

MANAGEMENT LETTER

Enewetak/Ujelang Local Government Food and Agriculture Support Program  
Year ended September 30, 2020

November 10, 2022

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

Dear Mayor Ading:

In planning the engagement to audit the statement of revenues, expenditures and change in fund balance of the Enewetak/Ujelang Local Government Food and Agriculture Support Program (the Program) for the year ended September 30, 2020, on which we have issued our report dated November 10, 2022, 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, we considered the Program's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with the engagement to audit, we identified, and included in the attached Appendix I, other matters related to the Program's internal control over financial reporting as of September 30, 2020, that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also 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 definition of a deficiency is also set forth in the attached Appendix I.

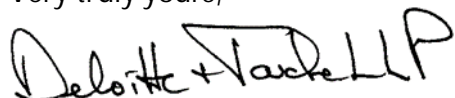
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of the Council, management, others within the organization, and the Office of the Auditor-General and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the Program for their cooperation and assistance during the course of this engagement.

Very truly yours,



## SECTION I - OTHER MATTERS

Our observations concerning other matters related to operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention at this time are as follows:

### 1. Marine Insurance

The Program had not acquired marine insurance against the risk of loss associated with the Lady E vessel. We recommend compliance with grant terms and conditions of acquiring, maintaining, and paying for appropriate marine insurance against the risk of loss of the vessel. Otherwise, the Program should formally request for a waiver of this requirement if no such insurance can be obtained.

## SECTION II - DEFINITIONS

The definition of a deficiency is as follows:

A deficiency 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

## MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

### Management's Responsibility

The Program's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

### Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

### Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Enewetak/Ujelang Local Government Food and Agriculture Support Program  
Year ended September 30, 2020



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November 10, 2022

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

Dear Mayor Ading:

We were engaged to audit the statement of revenues, expenditures and change in fund balance of the Enewetak/Ujelang Local Government Food and Agriculture Support Program (the Program) for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") 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 generally accepted auditing standards.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Program is responsible.

This report is intended solely for the information and use of the Council, management, others within the entity, the Office of the Auditor-General, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

cc: The Management of Enewetak/Ujelang Local Government

## OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, has been described in our engagement letter dated February 8, 2021. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards are to:

- Express an opinion on the fairness of the Program's statement of revenues, expenditures and changes in fund balance for the year ended September 30, 2020 (the "financial statement"), in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") in all material respects;
- Report on the Program's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2020, based on an audit of financial statements performed in accordance with standards applicable to financial audits contained in generally accepted government auditing standards; and
- Report on the Program's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Program's preparation and fair presentation of the financial statement in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered the Program's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance. Our audit does not, however, provide a legal determination of the Program's compliance with those requirements.

## ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. During the year ended September 30, 2020, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## UNCORRECTED MISSTATEMENTS

We have attached to this letter as Attachment II, a summary of uncorrected misstatements that we presented to management during the current audit engagement that relate to the prior year that were determined by management to be immaterial, both individually and in the aggregate, to the financial statement taken as a whole.

## CORRECTED MISSTATEMENTS

We identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the Program's financial reporting process. Such proposed adjustments, listed in Attachment I, have been recorded in the accounting records and are reflected in the 2020 financial statement.

## SIGNIFICANT ACCOUNTING POLICIES

The Program's significant accounting policies are set forth in Note 2 to the Program's 2020 financial statement. During the year ended September 30, 2020, there were no significant changes in previously adopted accounting policies or their application.

We have evaluated the significant qualitative aspects of the Program's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

## DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Program's 2020 financial statement.

## OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2020.

## SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

## SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Program's management and staff and had unrestricted access to the Program's senior management in the engagement to audit.

## EMPHASIS-OF-MATTER PARAGRAPH

### Reporting Entity

The financial statement relates solely to those accounting records maintained by the Enewetak/Ujelang Local Government (EULGOV) relating to the Program, and do not incorporate any accounts related to any other departments or agencies of EULGOV.

The proposed wording of the emphasis-of-matter paragraph follows:

### 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 financial position and results of operations of the Enewetak/Ujelang Local Government in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



## CONTROL-RELATED MATTERS

We have issued a separate report to you, dated November 10, 2022, on the Program's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the engagement to audit in accordance with Government Auditing Standards. We have also issued a separate report to you, also dated November 10, 2022, involving the Program's compliance with requirements applicable to the Program's sole major program and on internal control over compliance in accordance with the Uniform Guidance. Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in the engagement to audit the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

We have communicated to management, in a separate letter also dated November 10, 2022, certain deficiencies and other matters related to the Program's internal control over financial reporting.

This report is intended solely for the information and use of the Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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Enewetak/Ujelang Local Government Food and Agriculture Support Program  
 Summary of Corrected Misstatements  
 Year Ended September 30, 2020

**Journal Entries - AJE**

#	Name	Debit	Credit
	<b>1 AJE To correct warehouse construction, furniture and other expenditure accruals</b>		
6160	Materials/Service/Equipment	119,619.00	
DT2	Accrued Expense		119,619.00
		<u>119,619.00</u>	<u>119,619.00</u>
	<b>2 AJE To reclassify miscellaneous expenditures</b>		
6900	Miscellaneous		24,417.00
6160	Materials/Service/Equipment	13,000.00	
6200	Supplemental Foods	11,417.00	
		<u>24,417.00</u>	<u>24,417.00</u>
	<b>3 AJE To correct miscellaneous accruals</b>		
6010	Professional Fees		13,000.00
6160	Materials/Service/Equipment		46,187.00
6090	Repair & Maintenance		14,390.00
6100	Petroleum, Oil and Lubricants		105,965.00
DT2	Accrued Expense	179,542.00	
		<u>179,542.00</u>	<u>179,542.00</u>
	<b>4 AJE To correct FY19 accrual not reversed</b>		
DT2	Accrued Expense	3,490.00	
6035	Supplies		3,490.00
		<u>3,490.00</u>	<u>3,490.00</u>

Enewetak/Ujelang Local Government Food and Agriculture Support Program  
Summary of Uncorrected Misstatements  
Year Ended September 30, 2019

	<b>Assets</b>		<b>Liabilities</b>		<b>Equity</b>		<b>Income</b>	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct repairs and maintenance				14,390				(14,390)
				14,390				(14,390)