

REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR-GENERAL

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC PROJECT

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2022



AUDIT No.: OAG 23/2-5023

December 18, 2023

Date

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

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ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
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IN THE NORTH PACIFIC PROJECT**

**FINANCIAL STATEMENT,
ADDITIONAL INFORMATION
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YEAR ENDED SEPTEMBER 30, 2022

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC PROJECT

Year Ended September 30, 2022.

TABLE OF CONTENTS

	<u>Page No.</u>
1. FINANCIAL STATEMENT:	
Independent Auditors' Report	1
Statement of Project Account Cash Receipts and Disbursements	5
Notes to Financial Statements	6
2. OTHER SUPPLEMENTARY INFORMATION:	
Combining Statement of Project Account – Cash Receipts and Disbursements	9
Schedule of Budgeted V Actual Expenditures	10
Schedule of Budgeted V Actual Expenditures (In-kind Contributions)	11
3. INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL AND ONCOMPLIANCE:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
Schedule of Findings and Responses	14



INDEPENDENT AUDITORS' REPORT

Honorable Wilbur Heine
Minister
Ministry of Education, Sports and Training
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of Marshall Islands (RMI) Improving the Quality of Basic Education in the North Pacific Project (the "Project") financed by the Asian Development Bank's Special Fund (Grant Number 0536 RMI (SF)), which comprises the statement of project account for year ended September 30, 2022, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2022, in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matters

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered and implemented by the RMI Public School System and is not intended to present fairly the results of other non-Project related operations of the RMI Public School System in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 these 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that may raise substantial doubt about the Project's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

Auditors' Responsibility for the Audit of the Financial Statement

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Use professional judgment and exercise professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise the substantial doubt about the Project's ability to continue as a going concern for a reasonable period of time.

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

Use of Proceeds of the Grant and Particular Covenants

In connection with our audit, nothing came to our attention that caused us to believe that the Project failed to comply with the terms, covenants, provisions, or conditions of Articles III and IV of the grant agreement dated July 7, 2017 insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Project's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the grant agreement, insofar as they relate to accounting matters.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statement. Such missing information, although not a part of the financial statement, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statement in an appropriate operational, economic, or historical context. Our opinion on the financial statement is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section II of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. The Other Supplementary Information is the responsibility of the RMI Public School System's management. The additional information on page 9 was derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of 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.

In our opinion, based on our audit, the procedures performed as described above, the additional information on page 9 is fairly stated, in all material respects, in relation to the financial statement as a whole. The information on pages 10 and 11 has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it

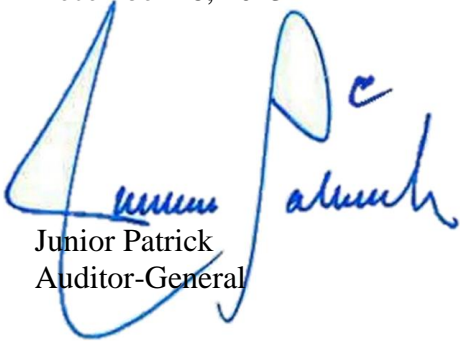
Restricted Use Relating to Other Matters

The communication related to compliance with the aforementioned grant agreement described in the Other Matters paragraph is intended solely for the information and use of the RMI Public School System's management and the Asian Development Bank and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2023, on our consideration of the Project’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 Project’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 Project’s internal control over financial reporting and compliance.

December 18, 2023

A handwritten signature in blue ink, appearing to read "Junior Patrick". The signature is stylized and written over the printed name and title below it.

Junior Patrick
Auditor-General

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC

Statement of Project Account Cash Receipts and Disbursements
Year Ended September 30, 2022

Cash Receipts:	
ADB Grant drawdowns	\$ 485,843
Other	15,371
Total cash receipts	501,214
Cash Disbursements:	
Investment Costs:	
Teaching supplies and resources	21,263
Training and capacity building	94,402
Equipment	16,415
Consulting Services	262,220
Recurrent Costs:	
Project Management costs	91,543
Total cash disbursements	485,843
Net change	15,371
Imprest Account balance at beginning of year	50,000
Imprest Account balance at beginning of year	\$ 65,371

See accompanying notes to financial statement.

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC PROJECT

Notes to the Financial Statement
Year Ended September 30, 2022

(1) Organization

On July 7, 2017, the Republic of the Marshall Islands (RMI) entered into a grant agreement (Grant Number 0536 RMI (SF)) with the Asian Development Bank (ADB) in the amount of \$6,500,000 for the Improving the Quality of Basic Education in the North Pacific Project (the Project), with a grant closing date of January 31, 2024. The objective of the Project is to: (1) address factors to improve the conditions for learning in the Marshall Islands; (2) to build on the successes and lessons learned under the Quality Primary Education in the North Pacific technical assistance; (3) and to allow for a more comprehensive and sustained approach required for effective reforms within the primary education sector.

The RMI Minister of Finance, Banking and Postal Services is designated as the representative of the RMI for the purposes of the grant regulations. The RMI Public School System (PSS), as the Project Implementation Agency, is responsible for carrying out the Project. PSS established the PSS Imprest Account to facilitate the implementation of the Project through timely release of funds and made \$50,000 of grant proceeds available for this purpose. PSS is required to operate and liquidate the PSS Imprest Account in accordance with ADB regulations. The accompanying statement of project account is prepared and solely incorporates the activities of the Project maintained by PSS and does not incorporate any accounts related to any other departments or agencies of the RMI or PSS.

(2) Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statements on the cash receipts and disbursements basis of accounting. All transactions are recognized as receipts or disbursements, including direct payments made by the ADB to vendors. Direct payments are disbursements made by the ADB, at the request of the RMI PSS, to designated beneficiaries (e.g., supplier, contractor, or consultant) directly. The cash basis differs from accounting principles generally accepted in the United States of America primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred.

Cash

For the purpose of the statement of project account, the Project considers cash to be cash in deposit accounts. As of September 30, 2022, the carrying amount of the Project's total cash was \$5,368, and the corresponding bank balance was \$3,660 which is maintained in a financial institution subject to Federal Deposit Insurance Corporation insurance.

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC PROJECT

Notes to the Financial Statement
Year Ended September 30, 2022

(2) Summary of Significant Accounting Principles Continued

Cash Continued,

The Project does not require collateralization of its cash deposits.

(3) ADB Imprest Account

For the year ended September 30, 2022, the ADB made available grant proceeds in the amount of \$485,843, for expenditures incurred under certain categories of the Project.

Reconciliation of the ADB Imprest Account to cash as of September 30, 2022, is as follows:

ADB Imprest Account balance end of year	\$	50,000
Other		15,371
		65,371
Cash disbursements withdrawn from ADB Imprest Account:		
Claimed but not yet received		(30,386)
Not yet claimed for replenishment		(29,617)
		(60,003)
Cash balance end of year	\$	5,368

(4) RMI Government Contributions

As stipulated in the provisions of the grant agreement, the RMI is required to provide counterpart in-kind contributions estimated at \$1,000,000 in the form of recurrent costs such as office space, utilities, administration and support staff, and taxes and duties exemption. For the year ended September 30, 2022, the RMI Government made available counterpart in-kind contributions in the form of income taxes and other personnel benefits, such as social security services and health insurance of national consultants, in the amount of \$136,518 for Project recurrent costs.

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC PROJECT

Notes to the Financial Statement
Year Ended September 30, 2022

(5) Commitments

The ADB has made grant proceeds of \$6,500,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2022, remaining commitments associated with unused grant proceeds amount to \$4,053,291.

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC PROJECT

Combining Statement of Project Account Cash Receipts and Disbursements
Year Ended September 30, 2022

	PSS Imprest Account	ADB Direct Payments	Total
Cash receipts:			
ADB Grant drawdowns	\$ 62,480	\$ 423,363	\$ 485,843
Other	15,371	-	15,371
	<u>77,851</u>	<u>423,363</u>	<u>501,214</u>
Cash Disbursements:			
Investment Costs:			
Teaching supplies and resources	6,263	15,000	21,263
Training and capacity building	4,457	89,946	94,402
Equipment	16,415	-	16,415
Consulting services	-	262,220	262,220
Recurrent Costs:			
Project Management costs	35,345	56,198	91,543
	<u>62,480</u>	<u>423,363</u>	<u>485,843</u>
Total cash payments	<u>62,480</u>	<u>423,363</u>	<u>485,843</u>
Net change	15,371	-	15,371
Imprest Account balance at beginning of year	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Imprest Account balance at beginning of year	\$ <u><u>65,371</u></u>	\$ <u><u>-</u></u>	\$ <u><u>65,371</u></u>

See accompanying independent auditors' report.

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC PROJECT

Schedule of Budgeted v Actual Expenditures
Period From Inception July 7, 2017, through September 30, 2022

	<u>Budget</u>	<u>Actual Expenditure</u>			<u>Variance</u>
		<u>October 1, 2021 to September 30, 2022</u>	<u>Prior Period Cumulative</u>	<u>Cumulative from July 7, 2017 to September 30, 2022</u>	
Expenditure					
Investment Costs:					
Teaching supplies and resources	\$1,222,663	\$ 21,263	\$ 134,766	\$ 156,029	\$1,066,634
Training and capacity building	2,183,556	94,402	773,826	868,228	1,315,328
Equipment	124,769	16,415	109,470	125,885	(1,116)
Consulting Services	1,140,000	262,220	493,087	755,307	384,693
	<u>4,670,988</u>	<u>394,300</u>	<u>1,511,149</u>	<u>1,905,449</u>	<u>2,765,539</u>
Recurrent Costs:					
Project Management costs	907,800	91,543	449,717	541,260	366,540
	<u>907,800</u>	<u>91,543</u>	<u>449,717</u>	<u>541,260</u>	<u>366,540</u>
Contingencies:					
Physical	557,879	-	-	-	557,879
Price	363,333	-	-	-	363,333
	<u>921,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>921,212</u>
Total Expenditures	\$ <u>6,500,000</u>	\$ <u>485,843</u>	\$ <u>1,960,866</u>	\$ <u>2,446,709</u>	\$ <u>4,053,291</u>

See accompanying independent auditors' report.

REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
IMPROVING THE QUALITY OF BASIC EDUCATION
IN THE NORTH PACIFIC PROJECT

Schedule of Budgeted v Actual Expenditures (In-kind Contributions)
Period From Inception July 7, 2017, through September 30, 2022

	<u>Budget</u>	<u>Actual Expenditure</u>			<u>Variance</u>
		<u>October 1, 2021 to September 30, 2022</u>	<u>Prior Period Cumulative</u>	<u>Cumulative from July 7, 2017 to September 30, 2022</u>	
Expenditure					
Investment Costs:					
Teaching supplies and resources	\$ 100,000	\$ -	\$ 339	\$ 339	\$ 99,661
Training and capacity building	22,000	25,653	11,868	37,521	(15,521)
Equipment	26,463	1,441	9,109	10,550	15,913
	<u>148,463</u>	<u>27,094</u>	<u>21,316</u>	<u>48,410</u>	<u>100,053</u>
Recurrent Costs:					
Project Management costs	708,000	109,423	222,284	331,707	376,293
	<u>708,000</u>	<u>109,423</u>	<u>222,284</u>	<u>331,707</u>	<u>376,293</u>
Contingencies:					
Physical	85,646	-	-	-	85,646
Price	57,891	-	-	-	57,891
	<u>143,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,537</u>
Total Expenditures	\$ <u>1,000,000</u>	\$ <u>136,517</u>	\$ <u>243,600</u>	\$ <u>380,117</u>	\$ <u>619,883</u>

See accompanying independent auditors' report.



REPUBLIC OF THE MARSHALL ISLANDS
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Wilbur Heine
Minister
Ministry of Education, Sports and Training
Republic of the Marshall Islands

We have audited, 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 Republic of Marshall Islands – Improving the Quality of Basic Education in the North Pacific Project (the Project) for the year ended September 30, 2022, and the related notes to the financial statement and have issued our report thereon dated December 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project's internal control over financial reporting (internal control) as a basis for designing 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 Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project'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. 1.

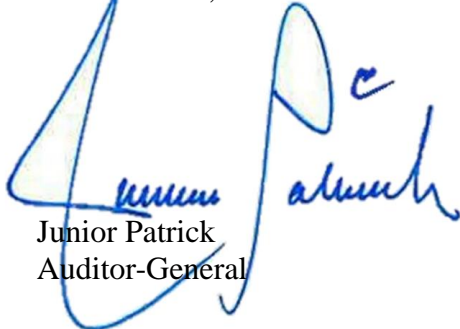
The Project's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Project's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Project's responses were not subjected to the auditing procedures applied in the audit of 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.

December 18, 2023



Junior Patrick
Auditor-General

**REPUBLIC OF THE MARSHALL ISLANDS
 ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
 IMPROVING THE QUALITY OF BASIC EDUCATION
 IN THE NORTH PACIFIC PROJECT**

Schedule of Findings and Responses
 Year Ended September 30, 2022

Finding No. 1

RMI Procurement Code (Local Noncompliance)

Criteria:

RepMar’s Procurement Code states the following:

- a) Section 124 – unless otherwise authorized by law, all Government Contracts shall be awarded by competitive sealed bidding.
- b) Section 127 – procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchases. Small purchases procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.
- c) Section 128 – a contract may be awarded for a supply, service or construction item without competition when it is determined in writing that there is only one source for the required supplies, service, or construction item.

All government departments that receive funds from the RMI Government and grants are required to adhere to the RMI Procurement Code Policies established by the MOFBPS for small purchases of \$.01-25,000.

- i. Procurement of \$.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:

From our review the purchases done during the financial year were in compliance with the ADB Procurement manual. However, we noted that the RMI Procurement Code was not followed for payment of a meeting venue and catering services where 3 price quotations were not obtained.

Check #	Particulars	Amount
556	PSS IQBE Meeting	\$2,483

Cause:

The cause of the above condition is the lack of adequate internal control policies and procedures requiring the documentation of procurement procedures to ensure compliance with RepMar procurement requirements

**REPUBLIC OF THE MARSHALL ISLANDS
ASIAN DEVELOPMENT BANK GRANT 0536 RMI (SF)
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IN THE NORTH PACIFIC PROJECT**

Schedule of Findings and Responses
Year Ended September 30, 2022

Finding No. 1 Continued:

Effect:

The effect of the above condition is noncompliance with RepMar procurement requirements.

Recommendation:

We recommend that management ensure compliance with RepMar procurement requirements.

Auditee's Response and Corrective Action Plan:

The IQBE management provided a response to our draft finding which we have included in this final report as Appendix I.

Auditor's Response:

We appreciate the IQBE management's response and additional information that were later provided for our review, and have updated our finding and report accordingly.



Republic of the Marshall Islands
Public School System
P.O. Box 3
Majuro, Marshall Islands 96960



Tel: 625-3656/5261/5262 · Fax: (692) 625-3861 · Email: info@pss.edu.mh

Date: 12/18/2023

Subject: *Response to Auditor General pertaining to procurement Compliance
Issue for Check 550 & 556*

Dear Auditor General,

The Improving the Quality of Basic Education (**IQBE**) is writing this response in regards to the compliance issue presented in the draft for Financial Year 2022 from the Office of the Auditor General in the RMI for check number 550.

The Project Implementation Unit (**PIU**) is attaching to this letter three requests for quotation (**RFQ**) for the **IQBE Technical Committee meetings** held on May 19, 2022 and May 20, 2022. Three requests were sent out to the Marshall Islands Resort (MIR), DAR and Riwtut Outback Restaurant. The PIU received only a quotation from MIR and the other two vendors did not reply to our requests.

The quote from MIR, which was the successful vendor, and the two emails that were sent out to the unresponsive vendors are attached to this letter. We believe that the PIU operated in good faith and complied with the RMI Procurement Code which requests three quotes to be presented for orders whose value is of US\$500 and above.

Upon reviewing the audit findings, we acknowledge that the IQBE Project Implementation Unit did not comply with RepMar Procurement Code for check number 556. The PIU did not obtain the necessary three quotations for a total amount of \$2,483.36. We acknowledge our oversight and will ensure that all future procurement processes are conducted according to the RepMar Procurement Code. In order to implement appropriate corrective measures, IQBE PIU will set internal protocols.

Sincerely,

Loretta J. Case
IQBE Project Director
Public School System

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 Compliance Form from our website www.rmioag.com