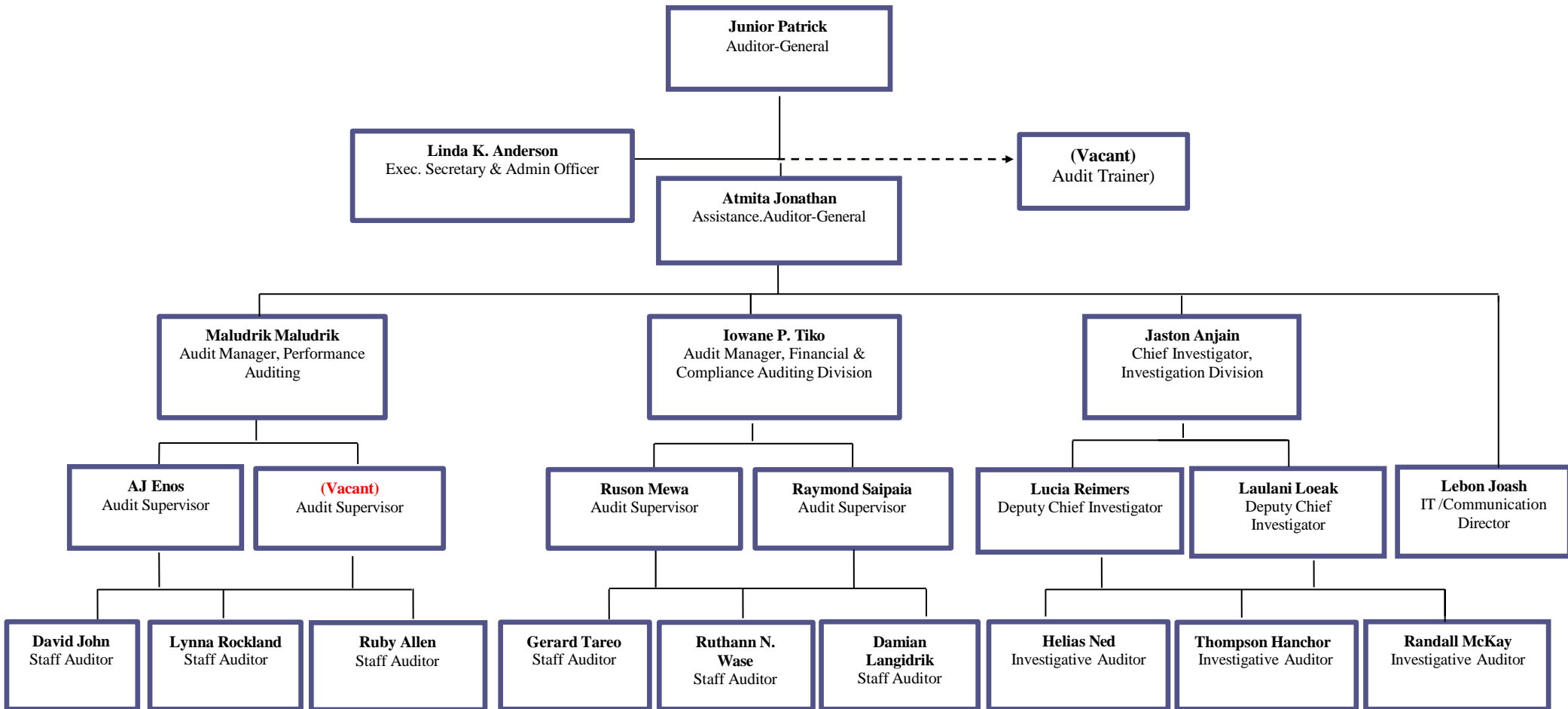


EXHIBIT II: AUDIT ACTIVITIES (JANUARY 1, 2022 THRU JUNE 30, 2022 (INCLUDED STATUS AS OF PRINTING DATE OF THIS REPORT))

<u>AUDITEE</u>	<u>TYPE OF AUDIT</u>	<u>REMARKS</u>	
1. Arno Atoll Local Government	Financial/Compliance [FY2014 thru FY2017]	Report completed and included in this semi-annual report	
2. Wotho Atoll Local Government	Financial/Compliance [FY2013 thru FY2018]	Report completed and included in this semi-annual report	
3. Lib Island Local Government	Financial/Compliance [FY2013 thru FY2018]	Report undergoing final review	
4. Ujae Atoll Local Government	Financial/Compliance [FY2014 thru FY2018]	Report undergoing final review	
5. Aur Atoll Local Government	Financial/Compliance [FY2014 thru FY2019]	Audit fieldworks completed and report being collated for review	
6. Jaluit Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit fieldworks completed and under review	
7. Ebon Atoll Local Government	Financial/Compliance [Y2013 thru FY2018]	Audit in Planning and Survey phase	
8. Maloelap Atoll Local Government	Financial/Compliance [FY2017 thru FY2020]	Audit in Planning and Survey phase	
9. Mili Atoll Local Government	Financial/Compliance [FY2013 thru FY2017]	Audit planned for the year	
10. Namdrik Atoll Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit Planned for the year	
11. Wotje Atoll Local Government	Financial/Compliance [FY2015 thru FY2019]	Audit Planned for the year	
12. RMI Embassy in Japan	Internal Control/Compliance	Audit fieldworks currently in progress	*
13. RMI Embassy in Taiwan	Internal control/Compliance [FY2011 thru FY2019]	Audit rescheduled for FY2023	**
14. RMI Embassy in Fiji	Internal control/Compliance [FY2017 thru FY2020]	Audit rescheduled for FY2023	**
15. RMI Consulate General Office HI	Internal Control/Compliance [FY2017 thru FY2020]	Audit rescheduled for FY2023	**
16. Covid19 Relief Funds (National Treasury)	Compliance [FY2017 thru FY2021]	Audit in planning phase	

** A limited scope audit has commenced in response to a request from the Ministry of Foreign Affairs & Trade*
*** Audits were scheduled due to travel restrictions associated with Covid19*

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