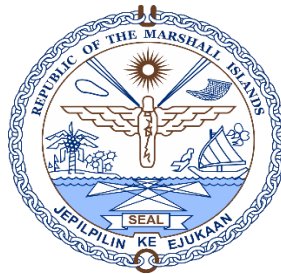


REPUBLIC OF THE MARSHALL ISLANDS

Office of the Auditor-General



Seventy-Sixth (76th) 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 I]

JANUARY 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

January 28, 2022

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

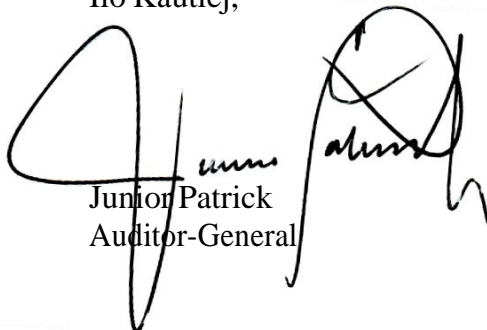
Dear Speaker Kedi:

I am pleased to submit herewith Thirty Six (36) copies of our Seventy-Sixth (76th) Semi-Annual Report of the Functions and Activities of the Office of the Auditor-General in accordance with Article VIII, Section 15(4) of the Constitution of the Republic of the Marshall Islands and Section 903(1) of the Auditor-General Act of 1986. This report covers activities of the Office during the period from July 1, 2021 thru December 31, 2021, 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 76th 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	4
TRAINING AND CAPACITY BUILDING	5
OTHER MATTERS	6
PUBLICATION OF AUDIT REPORTS SUBMITTED	8
EXHIBIT I: UPDATED ORGANIZATIONAL CHART	9
EXHIBIT II: AUDIT ACTIVITIES (JULY 1, 2021 THRU DECEMBER 31, 2021)	10

ATTACHMENTS

[Lae Atoll Local Government
Financial Statements and In
dependent Auditors' Report
Period from October 1, 2012 thru September 30, 2017](#)

Attachment I

[Health Care Revenue Fund
\(A Governmental Fund of the Republic of the Marshall Islands\)
Financial Statements and Independent Auditors' Report
Years Ended September 30, 2020 and 2019](#)

[Health Care Revenue Fund
\(A Governmental Fund of the Republic of the Marshall Islands\)
Independent Auditors' Report on Internal Control and Compliance
Years Ended September 30, 2020](#)

[Health Care Revenue Fund
\(A Governmental Fund of the Republic of the Marshall Islands\)
Independent Auditors' Management Letter Report
Years Ended September 30, 2020](#)

Attachment II

TABLE OF CONTENTS

ATTACHMENTS

[Majuro Atoll Waste Company](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Majuro Atoll Waste Company](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

[Majuro Atoll Waste Company](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#)

Attachment III

[Majuro Resort, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Majuro Resort, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

[Majuro Resort, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#)

Attachment IV

[Majuro Water and Sewer Company, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Majuro Water and Sewer Company, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

TABLE OF CONTENTS

ATTACHMENTS

[Majuro Water and Sewer Company, Inc.](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#) Attachment V

[Marshall Islands Health Fund](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Marshall Islands Health Fund](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

[Marshall Islands Health Fund](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#) Attachment VI

[Marshall Islands Postal Service Authority](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements, Additional Information and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Marshall Islands Postal Service Authority](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

[Marshall Islands Postal Service Authority](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#) Attachment VII

[Marshall Islands Shipping Corporation](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Marshall Islands Shipping Corporation](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

TABLE OF CONTENTS

ATTACHMENTS

<u>Marshall Islands Shipping Corporation</u> <u>(A Component Unit of the Republic of the Marshall Islands)</u> <u>Independent Auditors' Management Letter Report</u> <u>Year Ended September 30, 2020</u>	Attachment VIII
<u>Marshalls Energy Company, Inc.</u> <u>(A Component Unit of the Marshall Islands)</u> <u>Financial Statements, Additional Information and Independent Auditors' Report</u> <u>Years Ended September 30, 2020 and 2019</u>	
<u>Marshalls Energy Company, Inc.</u> <u>(A Component Unit of the Marshall Islands)</u> <u>Independent Auditors' Report on Internal Control and Compliance</u> <u>Year Ended September 30, 2020</u>	
<u>Marshalls Energy Company, Inc.</u> <u>(A Component Unit of the Marshall Islands)</u> <u>Independent Auditors' Report on Compliance with Agreements and Regulatory Requirements</u> <u>Year Ended September 30, 2020</u>	
<u>Marshalls Energy Company, Inc.</u> <u>(A Component Unit of the Marshall Islands)</u> <u>Independent Auditors' Management Letter Report</u> <u>Year Ended September 30, 2020</u>	Attachment IX
<u>National Environmental Protection Authority Fund</u> <u>(A Component Unit of the Republic of the Marshall Islands)</u> <u>Financial Statements and Independent Auditors' Report</u> <u>Years Ended September 30, 2020 and 2019</u>	
<u>National Environmental Protection Authority Fund</u> <u>(A Component Unit of the Republic of the Marshall Islands)</u> <u>Independent Auditors' Report on Internal Control and Compliance</u> <u>Year Ended September 30, 2020</u>	
<u>National Environmental Protection Authority Fund</u> <u>(A Component Unit of the Republic of the Marshall Islands)</u> <u>Independent Auditors' Management Letter Report</u> <u>Year Ended September 30, 2020</u>	Attachment X
<u>RMI Ports Authority</u> <u>(A Component Unit of the Republic of the Marshall Islands)</u> <u>Financial Statements, Additional Information and Independent Auditors' Report</u> <u>Years Ended September 30, 2020 and 2019</u>	

TABLE OF CONTENTS

ATTACHMENTS

[RMI Ports Authority](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

[RMI Ports Authority](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#)

Attachment XI

[Tobolar Copra Processing Authority](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Tobolar Copra Processing Authority](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

[Tobolar Copra Processing Authority](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#)

Attachment XII

[Marshall Islands Scholarship Grant and Loan Board](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Financial Statements, Additional Information and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Marshall Islands Scholarship Grant and Loan Board](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Compliance for Each Major Federal Program;](#)
[Report on Internal Control and Compliance; And Report on Schedule of Expenditures](#)
[of Federal Awards Required by the Uniform Guidance](#)
[Year Ended September 30, 2020](#)

[Marshall Islands Scholarship Grant and Loan Board](#)
[\(A Governmental Fund of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#)

Attachment XIII

TABLE OF CONTENTS

ATTACHMENTS

[Marshall Islands Social Security Administration](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements, Additional Information and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Marshall Islands Social Security Administration](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

[Marshall Islands Social Security Administration](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#)

Attachment XIV

[Global Health Ministry](#)
[Section 177 Health Plan Agreement with The Republic of the Marshall Islands](#)
[Special-Purpose Statement of Support and Expenses](#)
[Year Ended December 31, 2020](#)

Attachment XV

[Marshall Islands Development Bank](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Financial Statements, Additional Information and Independent Auditors' Report](#)
[Years Ended September 30, 2020 and 2019](#)

[Marshall Islands Development Bank](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Report on Internal Control and Compliance](#)
[Year Ended September 30, 2020](#)

[Marshall Islands Development Bank](#)
[\(A Component Unit of the Republic of the Marshall Islands\)](#)
[Independent Auditors' Management Letter Report](#)
[Year Ended September 30, 2020](#)

Attachment XVI



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

P.O. Box 245
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Address: patrjun@gmail.com Web: www.rmioag.com

**SEVENTY-SIXTH (76TH) SEMI-ANNUAL REPORT OF THE FUNCTIONS
AND ACTIVITIES OF THE OFFICE OF THE AUDITOR-GENERAL
JULY 1, 2021 THRU DECEMBER 31, 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-Sixth (76th) 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 19 officers: 6 performance auditors; 5 financial auditors, 6 investigators, and 2 support staff. During this reporting period we lost one of our most senior Audit Supervisors (Financial/Compliance Auditing) who retired after 34 years and 8 months with the Office. During the period also, we were able to recruit a replacement to fill the position of IT Manger/Communications Officer to replace the previous officer who resigned to accept another employment elsewhere with higher pay.

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. Our plan to perform follow up audits for three RMI Embassies was postponed because of travel restrictions associated with Covid19. The following audits were completed during this reporting period (*See Attachment I and XVI*).

- Lae Atoll Local Government FY2013 thru FY2017
- Health Care Revenue Fund FY2020;
- Majuro Atoll Waste Company FY2020;
- Majuro Resort, Inc. FY2020;
- Majuro Water & Sewer Company, Inc. FY2020;
- Marshall Islands Health Fund FY2020;
- Marshall Islands Postal Service Authority FY2020;
- Marshall Islands Shipping Corporation FY2020;
- Marshalls Energy Company, Inc. FY2020;
- National Environmental Protection Authority Fund FY2020;
- RMI Ports Authority FY2020;
- Tobolar Copra Processing Authority FY2020;

- Marshall Islands Scholarship Grant and Loan Board FY2020;
- Marshall Islands Social Administration; and
- Global Health Ministry (Section 177 Health Plan) CY2020
- Marshall Islands Development Bank 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. The normal deadline for this annual audit is 9 months after each fiscal year ending and accordingly the deadline for FY2020 audit was June 30, 2021. Due to challenges associated with Covid19, however, the deadline for this audit was pushed back initially by 3 months or to September 30, 2021. This new deadline was further pushed back by another 3 months or up to December 31, 2021.

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 FY2020 Single Audit of RepMar is still in progress. Draft financial statements were issued on December 15 for preparation of the Management Discussions & Analysis (MD&A) section of the report by the Management or the Ministry of Finance. In addition, the audits of the College of the Marshall Islands and Kwajalein Atoll Joint Utilities Resources, Inc. were late and have not been issued as of this reporting period.

STATUS OF AUDIT OF SIX (6) BIG LOCAL GOVERNMENTS

The following is a summary status of report pertaining to the following six (6) local governments. These audits were performed under contractual arrangement with our audit contractor, Deloitte & Touche LLP of Guam:

1. **Kili/Bikini/Ejit Local Government (FY2014-2020)** – Fieldwork is substantially complete for FY2014 through FY2016 and the audit files are undergoing engagement management review. Fieldwork for FY2017 is currently in progress.
2. **Rongelap Atoll Local Government (FY2016-FY2020)**- Fieldwork for FY2016 is complete and draft reports have been issued. We are awaiting response from management to the findings reported in the Internal Control Report prior to finalization and issuance. Fieldwork for FY2017 is currently in progress. Preliminary trial balances for FY2018 and subsequent years have not yet been provided. A request has been made with management; however, estimated date of receipt of preliminary trial balances is presently not determinable.

3. **Utrik Atoll Local Government (FY2015-2018)** – Fieldwork is currently on hold due to delay in payment of certain outstanding audit billings.
4. **Enewetak/Ujelang Local Government (FY2014 and subsequent years)** – Preliminary trial balances have not yet provided. A request has been made with management; however, estimated date of receipt of preliminary trial balances is not determinable.
5. **Kwajalein Atoll Local Government (FY2017 and subsequent years)** – Preliminary trial balances have not yet been provided. Several follow up requests have been made with management; however, estimated date of receipt of preliminary trial balances is presently not determinable.
6. **Majuro Atoll Local Government (FY2015 and subsequent years)** – Preliminary trial balances have not yet been provided. Several follow up request have been made with management; however, estimated date of receipt of preliminary trial balances is presently not determinable.

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

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 one (1) new allegation relating to cybercrime. During this reporting period also, we completed one (1) investigation and referred to the appropriate RMI authorities to initiate administrative sanctions or legal proceedings, or both.

As of this reporting period, we have six (6) open investigations: 3 investigations are in final stage of completion, and 3 other investigations are in various stages 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 Act¹.

¹ In 2018, 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.

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:

- From July 19-30, 2021, the performance auditing staff participated in a training entitled *Introduction to Environmental Auditing and Sustainable Development Goals*. The first trainings introduced the participants to environmental auditing in the context of performance auditing (economy, efficiency, and effectiveness) and covered some specific elements relevant to environmental auditing. The second part of the training provided an overview of the concept of sustainable development, the global sustainability processes from 1992 onwards and the United Nation's Agenda 2030 and provided suggestions on how audit office could contribute to the follow-up and review process of the SDGs. The trainings were funded by the Pacific Association of Supreme Audit Institutions (PASAI) and conducted virtually.
- During the week of August 23-27, 2021 and August 30-September 3, 2021, the entire staff attended the 32nd annual Association of Pacific Islands Public Auditors (APIPA) Workshop and Conference. The primary purpose of the annual APIPA workshop and conference is to provide an avenue for 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 American Samoa Audit Office in collaboration with the Graduate School USA and funded by the U.S. Department of the Interior's Office of Insular Affairs. Similar to 2020, the 2021 annual APIPA workshop was delivered online (via Zoom platform) due to travel restrictions associated with Covid19.
- From September 14 -23 2021, the Investigators participated in a workshop on Financial Crime, Money Laundering, and Criminal Asset Confiscation. The workshop was sponsored by the by Asia Pacific Group (APG) on Money Laundering and delivered virtually by a former member of the Australian Federal Police.
- During the period from October 5 and October 26, 2021, the Chief Investigator attended several training on E-Governance and Cybersecurity. The training was funded jointly by the U.S. Agency for International Development (USAID) and Taiwan International Cooperation and Development Fund (ICDF).

- From October 21 – December 9, 2021, the Chief Investigator attended a series of training on Cybersecurity. The workshop was conducted by a Senior Security Researcher at Edith Cowan University, in Australia. The training was coordinated by the Ministry of Finance, Banking and Postal Services and funded under a World Bank Project.
- On November 4, 2021 and December 2, 2021, the financial auditing staff attended a series of Report Writing trainings to improve their writing skills so they can communicate effectively with key stakeholders to achieve greater audit impact and increase the uptake of audit findings. The report writing trainings were designed specifically for the works of financial auditors and sponsored by the PASAI.
- On November 5, 2021 and December 3, 2021 the performance auditing staff attended a series of Report Writing trainings to improve their writing skills so they can communicate effectively with key stakeholders to achieve greater audit impact and increase the uptake of audit findings. The report writing trainings were designed specifically for the works of performance auditors and sponsored by the PASAI.

OTHER MATTERS

RETIREMENT OF MRS. KAREN T. JOKLUR – A LONGTIME AUDITOR

During this reporting period, we bid our farewell to a longtime auditor and friend, Mrs. Karen T. Joklur. Karen was one of our longest serving and well trained auditors. During her 34 years and 8 months with the OAG, Karen contributed toward many of our audit and investigation products, trained young auditors, and gave her best to the job. Karen's departure will be a huge loss to the OAG. We thank Karen for her contributions and many years in public service and wish her well in her retirement.



OFFICE FAREWELL/APPRECIATION DINNER WITH KAREN

OFFICE REPAIR/EXPANSION PROJECT

Office complex is undergoing repair and expansion works. Specifically, the east side of the complex is being expanded to include a second floor to add more office space to house additional staffs. We are grateful to the Nitijela for the funding that has made this much needed repair and expansion works possible. The project is expected to complete in March 2022.

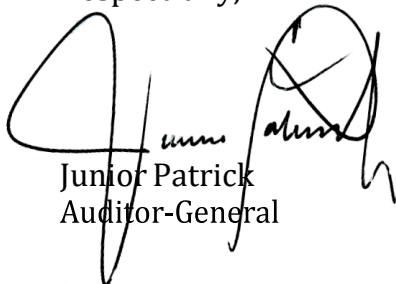


OFFICE REPAIR/EXPANSION PROJECT

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,



Junior Patrick
Auditor-General

January 2022

EXHIBIT I: UPDATED ORGANIZATIONAL CHART

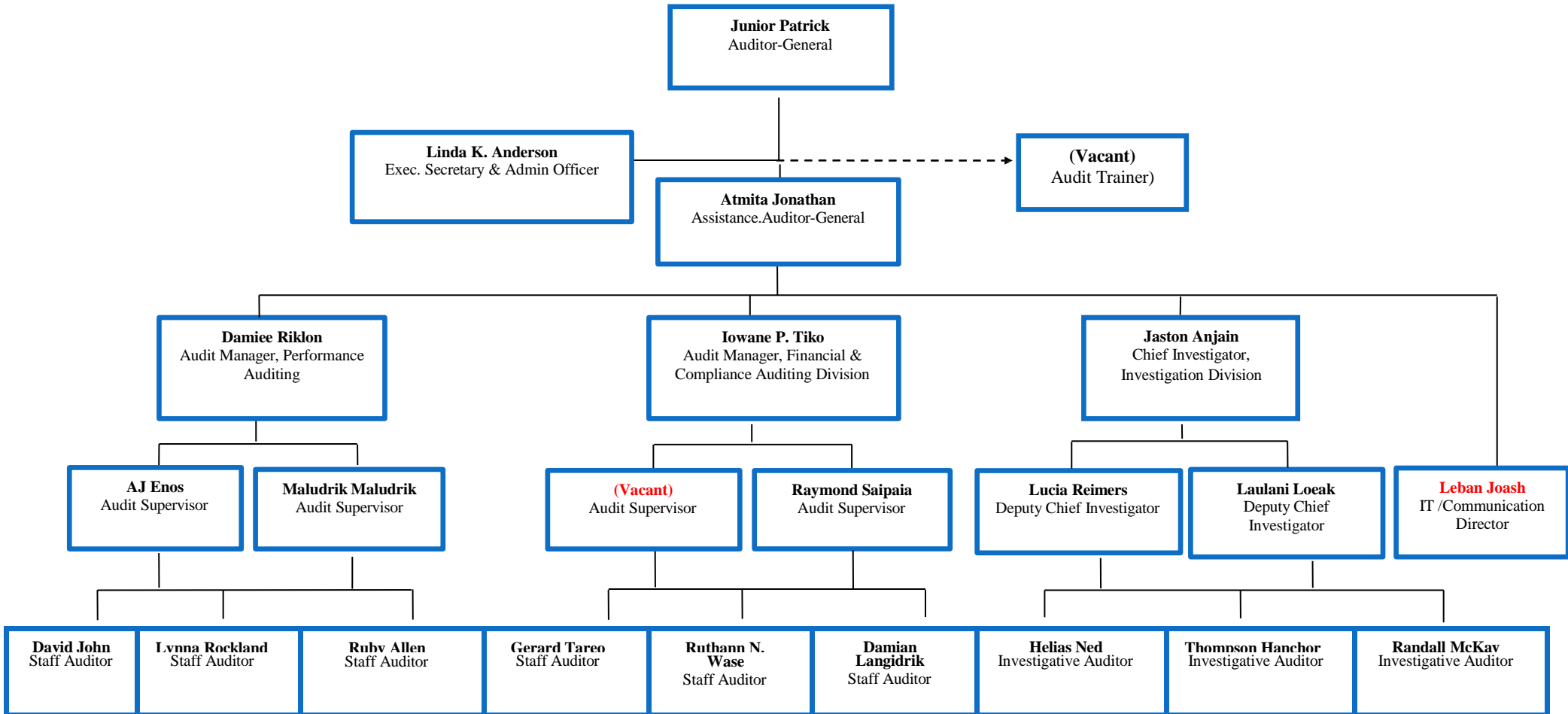


EXHIBIT II: AUDIT ACTIVITIES (JULY 1, 2021 THRU DECEMBER 31, 2021)

<u>AUDITEE</u>	<u>TYPE OF AUDIT</u>	<u>REMARKS</u>
1. Lae Atoll Local Government	Financial/Compliance [FY2012 thru FY2017]	Report completed and included in this semi-annual report
2. Lib Island Local Government	Financial/Compliance [FY2013 thru FY2018]	Report in drafting stage
3. Wotho Atoll Local Government	Financial/Compliance [FY2013 thru FY2018]	Audit in review stage
4. Arno Local Government	Financial/Compliance [FY2014 thru FY2017]	Audit reviewed and sent back for further fieldwork
5. Ujae Atoll Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit in reporting stages
6. Aur Atoll Local Government	Financial/Compliance [FY2014 thru FY2019]	Audit fieldwork in progress
7. Jaluit Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit planned for this year
8. Mili Local Government	Financial/Compliance [FY2014 thru FY2018]	Audit planned for this year
9. RMI Embassy in Taiwan	Internal control/Compliance [FY2011 thru FY2019]	Audit postponed due to current travel restrictions
10. RMI Embassy in Japan	Internal control/Compliance [FY2016 thru FY2019]	Audit postponed due to current travel restrictions **
11. RMI Embassy in Fiji	Internal control/Compliance [FY2017 thru FY2020]	Audit postponed due to current travel restrictions
12. RMI Consulate General Office HI	Internal Control/Compliance [FY2017 thru FY2020]	Audit postponed due to current travel restrictions
13. 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*

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