

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

(A GOVERNMENTAL FUND OF THE ENEWETAK/
UJELANG LOCAL GOVERNMENT)

FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED SEPTEMBER 30, 2020

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Year Ended September 30, 2020
Table of Contents

| | <u>Page No.</u> |
|---|-----------------|
| I. INDEPENDENT AUDITOR'S REPORT | 1 |
| II. FINANCIAL STATEMENT: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 3 |
| Notes to Financial Statement | 4 |
| III. INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE WITH LAWS AND REGULATIONS | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Upon the Engagement to Audit Financial Statements Performed in Accordance With Government Auditing Standards | 6 |
| Independent Auditor's Report on Compliance For The Sole Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance | 8 |
| Schedule of Expenditures of Federal Awards | 11 |
| Notes to Schedule of Expenditures of Federal Awards | 12 |
| Schedule of Findings and Questioned Costs | 13 |
| Summary Schedule of Prior Audit Findings and Questioned Costs | 17 |

INDEPENDENT AUDITOR'S REPORT

Mayor Jackson Ading
Enewetak/Ujelang Local Government
Republic of the Marshall Islands:

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Enewetak/Ujelang Local Government (EULGOV) Food and Agriculture Support Program (the Program), a governmental fund of EULGOV, which comprises the statement of revenues, expenditures and changes in fund balance for the year ended September 30, 2020, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's 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 the financial statement.

Basis for Disclaimer of Opinion

We were unable to obtain written representations from EULGOV management as required by auditing standards generally accepted in the United States of America.

Disclaimer of Opinion

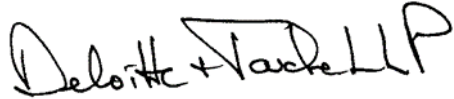
Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement of the Program for the year ended September 30, 2020. Accordingly, we do not express an opinion on the financial statement.

Emphasis of Matter - Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the EULGOV Food and Agriculture Support Program and is not intended to present fairly the results of operations of the Enewetak/Ujelang Local Government in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2022, on our consideration of the Program'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 Program's internal control over financing reporting or on compliance. That report is an integral part of an engagement to audit financial statements in accordance with Government Auditing Standards in considering the Program's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, flowing style.

November 10, 2022

**ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended September 30, 2020

| | |
|-----------------------------------|---------------------|
| Revenues: | |
| Federal program receipts | <u>\$ 2,368,365</u> |
| Expenditures: | |
| Direct food costs | 748,139 |
| Personnel services | 601,956 |
| Machinery and equipment | 420,672 |
| Petroleum, oil and lube | 278,269 |
| Materials and supplies | 77,296 |
| Repairs and maintenance | 57,650 |
| Accommodation and other benefits | 52,042 |
| Contractual services | 24,000 |
| Lady E subsistence | 12,102 |
| Communication | 8,791 |
| Temporary labor | 6,511 |
| Office rental | 5,810 |
| Travel | 5,497 |
| Wharfage and stevedoring | 1,497 |
| Insurance | 654 |
| Bank charges | 76 |
| Miscellaneous | <u>3,990</u> |
| Total expenditures | <u>2,304,952</u> |
| Change in fund balance | 63,413 |
| Fund balance at beginning of year | <u>182,892</u> |
| Fund balance at end of year | <u>\$ 246,305</u> |

See accompanying notes to financial statement.

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Notes to Financial Statement
September 30, 2020

(1) Organization

The Enewetak/Ujelang Local Government (EULGOV) was established pursuant to Public Law 1981-2, the Local Government Act of the Republic of the Marshall Islands (RMI) and operates under the Constitution of the Enewetak/Ujelang Local Government. EULGOV is governed by an elected mayor and a fifteen-member council. The EULGOV Food and Agriculture Support Program (the Program) is considered a governmental fund of EULGOV and was established to account for funding received pursuant to Section 103(f)(2) of the Compact of Free Association Amendments Act of 2003.

On October 30, 2020, the United States Department of the Interior communicated the transfer of the fund's administration to the RMI Ministry of Finance, Banking and Postal Services (the Ministry) effective immediately. Starting financial year 2021, the Ministry will be responsible for complying with all grant requirements, special terms and conditions associated with the Program.

The accompanying financial statement relates solely to those accounting records maintained by EULGOV relating to the Program and does not incorporate any accounts related to any other departments or agencies of EULGOV.

(2) Summary of Significant Accounting Policies

The financial statement of the Program has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Program's significant accounting policies are described below.

A. Measurement Focus and Basis of Accounting

The Program reports the results of its operations in one governmental fund. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

B. Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurement" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Notes to Financial Statement
September 30, 2020

(2) Summary of Significant Accounting Policies, Continued

C. Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) Risk Management

The Program is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Program has elected to purchase commercial automobile and marine insurance from independent third parties for the risks of loss to which it is exposed. For other risks of loss to which it is exposed, the Program has elected not to purchase commercial insurance. Instead, the Program's management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the Program reports all of its risk management activities in the General Fund of EULGOV. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses have resulted from the Program's risk management activities for the past three years.

(4) Contingency

Questioned Costs

The Program is subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Questioned costs have been set forth in the Program's Single Audit Report for the year ended September 30, 2020. In addition, the Program is considered to have responsibility for any questioned costs that may result from Single Audits of the Program for the fiscal years for which audits have not been performed. The ultimate disposition of any questioned costs can be determined only by final action of the grantor agency. Therefore, no provision for any liability that may result upon resolution of these matters has been made in the accompanying financial statement.

(5) Related Party Transaction

For the year ended September 30, 2020, the Program made \$22,800 of rental payments to a related party for housing certain Program employees.

(6) Fund Balance Reserve

As of September 30, 2020, \$246,305 of the 2020 grant was available to be used for future program needs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE ENGAGEMENT TO AUDIT FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor Jackson Ading
Enewetak/Ujelang Local Government
Republic of the Marshall Islands:

We were engaged to 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, the financial statement of the Enewetak/Ujelang Local Government Food and Agriculture Support Program (the Program), which comprises the statement of revenues, expenditures and changes in fund balance for the year ended September 30, 2020, and the related notes to the financial statement, and have issued our report thereon dated November 10, 2022. 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 the inability to obtain written representations from EULGOV management as required by auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning the engagement to audit the financial statement, we considered the Program's internal control over financial reporting (internal control) as a basis for determining 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 Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 Questioned Costs as item 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

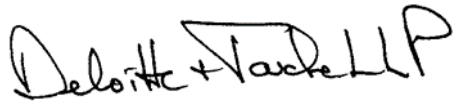
In connection with our engagement to audit the financial statement of the Program, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of the 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 Questioned Costs as item 2020-001.

The Program's Response to Findings

The Program's views relative to the findings identified in the engagement to audit is described in the accompanying Schedule of Findings and Questioned Costs. The Program did not provide a response. A response, if provided, would not be subjected to the auditing procedures applied in the engagement to audit the financial statement and, accordingly, we express no opinion on the response.

Purpose of this 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 an engagement to audit financial statements 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.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

November 10, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE SOLE MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Mayor Jackson Ading
Enewetak/Ujelang Local Government
Republic of the Marshall Islands:

Report on Compliance for the Sole Major Federal Program

We have audited the Enewetak/Ujelang Local Government Food and Agriculture Support Program's (the Program) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Program's sole major federal program for the year ended September 30, 2020. The Program's sole major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Program's sole major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the sole major federal program. However, our audit does not provide a legal determination of the Program's compliance.

Basis for Qualified Opinion on the Sole Major Federal Program

As described in the accompanying Schedule of Findings and Questioned Costs, the Program did not comply with requirements regarding CFDA 15.875 Enewetak Food and Agriculture Support Program as described in item 2020-001 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the Program to comply with the requirements applicable to that program.

Qualified Opinion on the Sole Major Federal Program

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion on the Sole Major Federal Program” paragraph, the Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the sole major federal program for the year ended September 30, 2020.

Other Matters

The Program’s views relative to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Program did not provide a response. A response, if provided, would not be subjected to the auditing procedures applied in the audit of compliance, and accordingly, we would express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Program is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Program’s internal control over compliance with the types of requirements that could have a direct and material effect on the sole major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the sole major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Program’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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 over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be material weaknesses.

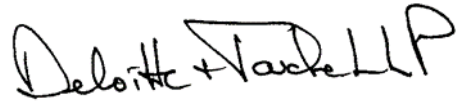
The Program’s views relative to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Program did not provide a response. A response, if provided, would not be subjected to the auditing procedures applied in the audit of compliance, and accordingly, we would express no opinion on the response.

The Program is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The Program did not provide a corrective action plan. The Program’s corrective action plan, if provided, would not be subjected to the auditing procedures applied in the audit of compliance and, accordingly, we would express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We were engaged to audit the financial statement of the Program for the year ended September 30, 2020 and have issued our report thereon dated November 10, 2022. 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 the inability to obtain written representations from EULGOV management as required by auditing standards generally accepted in the United States of America. We were engaged for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Because of the significance of the matter discussed above, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

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November 10, 2022

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

| | <u>Beginning Fund Balance</u> | <u>2020 Funds Received</u> | <u>2020 Funds Expended</u> | <u>Ending Fund Balance</u> |
|---|-----------------------------------|------------------------------------|------------------------------------|--------------------------------|
| <u>U.S. Department of the Interior</u> <u>CFDA #15.875</u> | | | | |
| Funds received in a direct capacity: | | | | |
| Economic, Social and Political Development of the Territories: Operation of the Enewetak Food and Agriculture Support Program | \$ <u>182,892</u> | \$ <u>2,368,365</u> | \$ <u>2,304,952</u> | \$ <u>246,305</u> |

See accompanying notes to schedule of expenditures of federal awards.

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

(1) Organization

The Enewetak/Ujelang Local Government (EULGOV) 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 the Enewetak/Ujelang Local Government.

EULGOV is the recipient of non-Compact of Free Association related funds received from the U.S. Department of the Interior under the EULGOV Food and Agriculture Support Program (the Program). These funds must be expended in accordance with grant awards and are subject to general U.S. federal requirements.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Program and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule only presents the operations of the Program, it is not intended to and does not present the financial position, changes in net position, or cash flows of EULGOV. The Program has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

- | | | |
|--|--|---------------|
| 1. | Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP: | Disclaimer |
| Internal control over financial reporting: | | |
| 2. | Material weakness(es) identified? | Yes |
| 3. | Significant deficiency(ies) identified? | None reported |
| 4. | Noncompliance material to financial statement noted? | Yes |

Federal Awards

Internal control over the sole major federal program:

- | | | |
|----|--|---------------|
| 5. | Material weakness(es) identified? | Yes |
| 6. | Significant deficiency(ies) identified? | None reported |
| 7. | Type of auditors' report issued on compliance for the sole major federal program: | Qualified |
| 8. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 9. | Identification of the sole major federal program: | |

| <u>CFDA #</u> | <u>Name of Federal Program or Cluster</u> |
|---------------|---|
| 15.875 | Economic, Social and Political Development of the Territories: Enewetak Food and Agriculture Support Program |

- | | | |
|-----|--|-----------|
| 10. | Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 11. | Auditee qualified as low-risk auditee? | No |

Section II - Financial Statement Findings

| <u>Reference Number</u> | <u>Findings</u> |
|-------------------------|-------------------------|
| 2020-002 | Expenditure Recognition |

Section III - Federal Award Findings and Questioned Costs

| <u>Reference Number</u> | <u>CFDA #</u> | <u>Findings</u> | <u>Questioned Costs</u> |
|-------------------------|---------------|--|-------------------------|
| 2020-001 | 15.875 | Procurement and Suspension and Debarment | \$1,121,831 |

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-001
 Federal Agency: U.S. Department of the Interior
 CFDA Program: 15.875 Economic, Social and Political Development of the Territories: Enewetak Food and Agriculture Support Program

Area: Procurement and Suspension and Debarment
 Questioned Costs: \$1,121,831

Criteria: Section § 200.317 of 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires that when procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds.

RepMar's Procurement Code states the following:

Section 124 - unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.

Section 127 - procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. Where small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

Section 128 - a contract may be awarded for supply, service, or construction item without competition when it is determined in writing that there is only one source for the required supply, service, or construction item.

Condition:

- a. The following were awarded to vendors without available documentation of the basis of the award and/or without evidence of competitive sealed bidding.

| <u>Check #</u> | <u>Date</u> | <u>Category</u> | <u>Amount</u> |
|----------------|-------------|-------------------------|------------------|
| 60138 | 07/13/2020 | Direct food costs | \$ 181,827 |
| 59673 | 04/28/2020 | Direct food costs | 180,552 |
| 59108 | 01/28/2020 | Direct food costs | 178,030 |
| 58566 | 10/17/2019 | Direct food costs | 176,810 |
| 60534 | 09/30/2020 | Machinery and equipment | 110,995 |
| 59513 | 04/08/2020 | Petroleum, oil and lube | 52,200 |
| 59173 | 01/30/2020 | Petroleum, oil and lube | 31,800 |
| 59173 | 01/30/2020 | Petroleum, oil and lube | 31,800 |
| 58714 | 11/06/2019 | Petroleum, oil and lube | 28,800 |
| 58714 | 11/06/2019 | Petroleum, oil and lube | 28,800 |
| 60064 | 07/09/2020 | Petroleum, oil and lube | 20,200 |
| 60064 | 07/09/2020 | Petroleum, oil and lube | 20,200 |
| 59513 | 04/08/2020 | Petroleum, oil and lube | 11,600 |
| 59585 | 04/14/2020 | Petroleum, oil and lube | 8,700 |
| 60535 | 09/30/2020 | Machinery and equipment | <u>32,846</u> |
| | | | <u>1,095,160</u> |

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-001, Continued
 Federal Agency: U.S. Department of the Interior
 CFDA Program: 15.875 Economic, Social and Political Development of the Territories: Enewetak Food and Agriculture Support Program

Area: Procurement and Suspension and Debarment
 Questioned Costs: \$1,121,831

- b. The following were awarded to vendors without quotations obtained from an adequate number of qualified vendors.

| <u>Check #</u> | <u>Date</u> | <u>Category</u> | <u>Amount</u> |
|------------------------|-------------|----------------------------------|---------------------|
| Various | Various | Accommodation and other benefits | 22,800 |
| 60140 | 07/14/2020 | Petroleum, oil and lube | 2,750 |
| 58715 | 11/06/2019 | Petroleum, oil and lube | 580 |
| 58481 | 10/03/2019 | Petroleum, oil and lube | <u>541</u> |
| | | | <u>26,671</u> |
| Total questioned costs | | | \$ <u>1,121,831</u> |

The \$22,800 was paid to a related party and a portion, approximately \$6,600, was not supported by an actual tenant as the rental space was vacant for a certain time period.

- c. The following were awarded to vendors without adequate documentation of relevant factors supporting the selection.

| <u>Check #</u> | <u>Date</u> | <u>Category</u> | <u>Amount</u> |
|----------------|-------------|-------------------------|------------------|
| 60691 | 10/27/2020 | Machinery and equipment | \$ 5,700 |
| 59222 | 02/06/2020 | Petroleum, oil and lube | 4,015 |
| 60370 | 08/31/2020 | Supplies | 2,856 |
| 59026 | 01/07/2020 | Petroleum, oil and lube | 832 |
| 59581 | 04/09/2020 | Petroleum, oil and lube | <u>699</u> |
| | | | \$ <u>14,102</u> |

No questioned costs are reported as justification for the transactions and prices were appropriate and verified.

Cause: EULGOV appears to lack adequate internal control policies and procedures requiring the documentation of procurement procedures to satisfy compliance with applicable procurement requirements.

Effect: EULGOV is in noncompliance with applicable procurement requirements and questioned costs of \$1,121,831 result.

Recommendation: EULGOV should require that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, quotations obtained from a number of qualified vendors, the rationale for contractor or vendor selection and/or documentation of sole source.

Views of Responsible Officials: EULGOV management did not provide comments.

ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-002
Area: Expenditure Recognition

Criteria: Generally accepted accounting principles requires that expenditures and liabilities be recognized in governmental funds when a liability is incurred.

Condition: During the year ended September 30, 2020, the Program recognized the following invalid accrued expenditures:

- \$168,642 - incorrectly recorded in the FY 2020 accounting period
- \$14,390 - incorrectly recorded in the FY 2019 accounting period

Audit adjustments were proposed to correct these misstatements.

Cause: EULGOV appears to lack adequate internal control policies and procedures requiring the recognition of expenditures in the correct accounting period.

Effect: Recorded expenditures were overstated.

Recommendation: EULGOV should recognize expenditures and liabilities when the liability is incurred.

Views of Responsible Officials: EULGOV management did not provide comments.

**ENEWETAK/UJELANG LOCAL GOVERNMENT
FOOD AND AGRICULTURE SUPPORT PROGRAM**

Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended September 30, 2020

Questioned Costs

The prior year report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved as of September 30, 2020.

| | |
|--|---------------------|
| Questioned costs as previously reported: Fiscal year 2019 | \$ 1,263,650 |
| Questioned costs for fiscal year 2020 | <u>1,121,831</u> |
| Unresolved questioned costs as of September 30, 2020 | \$ <u>2,385,481</u> |

Summary Schedule of Prior Audit Findings and Questioned Costs

| <u>Finding Number</u> | <u>CFDA #</u> | <u>Questioned Costs</u> | <u>Status</u> |
|-----------------------|---------------|-------------------------|---|
| 2015-001 | 15.875 | \$ 10,000 | Management is awaiting follow-up and issuance of a management decision from the Federal agency. |
| 2018-001 | 15.875 | 331,822 | Management is awaiting follow-up and issuance of a management decision from the Federal agency. |
| 2019-001 | 15.875 | <u>921,828</u> | |
| | | \$ <u>1,263,650</u> | |