

Management Letter

**Marshall Islands Scholarship, Grant
and Loan Board**

(A Governmental Fund of the Republic of the
Marshall Islands)

Year ended September 30, 2022



December 19, 2024

Mrs. Elizabeth Jemwai
Acting Executive Director
Marshall Islands Scholarship, Grant and Loan Board

In planning and performing our audit of the financial statements of Marshall Islands Scholarship, Grant and Loan Board (MISGLB) as of and for the year ended September 30, 2022 in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MISGLB's internal control. Accordingly, we do not express an opinion on the effectiveness of the MISGLB'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 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

Manual Journal Entries

Condition: During our audit, we noted instances where manual journal entries were not correctly filed with adequate supporting documentation attached and were only provided subsequently during the audit. Proper documentation is essential for maintaining the integrity of the financial reporting process and ensuring that transactions are accurately recorded and authorized.

Recommendation: We recommend management establish internal control policies and procedures requiring that all journal entries be consistently supported with appropriate documentation. This should include a clear policy for the type of support required, proper filing protocols, and regular reviews by supervisory personnel.

Bank Reconciliations

Condition: As of September 30, 2022, bank reconciliations included the following exceptions:

- a. One student loan disbursement (check # 011606 for \$4,375) was physically voided; however, such was not properly voided or cancelled in the system and was corrected during the audit process.
- b. Bank reconciling items of \$6,975 (credits) have been long outstanding for more than six (6) years.
- c. One student loan disbursement (check # 5508 for \$240) was physically voided; however, such was not properly voided or cancelled in the system. No audit adjustment was proposed as management determined that such was not material to the financial statements.

Recommendation: We recommend management establish internal control policies and procedures over the bank reconciliation review process requiring timely identification and correction of errors.

Student Files

Condition: Tests of 59 student loan disbursements included the following exceptions:

- a. Eleven (11) student loan disbursements had missing requirements under the policy for new undergraduate students.
- b. Three (3) student loan disbursements had missing requirements under the policy for new postgraduate (masteral/doctoral) students.
- c. Forty-one (41) student loan disbursements had missing requirements under the policy for ongoing student recipients.

Recommendation: We recommend management establish internal control policies and procedures requiring the completeness of student file document review and approval.

Converted Scholarship Assistance Loans to Grants

Condition: Tests of 5 converted scholarship assistance loans included the following exceptions:

- a. Three (3) students had Verification of Employment which were incomplete/blank.
- d. Two (2) students had no transcript of records and diploma on file evidencing completion of their studies.

Converted Scholarship Assistance Loans to Grants, continued

Condition, continued: Furthermore, per Student Loan Waiver Form, the following requirements must be provided by the students to MISGLB prior to approval of loan conversion: 1) a degree or certification that shows completion of studies; and 2) official transcripts from the school attended. Current practice of MISGLB is to obtain either one of the two requirements mentioned above, which is inconsistent with established policies and procedures.

Recommendation: We recommend management establish internal control policies and procedures over scholarship assistance loan conversions to grants. Furthermore, we recommend management require current practices be consistent with established policies and procedures.

Board Sitting Fees

Condition: During the year ended September 30, 2022, MISGLB paid sitting fees of \$16,200 to Board members. These fees may constitute wages under the Income Tax Act 1989 and thus may be subject to withholding taxes. No withholding taxes were withheld by MISGLB.

Recommendation: We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on sitting fees paid to Board members.

This communication is intended solely for the information and use of management, the Board of Directors, 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. However, this report is also a matter of public record.

At this time, we would like to thank all the staff and management of MISGLB for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP