

Compliance and Internal Control

Republic of the Marshall Islands

*Year ended September 30, 2022
with Report of Independent Auditors*



Republic of the Marshall Islands

Reports on Compliance and Internal Control

Year ended September 30, 2022

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Her Excellency Hilda C. Heine, Ed. D
President
Republic of the Marshall Islands

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements, and have issued our report thereon dated June 4, 2025. Our report included an adverse opinion on the aggregate discretely presented component units due to the omission of the College of the Marshall Islands, Kwajalein Atoll Joint Utilities Resources, Inc., and Majuro Water and Sewer Company, Inc. and qualified opinions on the governmental activities and the Grants Assistance Fund due to collectability of certain portions of federal grants receivable in the aggregate amount of \$21,399,343.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters did not include the Marshall Islands Scholarship, Grant and Loan Board; the Marshall Islands Judiciary Fund; the Health Care Revenue Fund; the Marshall Islands Health Fund; the Marshall Islands Social Security Administration; and the discretely presented component units, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RepMar'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control. Accordingly, we do not express an opinion on the effectiveness of RepMar's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 through 2022-004, and 2022-013 through 2022-019 to be material weaknesses.

A *significant deficiency* is a deficiency, or a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-012 to be significant deficiencies.

Report on Compliance and Other Matters

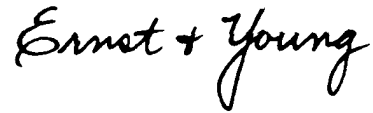
As part of obtaining reasonable assurance about whether RepMar's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

RepMar's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on RepMar's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the other auditing procedures applied in the audit of the financial statements 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 audit performed 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.

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June 4, 2025

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Her Excellency Hilda C. Heine, Ed. D
President
Republic of the Marshall Islands

Report on Compliance for Each Major Federal Program

Qualified Opinions

We have audited the Republic of the Marshall Islands' (RepMar's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of RepMar's major federal programs for the year ended September 30, 2022. RepMar's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, RepMar complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the following major federal programs for the year ended September 30, 2022:

ALN	Program Name
15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants
15.875	Economic, Social, and Political Development of the Territories: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of RepMar 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 on compliance for each major federal program. Our audit does not provide a legal determination of RepMar’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Each Major Federal Program

As described in Findings 2022-002 through 2022-009 and 2022-011 in the accompanying Schedule of Findings and Questioned Costs, RepMar did not comply with requirements regarding the following:

Finding #	ALN	Program Name	Compliance Requirement
2022-004	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Equipment and Real Property Management
2022-006	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Procurement and Suspension and Debarment
2022-009	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Reporting
2022-002	15.875	Economic, Social, and Political Development of the Territories: EULG Food and Agriculture Support Program	Allowable Costs/Cost Principles
2022-005	15.875	Economic, Social, and Political Development of the Territories: EULG Food and Agriculture Support Program	Period of Performance
2022-007	15.875	Economic, Social, and Political Development of the Territories: EULG Food and Agriculture Support Program	Procurement and Suspension and Debarment
2022-009	15.875	Economic, Social, and Political Development of the Territories: EULG Food and Agriculture Support Program	Reporting
2022-011	15.875	Economic, Social, and Political Development of the Territories: EULG Food and Agriculture Support Program	Subrecipient Monitoring
2022-003	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Allowable Costs/Cost Principles
2022-005	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Period of Performance
2022-008	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Procurement and Suspension and Debarment
2022-009	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Reporting

Compliance with such requirements is necessary, in our opinion, for RepMar to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to RepMar's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on RepMar's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about RepMar's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 RepMar's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of RepMar's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 RepMar's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-005 (ALN 15.875 Sector Grants), and 2022-010. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on RepMar's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

RepMar is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. RepMar's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 through 2022-004, 2022-005 (ALN 15.875 EULG and ALN 93.323), 2022-006 through 2022-009, and 2022-011 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-005 (ALN 15.875 Sector Grants), and 2022-010 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on RepMar's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. RepMar's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements. We issued our report thereon dated June 4, 2025, which contained an adverse opinion on the aggregate discretely presented component units, qualified opinions on the governmental activities and the Grants Assistance Fund, and unmodified opinions on the General Fund, Compact Trust Fund, and the aggregate remaining fund information. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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June 4, 2025

REPUBLIC OF THE MARSHALL ISLANDS

Summary Schedule of Expenditures of Federal Awards, By Grantor Year ended September 30, 2022

<u>Agency</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 627,741
U.S. Department of Commerce	439,312
U.S. Department of the Interior	60,548,977
U.S. Department of Labor	821,936
U.S. Institute of Museum and Library Services	51,863
U.S. Department of Education	2,117,692
U.S. Department of Health and Human Services	9,754,543
U.S. Department of Homeland Security	23,639
	<u>\$ 74,385,703</u>

Note: All awards are received direct from the Federal Agency.

Reconciliation to the 2022 financial statements is as follows:

U.S. Federal Grants Fund - Total Expenditures	(1) 15,338,410
U.S. Federal Grants Fund - Total Transfers Out	(1) 2,498,397
Enewetak Food and Agricultural Support Fund	(1) 2,199,010
Compact Sector Fund - Total Expenditures	(1) 30,871,370
Compact Sector Fund - Total Transfers Out	(1) 792,021
Section 212 Kwajalein Landowners Fund - Total Expenditures	(2) 22,333,370
Section 213 Audit Fund - Total Expenditures	(1) 353,125
	<u>\$ 74,385,703</u>

(1) Presented on page 100 of the 2022 financial statements.

(2) Presented on page 110 of the 2022 financial statements.

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards Year ended September 30, 2022

Federal ALN	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
	<u>U.S. Department of Agriculture:</u>		
	Child Nutrition Cluster:		
10.582	Fresh Fruit and Vegetable Program		\$ 584,706
	Subtotal Child Nutrition Cluster		584,706
10.664	Cooperative Forestry Assistance		43,035
	Total U.S. Department of Agriculture		627,741
	<u>U.S. Department of Commerce:</u>		
11.460	Special Oceanic and Atmospheric Projects		439,312
	Total U.S. Department of Commerce		439,312
	<u>U.S. Department of the Interior:</u>		
15.875	Economic, Social, and Political Development of the Territories:		
	Compact of Free Association Program, As Amended:		
	Sector Grants:		
	Section 211(a)(1) Education Sector	\$ 1,579,024	8,881,232
	Supplemental Education Grant	288,325	5,401,629
	Section 211(a)(2) Health Sector		6,301,229
	Section 211(b)(1) Ebeye Special Needs	523,992	5,383,075
	Section 211(b)(2) Landowners Special Needs	663,930	981,171
	Section 211(b)(3) Kwajalein Environment		258,822
	Section 211(d)(1) Public Infrastructure Development	500,000	3,966,258
	Section 211(d)(2) Infrastructure Maintenance		329,783
	Section 211(e)(1) Disaster Assistance		160,192
	Subtotal Compact of Free Association, As Amended, Sector Grants		31,663,391
	Section 212 Kwajalein Impact and Use		22,333,370
	Section 213 Audit		353,125
	EULG Food & Agriculture Support Program		2,199,010
	Four Atoll Health Care		1,876,297
	EULG- Solar Energy Project		43,500
	KBE Seawall Project		473,079
	Kili Health Clinic		393,125
	RMI Census		169,470
	Improving the Safety of Downtown Majuro		48,300
	Likiep Community Dock Repair		111,920
	Solar Energy Power for Homes		171,000
	RMI HHS Vaccination in the Neighboring Islands		290,106
	Subtotal ALN 15.875		60,125,693
15.904	Historic Preservation Fund Grants-In-Aid		423,284
	Total U.S. Department of the Interior		60,548,977
	<u>U.S. Department of Labor:</u>		
17.225	COVID-19 - Unemployment Insurance		821,936
	Total U.S. Department of Labor		821,936
	<u>U.S. Institute of Museum and Library Services:</u>		
45.310	Grants to States		51,863
	Total U.S. Institute of Museum and Library Services		51,863
	<u>U.S. Department of Education:</u>		
	Special Education Cluster (IDEA):		
84.027	Special Education-Grants to States		1,908,548
	Subtotal Special Education Cluster (IDEA)		1,908,548
84.325P	The Republic of the Marshall Islands Teacher Retention Project		209,144
	Total U.S. Department of Education		2,117,692
	<u>U.S. Department of Health and Human Services:</u>		
93.069	Public Health Emergency Preparedness		407,951
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		241,580
93.110	Maternal and Child Health Federal Consolidated Programs		37,826
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		753,281
93.217	Family Planning-Services		83,726
	Health Center Program Cluster:		1,524,364
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)		1,327,030
93.224	COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)		175,234
	Subtotal Health Center Program Cluster		1,502,264
93.268	Immunization Cooperative Agreements		1,116,227
93.268	COVID-19 - Immunization Cooperative Agreements		1,072,022
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		312,465
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		2,568,245
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response:		209,308
	Public Health Crisis Response		
93.391	COVID-19 - Activities to Support State, Tribal, Local & Territorial (STLT) Health Department Response to Public Health or Health Care Crises		199,155
93.495	Community Health Workers for Public Health Response and Resilient		9,568
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		643,583
93.917	HIV Care Formula Grants		78,330
93.945	Assistance Programs for Chronic Disease Prevention and Control		251,776
93.958	Block Grant for Community Mental Health Services		3,708
93.959	Block Grants for Prevention and Treatment of Substance Abuse		1,995
93.991	Preventive Health and Health Services Block Grant		36,139
93.994	Maternal and Child Health Services Block Grant to the States		225,394
	Total U.S. Department of Health and Human Services		9,754,543
	<u>U.S. Department of Homeland Security:</u>		
97.042	Emergency Management Performance Grants		23,639
	Total U.S. Department of Homeland Security		23,639
	TOTAL EXPENDITURES OF FEDERAL AWARDS	\$ 3,555,271	\$ 74,385,703

See accompanying notes to schedule of expenditures of federal awards.

Republic of the Marshall Islands

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

1. Scope

The Republic of the Marshall Islands (RepMar) is a governmental entity governed by its own Constitution. All significant operations of RepMar are included in the scope of the Single Audit. The U.S. Department of the Interior has been designated as RepMar's cognizant agency for the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of RepMar under programs of the federal government for the year ended September 30, 2022. 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 presents only a selected portion of the operations of RepMar, it is not intended to and does not present the financial positions or changes in financial positions of RepMar.

3. Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which RepMar maintains its accounting records. All expenditures and capital outlays that represent the federal share are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Reporting Entity

For purposes of complying with the Single Audit Act of 1984, as amended in 1996, RepMar's reporting entity is defined in Note 1 to its September 30, 2022 basic financial statements, except that the Marshall Islands Scholarship, Grant and Loan Board; the Marshall Islands Judiciary Fund; the Health Care Revenue Fund; the Marshall Islands Health Fund; the Marshall Islands Social Security Administration; and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule presents the federal award programs administered by RepMar, as defined above, for the year ended September 30, 2022.

Republic of the Marshall Islands

Notes to Schedule of Expenditures of Federal Awards, continued

3. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

The federal award totals for the excluded component units as of September 30, 2022, are as follows:

<u>Component Unit</u>	<u>Federal Award Total</u>
Air Marshall Islands, Inc.	\$ -
Health Care Revenue Fund	\$ -
Majuro Atoll Waste Company	\$ -
Majuro Resort, Inc.	\$ -
Marshall Islands Development Bank	\$ -
Marshall Islands Health Fund	\$ -
Marshall Islands Judiciary Fund	\$ -
Marshall Islands Marine Resources Authority	\$ -
Marshall Islands National Telecommunications Authority	\$ -
Marshall Islands Postal Service Authority	\$ -
Marshall Islands Scholarship, Grant and Loan Board	\$ 792,202
Marshall Islands Shipping Corporation	\$ -
Marshall Islands Social Security Administration	\$ -
Marshall Islands Energy Company, Inc.	\$ -
National Environmental Protection Authority Fund	\$ -
RMI Office of Commerce, Investment and Tourism	\$ -
RMI Ports Authority	\$ -
Tobolar Copra Processing Authority	\$ -

Matching Costs

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

Indirect Cost Allocation

RepMar has not entered into an approved indirect cost negotiation agreement covering fiscal year 2022. RepMar did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance and did not charge federal programs for indirect costs during fiscal year 2022.

Republic of the Marshall Islands

Notes to Schedule of Expenditures of Federal Awards, continued

3. Summary of Significant Accounting Policies, continued

ALN 15.875 Economic, Social, and Political Development of the Territories

ALN 15.875 represents funding from the Office of Insular Affairs (OIA), U.S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Compact of Free Association (the Compact), which is a treaty, and is not a federal program. The Compact is comprised of various funded programs, each with separate compliance requirements. To maximize audit coverage of OIA funding, the OIG has recommended that programs administered under ALN 15.875 be grouped by like compliance requirements and such groupings be separately evaluated for purposes of major program determinations.

Subrecipients

Certain program funds are passed through RepMar to subrecipient organizations. The Schedule does not contain separate schedules disclosing how the subrecipients, outside of RepMar's control, utilized the funds.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs

Year ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Adverse, Qualified, and Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

X Yes None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

X Yes None reported

Type of auditor's report issued on compliance for major federal programs:

All major programs

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X Yes No

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program</u>
15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants
15.875	Economic, Social, and Political Development of the Territories: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Section I - Summary of Auditor's Results, continued

Dollar threshold used to distinguish between Type A
and Type B Programs:

\$2,231,571

Auditee qualified as low-risk auditee?

_____ **Yes** X **No**

Section II - Financial Statement Findings

Finding Number	Finding
2022-001	Allowable Costs/Cost Principles
2022-002	Allowable Costs/Cost Principles
2022-003	Allowable Costs/Cost Principles
2022-004	Equipment and Real Property Management
2022-012	Schedule of Expenditures of Federal Awards Preparation
2022-013	Implementation of GASB Statement No. 87, <i>Leases</i>
2022-014	Timely and Accurate Financial Reporting
2022-015	Embassy Imprest Accounts
2022-016	Accounts Receivable
2022-017	Revenue Recognition
2022-018	Manual Journal Entries
2022-019	External Financial Reporting

Section III - Federal Award Findings and Questioned Costs

Finding Number	ALN	Finding	Questioned Costs
2022-001	15.875 Sector Grants	Allowable Costs/Cost Principles	\$ 27,380
2022-002	15.875 EULG	Allowable Costs/Cost Principles	1,763,366
2022-003	93.323	Allowable Costs/Cost Principles	550,115
2022-004	15.875 Sector Grants	Equipment and Real Property Management	Undeterminable
2022-005	15.875 Sector Grants	Period of Performance	Undeterminable
2022-005	15.875 EULG	Period of Performance	Undeterminable
2022-005	93.323	Period of Performance	Undeterminable
2022-006	15.875 Sector Grants	Procurement and Suspension and Debarment	44,942
2022-007	15.875 EULG	Procurement and Suspension and Debarment	61,961
2022-008	93.323	Procurement and Suspension and Debarment	660,990
2022-009	15.875 Sector Grants	Reporting	---
2022-009	15.875 EULG	Reporting	---
2022-009	93.323	Reporting	---
2022-010	15.875 Sector Grants	Subrecipient Monitoring	74,794
2022-011	15.875 EULG	Subrecipient Monitoring	---
			<u>\$ 3,183,548</u>

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-001
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$27,380

Area: Allowable Costs/Cost Principles

Criteria:

Federal program expenditures should be necessary and reasonable for the performance of the Federal award, in accordance with allowable costs/cost principles requirements, and be directly related to, and in accordance with, program intent and objectives.

Condition 1:

For 3 (or 10%) of 29 non-payroll transactions tested aggregating \$3,375,773 of \$14,205,851 in total non-payroll program expenditures, supporting documentation were not provided for the following:

<u>Item #</u>	<u>Fund #</u>	<u>Encumbrance/ Voucher/JV #</u>	<u>Account</u>	<u>Total</u>
1	410150	T83102001	Training and Staff Development	\$ 1,750
2	410100	G22-279W	Food Stuff	18,275
3	410102	G22-283C	Other Supplies and Materials	<u>5,621</u>
				<u>\$ 25,646</u>

Condition 2:

For 8 (or 21%) of 39 payroll transactions tested aggregating \$66,558 of \$17,286,417 in total payroll program expenditures, the following deficiencies were noted:

- Leave hours were not supported by an approved leave form for the following:

<u>#</u>	<u>Employee #</u>	<u>PPE</u>	<u>Hours</u>	<u>Amount</u>
1	93573	03/12/2022	16	114
2	88856	04/23/2022	8	<u>92</u>
				<u>\$ 206</u>

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-001, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$27,380

Area: Allowable Costs/Cost Principles

Condition 2, continued:

- Overpayment of or unsupported salaries and wages were noted for the following:

<u>#</u>	<u>Employee #</u>	<u>PPE</u>	<u>Amount</u>
1	94419	10/09/2021	\$ 170
2	203158	10/23/2021	692
3	62883	11/20/2021	34
4	93669	12/18/2021	185
5	244918	8/13/2022	293
6	205561	9/10/2022	<u>154</u>
			\$ <u>1,528</u>

Item # 1 resulted from 126 unsupported additional night differential hours paid.

Item # 2 resulted from incorrect payment of 80 differential hours (paid at 20%) as regular hours.

Item #s 3 and 4 each resulted from overpayment of 8 hours.

Item # 5 resulted from incorrect retroactive pay calculation resulting in overpayment of 102.8 hours.

Item # 6 resulted from incorrect standby differential rate used (30%) rather than the Public Service Commission Personnel Manual rate (20%).

The above resulted in reportable questioned costs of \$1,734 because the projected questioned cost amount exceeds the \$25,000 threshold.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-001, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$27,380

Area: Allowable Costs/Cost Principles

Cause:

Inadequate file maintenance to support expenditures charged to federal programs. RepMar did not effectively monitor the validity and allowability of expenditures.

Effect:

RepMar is in noncompliance with allowable costs/cost principles requirements. The reportable questioned cost is \$27,380.

Recommendation:

Documents supporting expenditures should be maintained. Further, RepMar management should strengthen monitoring controls so that expenditures are verified for validity and allowability.

Views of Responsible Officials:

We partially agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-002
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture
Support Program
Questioned Costs: \$1,763,366

Area: Allowable Costs/Cost Principles

Criteria:

Federal program expenditures should be necessary and reasonable for the performance of the Federal award, in accordance with allowable costs/cost principles requirements, and be directly related to, and in accordance with, program intent and objectives.

Condition:

Of 39 non-payroll transactions tested, aggregating \$1,587,482 of \$2,199,010 in total non-payroll program expenditures, the following deficiencies were noted:

- The grant terms and conditions state that assistance under the award may not be sub-granted or transferred; however, \$1,737,620 of the funding was disbursed directly to a subrecipient, of which \$685,289 represented reimbursement for payroll costs which were not supported by underlying timesheets, personnel action forms, and registers. Furthermore, no executed subgrant agreement with the subrecipient was made available.
- The grant terms and conditions state that assistance may not be used for payment of professional legal or administrative fees, however, \$24,000 in legal fees were charged to the program (APV #s 770018, 777397, 783370, and 789894).
- For 1 (or 3%) voucher (#769225) amounting to \$1,746, the underlying lease agreement does not support the disbursement because the local government employee's duty station is on Enewetak while the leased housing is located on Majuro.

Cause:

Inadequate file maintenance to support expenditures charged to federal programs. RepMar did not effectively monitor the validity and allowability of expenditures. Furthermore, RepMar lacks adequate internal control policies and procedures to facilitate adherence with grant terms and conditions.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-002, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture
Support Program
Questioned Costs: \$1,763,366

Area: Allowable Costs/Cost Principles

Effect:

RepMar is in noncompliance with allowable costs/cost principles requirements. The reportable questioned cost is \$1,763,366.

Recommendation:

Documents supporting expenditures should be maintained. Further, RepMar management should strengthen monitoring controls and adopt adequate internal control policies and procedures to facilitate adherence with grant terms and conditions.

Views of Responsible Officials:

We partially agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-003
 Federal Agency: U.S. Department of Health and Human Services
 AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
 Federal Award No.: NU50CK000558
 Questioned Costs: \$550,115

Area: Allowable Costs/Cost Principles

Criteria:

Federal program expenditures should be necessary and reasonable for the performance of the Federal award, in accordance with allowable costs/cost principles requirements, and be directly related to, and in accordance with, program intent and objectives.

Condition 1:

For 13 (or 48%) of 27 non-payroll transactions tested, aggregating \$1,844,265 of \$2,468,210 in total non-payroll program expenditures, the following deficiencies were noted:

<u>Item #</u>	<u>Encumbrance/ Voucher #</u>	<u>Cost Center #</u>	<u>COVID</u>	<u>Non-COVID</u>	<u>Total</u>
1	A25947	FK7608	\$ 508	\$ -	\$ 508
2	C15643	FL7615	65,304	-	65,304
3	C14915	FL7615	60,136	-	60,136
4	C16301	FL7615	21,852	-	21,852
5	C14911	FL7615	28,228	-	28,228
6	F00421	FL7615	2,561	-	2,561
7	C15761	FL7615	140,000	-	140,000
8	783849	FL7616	118,476	-	118,476
9	772535	FL7616	17,302	-	17,302
10	015030	FN7603	-	32,215	32,215
11	012629	FN7614	20,000	-	20,000
12	012612	FN7605	-	2,581	2,581
13	012613	FN7610	-	39,008	39,008
			<u>\$ 474,367</u>	<u>\$ 73,804</u>	<u>\$ 548,171</u>

Item # 1 pertains to airfare cost for a technician to install IT equipment at Ebeye hospital. Cost allocation to the program was not supported.

Item # 2 pertains to IT equipment for which there was inadequate documentation to support cost allocation to the program.

Item #s 3 through 5 pertain to construction-related costs which are specifically prohibited by the grant.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-003, continued
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$550,115

Area: Allowable Costs/Cost Principles

Condition 1, continued:

Item # 6 pertains to a laptop purchased for use by a Procurement and Supply Division employee. There was inadequate documentation to support charging the program for this purchase.

Item # 7 pertains to security services for which there was inadequate documentation to support cost allocation to the program.

Item # 8 pertains to Ministry of Health and Human Services (MOHHS) communication expenditures for which there was inadequate documentation to support cost allocation to the program.

Item #s 9 through 13 pertain to MOHHS utility expenditures for which there was inadequate documentation to support cost allocation to the program.

Condition 2: For 3 (or 33%) of 9 payroll transactions tested, aggregating \$12,595 of \$412,500 in total payroll program expenditures, the following deficiencies were noted:

- Employee # 247926 was paid \$50 (or 8 hours) for leave for pay period ended 7/30/2022; such cost was not supported by an approved leave form.
- Hazardous pay of \$700 (check # 229052) was not supported by documented approval authorizing cost allocation to the program for an employee normally paid through RepMar's general fund.
- Employee # 97944 was paid \$1,194 for overtime for pay-period ended 10/23/2021; documented approval for such cost allocation to the program was not provided.

The above are expenditures under COVID cost centers and resulted in reportable questioned costs of \$1,944 because the projected questioned cost exceeds the \$25,000 threshold.

Cause:

RepMar did not effectively monitor the validity and allowability of expenditures.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-003, continued
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$550,115

Area: Allowable Costs/Cost Principles

Effect:

RepMar is in noncompliance with allowable costs/cost principles requirements. The reportable questioned cost is \$476,311 (COVID) and \$73,804 (non-COVID).

Recommendation:

RepMar management should strengthen monitoring controls so that expenditures are verified for validity and allowability.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-004
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Area: Equipment and Real Property Management

Criteria:

Section 200.313(d) of the Uniform Guidance and Article VI, Section 1(f)(4) of the Fiscal Procedures Agreement states that procedures for managing equipment, whether acquired in whole or in part with grant funds, will follow state laws and procedures. The following requirements are applicable:

- a. Property records must be maintained that include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date and cost of the property, the percentage of Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property;
- b. A physical inventory of the property must be conducted and the results must be reconciled with the property records at least once every two years;
- c. A control system must be in place to ensure safeguards for preventing property loss, damage, or theft. Any loss, damage, or theft of equipment must be investigated. The recipient or subrecipient must notify the Federal Agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program;
- d. Regular maintenance procedures must be in place to ensure the property is in proper working condition; and
- e. If the recipient or subrecipient is authorized or required to sell the property, proper sales procedures must be in place to ensure the highest possible return.

Additionally, the carrying amount of long-lived assets and the estimated useful lives of assets should be periodically re-assessed and adjusted, as appropriate, based on actual experience and relevant factors and circumstances.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-004, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Area: Equipment and Real Property Management

Condition:

Capital assets records do not meet the criteria above and are not effectively maintained since updates to the records occur only once a year. Specifically, we noted the following deficiencies:

- An inventory of capital assets has not been performed in the recent past in accordance with the above criteria; therefore, a reconciliation of capital asset records and physical inventory has not occurred at least once in the past two years.
- Capital assets records are not effectively maintained. It does not appear that RepMar has implemented an effective control system to adequately safeguard capital assets from loss, damage or theft, or to reasonably investigate such occurrences.
- RepMar has not established policies and procedures governing property maintenance and has not effectively implemented an entity-wide maintenance plan.
- Long-lived assets are not routinely evaluated for possible impairment.

Capital outlays within the Compact Sector Grants Fund for fiscal years 2022, 2021 and 2020 were as follows:

Fiscal Year 2022	\$ 4,592,264
Fiscal Year 2021	\$ 5,909,859
Fiscal Year 2020	\$ 3,358,375

Cause:

RepMar lacks adequate internal control policies and procedures to satisfy compliance with federal property rules and regulations and lacks effective procedures governing property maintenance, as well as periodic assessment of asset impairment conditions and useful lives. Moreover, internal control policies and procedures requiring periodic and timely performance and independent review of capital assets reconciliations and related general ledger accounts are not effectively implemented.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-004, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Area: Equipment and Real Property Management

Effect:

RepMar is in noncompliance with applicable equipment and real property management requirements, and possible misstatement of capital assets and related accounts exists. Questioned costs, if any, which may result from inadequate property records, maintenance procedures, and the absence of timely reconciliations are not determinable.

Identification as a Repeat Finding:

Finding No. 2021-003

Recommendation:

The Ministry of Finance, Banking and Postal Services (MOFBPS) should perform an inventory of RepMar's capital assets as a basis for recording all assets in the financial statements, should complete such inventory in accordance with applicable property rules and regulations, and should develop adequate maintenance procedures in order to keep property in good condition. Furthermore, RepMar should implement internal control policies and procedures requiring periodic and timely performance and independent review of capital assets reconciliation and related general ledger accounts.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-005

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture
Support Program
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$ Undeterminable

Area: Period of Performance

Criteria:

Grant agreements stipulate the period of performance during which time only costs resulting from obligations of the funding period may be charged.

Condition 1:

For \$573,068 of \$31,492,268 in total ALN 15.875 (Compact Sector Grants) expenditures, compliance with period of performance requirements for nine cost centers (CC #s CJ8386, CK6028, CK8113, CK8171, CL6030, CL6031, CL8126, CL8171 and CL8401) could not be ascertained due to lack of underlying grant agreements.

Condition 2:

For \$2,126,731 of \$2,199,010 in total expenditures for ALN 15.875 (EULG Food and Agriculture Support Program), such were charged to a single cost center (CM6226) that relates to two grant agreements with different periods of performance. Compliance with period of performance requirements regarding costs totaling \$826,606 related to award no. D22AF00084-00 could not be ascertained.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-005, continued

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$ Undeterminable

Area: Period of Performance

Condition 3:

For \$1,628,416 of \$2,880,710 in total expenditures for ALN 93.323 (Epidemiology and Laboratory Capacity for Infectious Diseases), compliance with period of performance requirements for five cost centers (CC #s FK7609, FL7615, FL7616, FN7610 and FN7618) could not be ascertained due to lack of underlying grant agreements.

Cause:

RepMar lacks adequate internal control policies and procedures requiring retention of all grant agreements and creation of a unique cost center for each grant award.

Effect:

RepMar is potentially in noncompliance with applicable period of performance requirements. Questioned costs, if any, that may result from the above conditions, are not determinable.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-005, continued

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
Questioned Costs: \$ Undeterminable

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$ Undeterminable

Area: Period of Performance

Identification as a Repeat Finding:

Finding No. 2021-004 (ALN 15.875 Compact Sector Grant)

Recommendation: RepMar should implement adequate internal control policies and procedures requiring retention of all grant agreements and creation of a unique cost center for each grant award.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-006
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$44,942

Area: Procurement and Suspension and Debarment

Criteria:

Article VI, Section 1(j)(1) of the Fiscal Procedures Agreement (FPA) states that RepMar may use its own procedures for procurement, whether done by the government or its Sub-Grantees, provided that they meet the standards identified in the FPA.

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 purchase procedures promulgated by RepMar's Policy Office. 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. RepMar's Ministry of Finance, Banking and Postal Services has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from three 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 supply, service, or construction item.

Condition:

For 4 (or 7%) of 60 procurement transactions tested, aggregating \$2,006,444 of \$10,668,605 in total transactions subject to procurement requirements, no procurement file was provided.

<u>Fund #</u>	<u>Encumbrance #</u>	<u>Ref #</u>	<u>Amount</u>
410100	A26328	795172	\$ 3,826
410102	P86331	764579	8,614
510110	P87912	764652	23,301
510110	P87510	764653	<u>9,201</u>
			<u>\$ 44,942</u>

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-006, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$44,942

Area: Procurement and Suspension and Debarment

Cause:

RepMar did not enforce internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements.

Effect:

RepMar is in noncompliance with applicable procurement requirements. The reportable questioned cost is \$44,942.

Identification as a Repeat Finding:

Finding No. 2021-005

Recommendation:

Responsible personnel should require that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the rationale for contractor or vendor selection.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-007
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
Questioned Costs: \$61,961

Area: Procurement and Suspension and Debarment

Criteria:

Article VI, Section 1(j)(1) of the Fiscal Procedures Agreement (FPA) states that RepMar may use its own procedures for procurement, whether done by the government or its Sub-Grantees, provided that they meet the standards identified in the FPA.

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 purchase procedures promulgated by RepMar's Policy Office. 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. RepMar's Ministry of Finance, Banking and Postal Services has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from three 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 supply, service, or construction item.

Condition:

For 13 (or 52%) of 25 procurement transactions tested, aggregating \$1,226,655 of \$1,514,067 in total transactions subject to procurement requirements, no procurement file was provided.

<u>Item #</u>	<u>Encumbrance or EULG check #</u>	<u>Ref #</u>	<u>Amount</u>	<u>QC reported at this Finding</u>
1	unavailable	768401	\$ 5,529	\$ 5,529
2	unavailable	770642	247,872	-
3	P8937001	772373	33,500	33,500
4	P8937301	774899	22,932	22,932
5	check 38047	787948	13,058	-

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-007, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
Questioned Costs: \$61,961

Area: Procurement and Suspension and Debarment

Condition, continued:

<u>Item #</u>	<u>Encumbrance or EULG check #</u>	<u>Ref #</u>	<u>Amount</u>	<u>QC reported at this Finding</u>
6	check 63794	789220	10,842	-
7	check 63798	789220	432	-
8	check 38258	789220	52,153	-
9	check 63714	790134	19,476	-
10	check 63559	790134	370	-
11	check 63872	798961	4,200	-
12	check 63941	798961	6,565	-
13	check 38350	798961	38,000	-
			<u>\$ 454,929</u>	<u>\$ 61,961</u>

Item #s 2 and 5 through 13 are also reported as matters of noncompliance within Finding 2022-002, including associated questioned costs.

Cause:

RepMar did not enforce internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements.

Effect:

RepMar is in noncompliance with applicable procurement requirements. The reportable questioned cost is \$61,961.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-007, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture
Support Program
Questioned Costs: \$61,961

Area: Procurement and Suspension and Debarment

Recommendation:

Responsible personnel should require that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the rationale for contractor or vendor selection.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-008
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$660,990

Area: Procurement and Suspension and Debarment

Criteria:

Section 200.317 of 2 *CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* states 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:

- (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 purchase procedures promulgated by RepMar's Policy Office. 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. RepMar's Ministry of Finance, Banking and Postal Services has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from three 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 supply, service, or construction item.

Condition:

For 4 (or 33%) of 12 procurement transactions tested, aggregating \$1,041,946 of \$1,858,109 in total transactions subject to procurement requirements, no procurement file was provided.

<u>Item #</u>	<u>Encumbrance #</u>	<u>Ref #</u>	<u>Amount</u>	<u>QC reported at this Finding</u>
1	C15761	767993	\$ 135,186	\$ -
2	C15945	785944	600,370	600,370
3	C16477	009097	50,620	50,620
4	F01223	793869	<u>10,000</u>	<u>10,000</u>
			\$ <u>796,176</u>	\$ <u>660,990</u>

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-008, continued
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$660,990

Area: Procurement and Suspension and Debarment

Cause:

RepMar did not enforce adequate internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements.

Effect:

RepMar is in noncompliance with applicable procurement requirements. The reportable questioned cost is \$650,990 (COVID) and \$10,000 (non-COVID).

Recommendation:

Responsible personnel should require that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the rationale for contractor or vendor selection.

Views of Responsible Officials:

We partially agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-009

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$0

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
Questioned Costs: \$0

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$0

Area: Reporting

Criteria:

Grant agreements stipulate the type and frequency of reports to be submitted. Furthermore, timely, accurate and complete reporting should be facilitated by an internal control structure conducive to the monitoring, preparation and independent review of required reports. Lastly, financial reports should reconcile with underlying accounting records.

Condition 1 (ALN 15.875 and 93.323):

There is no monitoring of required reports to be submitted or listing of reports already submitted. It does not appear that RepMar has developed means to monitor compliance with reporting requirements.

Condition 2 (ALN 15.875 Compact Sector Grants):

- Due to lack of certain grant agreements as reported in Finding No. 2022-005, we were unable to ascertain compliance with reporting requirements.
- SF-425 report for quarter ended 12/31/2021 for grant “KIF-CK6028” was not supported by an underlying accounting 240P report. Furthermore, no SF-425 report for grant “DAEF” for quarter ended 9/30/2022 was provided for examination.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-009, continued

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$0

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
Questioned Costs: \$0

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$0

Area: Reporting

Condition 3 (ALN 15.875 EULG Food and Agriculture Support Program):

Required reports were not available for examination.

Condition 4 (ALN 93.323):

- Due to lack of certain grant agreements as reported in Finding No. 2022-005, we were unable to ascertain compliance with reporting requirements.
- Required reports were not available for examination.

Cause:

RepMar lacks adequate internal control policies and procedures governing monitoring, preparation and independent review of required reports. Moreover, RepMar lacks adequate internal control policies and procedures over retention of all grant agreements, copies of reports submitted to grantors, and the underlying accounting records.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-009, continued

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$0

Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture Support Program
Questioned Costs: \$0

Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases
Federal Award No.: NU50CK000558
Questioned Costs: \$0

Area: Reporting

Effect:

Sufficient appropriate audit evidence supporting compliance with applicable reporting requirements were not obtained which results in report modification. No questioned cost is reported as the condition relates to inadequacy of internal control policies and procedures governing monitoring, preparation, independent review and retention of required reports and underlying accounting records.

Identification as a Repeat Finding:

Finding Nos. 2021-010 and 2021-012.

Recommendation:

RepMar should establish adequate internal control policies and procedures governing monitoring, preparation and independent review of required reports. Moreover, RepMar should establish internal control policies and procedures requiring retention of all grant agreements and copies of reports submitted to grantors.

Views of Responsible Officials:

We partially agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-010
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$74,794

Area: Subrecipient Monitoring

Criteria:

- 1) Article VI, Section 1(a)(1) of the Fiscal Procedures Agreement (FPA) states that fiscal control and accounting procedures of RepMar, as well as its Sub-Grantees, shall be sufficient to: (i) permit the preparation of reports required by the FPA and the Compact, as amended; and (ii) permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used in compliance with the provisions of the Compact, as amended, and applicable agreements. Furthermore, Article VI, Section 1(k)(1) of the FPA states that RepMar shall ensure that: (i) every Sub-Grant includes any clauses required by the Compact, as amended, the sector Grant awards, and the FPA; (ii) Sub-Grantees are aware of the requirements imposed upon them by the Compact, as amended, the sector Grants and the FPA; and (iii) Sub-Grantees can meet the financial management standards of the FPA.
- 2) In accordance with applicable subrecipient monitoring requirements, the pass-through entity (PTE) must follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means, pertaining to the Federal awards provided by the PTE to the subrecipient.

Condition 1:

RepMar has not implemented effective policies and procedures over subrecipient monitoring, including compliance with related Compact provisions. For 4 (or 100%) subrecipients tested, deficiencies were noted as follows:

<u>Item #</u>	<u>Subrecipient</u>	<u>Fund #</u>	<u>Sub-Grant</u>
1	College of the Marshall Islands	410100	\$1,900,328
2	Ebeye Seventh Day Adventist	410150	73,463
3	Queen of Peace	410150	35,005
4	Kwajalein Atoll Joint Utilities Resources	410160	663,930
			<u>\$2,672,726</u>

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-010, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$74,794

Area: Subrecipient Monitoring

Condition 1, continued:

Documented evidence of the Ministry of Finance, Banking and Postal Services' (MOFBPS) monitoring of subrecipient activities was not made available for examination. Consequently, we were unable to ascertain whether MOFBPS monitored subrecipient compliance with subaward agreements, Compact Agreement, grant award, and the FPA. No questioned costs are reported for item #s 1 and 4 since the subrecipients are separately audited. For item #s 2 and 3, the subrecipients submitted the required financial reports.

Condition 2:

Subrecipient monitoring schedule provided by MOFBPS was incomplete and inaccurate. Condition 1, item # 4, was not included in the schedule.

Condition 3:

RepMar did not perform the required monitoring activities for one subrecipient. The 2021 Single Audit Report for the College of the Marshall Islands (CMI) dated September 26, 2024 was accepted by the Federal Audit Clearinghouse on October 10, 2024. Such report included findings and questioned costs amounting to \$74,794 for noncompliance, as follows:

<u>Finding No.</u>	<u>Compliance Requirement</u>	<u>QC Amount</u>
2021-006	Allowable Costs/Cost Principles	\$ 4,597
2021-007	Equipment and Real Property Management	-
2021-008	Period of Performance	2,107
2021-009	Procurement and Suspension and Debarment	68,090
2021-010	Reporting	-
		<u>\$ 74,794</u>

RepMar did not issue a management decision with respect to CMI's report.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-010, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact Sector Grants
Questioned Costs: \$74,794

Area: Subrecipient Monitoring

Cause:

RepMar lacks effective internal control policies and procedures governing subrecipient monitoring.

Effect:

RepMar is in noncompliance with applicable subrecipient monitoring requirements. The reportable questioned cost is \$74,794.

Identification as a Repeat Finding:

Finding No. 2021-008

Recommendation:

RepMar should comply with the applicable provisions of the FPA and subrecipient monitoring requirements and should develop and implement effective subrecipient monitoring procedures. Furthermore, MOFBPS should enforce compliance with subaward agreements, including timely Single Audits of subrecipients, as applicable.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-011
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Enewetak/Ujelang Local Government (EULG) Food and Agriculture
Support Program
Questioned Costs: \$0

Area: Subrecipient Monitoring

Criteria:

The Notice of Grant Award states that funding is not to be sub-granted.

Condition:

Grant funds were passed through to a subrecipient, in violation of grant terms and without a subaward agreement. Refer to Finding No. 2022-002.

Cause:

RepMar lacks adequate internal control policies and procedures requiring monitoring and adherence with grant terms and conditions.

Effect:

RepMar is potentially in noncompliance with applicable subrecipient monitoring requirements.

Recommendation:

RepMar should implement adequate internal control policies and procedures requiring adherence with grant terms.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-012

Area: Schedule of Expenditures of Federal Awards Preparation

Criteria:

Paragraph 200.510(b) of OMB Uniform Guidance Part 200 states that the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with paragraph 200.502. At a minimum, the schedule must:

- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency.
- Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs, also provide the total for the cluster.

Condition:

The SEFA was not timely reconciled and completed, resulting in multiple versions being provided during the course of the audit.

Furthermore, examination of the SEFA indicated the following:

1. Program names or titles and assistance listing numbers of various Federal programs were incorrect.
2. For a cluster of programs, cluster name and related individual Federal program within the cluster of programs was not identified or reflected. Furthermore, a Federal program was improperly included within a cluster of programs.
3. There are no established policies and procedures relating to accurate and complete identification of COVID-19 related grants.
4. Disclosure of federal awards for the excluded component units in notes to SEFA were incomplete.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-012, continued

Area: Schedule of Expenditures of Federal Awards Preparation

Cause:

RepMar lacks internal control policies and procedures over timely and accurate SEFA preparation.

Effect:

RepMar is noncompliant with the criteria. Information on the SEFA is used for audit planning and by grantors. An incorrect SEFA can delay an audit beyond the reporting deadline and cause unnecessary audit costs.

Recommendation:

The Ministry of Finance, Banking and Postal Services should establish internal control policies and procedures to facilitate timely and accurate SEFA preparation.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-013
Area: Implementation of GASB Statement No. 87, *Leases*

Criteria:

Effective October 1, 2021, RepMar adopted GASB Statement No. 87, *Leases*, which established accounting and financial reporting requirements for leases. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB Statement No. 87 requires a lessee to recognize an intangible right-to-use lease asset and related lease liability.

Condition:

Adjustments resulted from adoption of GASB Statement No. 87, which included the Kwajalein Atoll lease by the United States Government. Furthermore, the airport land lease was incorrectly calculated. Audit adjustments were proposed to exclude the Kwajalein Atoll lease and to correct the recognition of the airport lease.

Cause:

Evaluation of leases meeting the requirements of GASB Statement No. 87 was ineffective.

Effect:

Potential misstatement of the financial statements.

Recommendation:

Sufficient training on new governmental accounting standards should occur.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-014
Area: Timely and Accurate Financial Reporting

Criteria:

Timely financial reporting should be facilitated by an internal control structure conducive to periodic preparation and independent review of general ledger account reconciliations. The reconciliation process is critical to maintaining accurate financial records and minimizing opportunity for misappropriation of funds or fraudulent activity.

Condition:

A preliminary trial balance, supporting ledgers and account reconciliations for fiscal year ended September 30, 2022 were made available on June 7, 2023; however, additional adjustments were proposed by Ministry of Finance, Banking and Postal Services (MOFBPS) subsequent to receipt of the preliminary trial balance.

Additionally, throughout the year, MOFBPS does not maintain an accounts payable subsidiary ledger that is periodically reconciled with the general ledger. Such is prepared only for September each fiscal year for audit purposes. Consequently, we were unable to timely complete year-end cutoff test procedures due to lack of an accounts payable subsidiary ledger for the month of October 2022.

Cause:

RepMar does not perform routine account reconciliations throughout the year and appears to perform such account reconciliations after the end of the fiscal year.

Effect:

Lack of timely reconciliation resulted in the submission of multiple additional adjustments throughout the course of the audit, with the final set of adjustments provided on January 29, 2025. Accurate financial reporting was not achieved during the period and potential misappropriation of funds or fraudulent activities may have occurred and was undetected by management.

Recommendation:

MOFBPS should implement internal control policies and procedures to facilitate timely and accurate general ledger account reconciliations and financial reporting. Such reconciliations should be documented and independently reviewed. Furthermore, MOFBPS management should examine personnel staffing requirements and qualifications associated with MOFBPS's accounting department.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-015
Area: Embassy Imprest Accounts

Criteria:

Replenishment requests for embassy imprest accounts should be supported by imprest account reconciliations, with reconciling items timely investigated and properly accounted for.

Condition:

As of September 30, 2022, RepMar recorded nine embassy imprest accounts, for which the September 2022 imprest account reconciliations reported unknown variances or shortages and included the following reconciling items, which were neither timely investigated nor properly accounted for:

- Suva, Fiji Embassy September 2022 reconciling items:
 - ▶ \$112,047 unreconciled wire transfers
 - ▶ \$104,884 unreconciled deposits
 - ▶ \$212,274 disallowed disbursement
 - ▶ \$78,161 unknown differences
- Tokyo, Japan Embassy September 2022 reconciling items:
 - ▶ \$322,635 unreconciled wire transfers
 - ▶ \$191,757 unreconciled deposits
 - ▶ \$461,084 disallowed disbursements
 - ▶ \$104,491 unknown differences
 - ▶ \$147,850 unidentified withdrawal
- Taipei, Taiwan Embassy September 2022 reconciling items:
 - ▶ \$118,222 unreconciled deposits
 - ▶ \$40,000 unrecorded withdrawal
 - ▶ \$86,915 disallowed disbursements
 - ▶ \$12,188 unknown differences
- UN Mission September 2022 reconciling items:
 - ▶ \$57,409 unreconciled wire transfers
 - ▶ \$258,364 unreconciled receipts
 - ▶ \$16,815 unknown difference
 - ▶ \$394,528 disallowed disbursements

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-015, continued
Area: Embassy Imprest Accounts

Condition, continued:

- Washington, D.C. Embassy September 2022 reconciling items:
 - ▶ \$25,156 unreconciled wire transfers
 - ▶ \$28,831 unreconciled deposits
 - ▶ \$86,203 disallowed disbursements
 - ▶ \$12,870 unknown differences
- Arkansas Consulate September 2022 reconciling items:
 - ▶ \$26,457 outstanding replenishments
 - ▶ \$23,415 unreconciled deposits
 - ▶ \$13,133 disallowed disbursements
 - ▶ \$1,335 unknown differences
- Seoul, Korea Embassy September 2022 reconciling items:
 - ▶ \$18,544 outstanding replenishment
 - ▶ \$79,624 unreconciled deposits
 - ▶ \$9,747 unidentified differences
 - ▶ \$75,343 disallowed disbursements
- Geneva Mission September 2022 reconciling items:
 - ▶ \$53,258 outstanding replenishments
 - ▶ \$52,298 unreconciled deposits
 - ▶ \$61,987 disallowed disbursements
 - ▶ \$7,129 unknown difference
- Honolulu Consulate September 2022 reconciling items:
 - ▶ \$3,399 outstanding replenishment
 - ▶ \$52,298 unreconciled deposits
 - ▶ \$60,099 outstanding replenishments

Cause:

RepMar lacks prescribed rules and regulations governing reconciliation of embassy imprest accounts and timely resolution of reconciling items.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-015, continued
Area: Embassy Imprest Accounts

Effect:

Possible misappropriation of RepMar assets by custodians and a possible misstatement of cash, liabilities and expenditures pertaining to embassy imprest accounts could result from this matter, which RepMar considered were not material to the financial statements.

Identification as a Repeat Finding:

Finding No. 2021-014

Recommendation:

The Secretary of Finance, Banking and Postal Services, pursuant to Section 151 of the Financial Management Act of 1990, should issue rules and regulations governing reconciliation of embassy imprest accounts and resolution of reconciling items. In addition, management should examine personnel staffing requirements and qualifications associated with Ministry of Finance, Banking and Postal Services (MOFBPS) accounting department. MOFBPS employees responsible for reconciliation and replenishment of imprest accounts should have adequate training to facilitate the investigation and review process.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-016
Area: Accounts Receivable

Criteria:

Drawdown of grant expenditures should timely occur to reimburse the General Fund.

Condition:

Grants may not be timely billed and collected. Specifically, certain federal grant receivables for Public Infrastructure Sector and Non-Compact grants recorded by RepMar have yet to be timely billed and collected. Specifically, RepMar recorded receivables from federal agencies in the Grants Assistance Fund as of September 30, 2022 of \$21,399,343, which comprised of the following:

Compact Sector	\$ 13,306,306
Other Compact	1,141,549
Non-Compact	<u>6,951,488</u>
	\$ <u>21,399,343</u>

Cause:

RepMar lacks adequate policies and procedures requiring periodic and timely analysis of grant expenditures to ascertain whether reimbursement of grant expenditures can occur. Further, drawdown requests are not monitored for timely reimbursement and resolution of errors.

Effect:

The General Fund bears the cost of grant expenditures and foregoes potential investment earnings on funds that have been advanced to federally-funded programs. Furthermore, the General Fund may be negatively impacted in the event that full collection does not materialize. Uncertain collectability of federal grants receivable resulted in qualified opinions for the governmental activities and the Grants Assistance Fund.

Identification as a Repeat Finding:

Finding No. 2021-015

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-016, continued
Area: Accounts Receivable

Recommendation:

Ministry of Finance, Banking and Postal Services (MOFBPS) management should strengthen and implement policies and procedures requiring periodic and timely analysis of grant expenditures to ascertain whether reimbursement of grant expenditures can occur and to monitor drawdown requests. In addition, management should examine personnel staffing requirements and qualifications associated with MOFBPS accounting department. MOFBPS employees responsible for federal grants should have adequate training to facilitate the billing and collection process.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-017
Area: Revenue Recognition

Criteria:

GASB Statement No. 33 establishes accounting and financial reporting standards for government-mandated and voluntary nonexchange transactions.

Condition:

For the year ended September 30, 2022, RepMar recorded expenditures associated with World Bank grants for which grant revenues of \$968,276 were not recognized. An audit adjustment was proposed to correct this misstatement.

Cause:

Ministry of Finance, Banking and Postal Services (MOFBPS) did not perform timely reconciliations and did not perform monitoring controls over revenue recognition associated with World Bank and other grants.

Effect:

The aforementioned grant revenue and related grant receivables were misstated.

Identification as a Repeat Finding:

Finding No. 2021-016

Recommendation:

RepMar should develop monitoring procedures for financial reporting purposes that include timely recognition of World Bank project and other grant related transactions. Furthermore, MOFBPS management should assess whether additional personnel well versed in accounting reconciliations, or additional training of existing responsible personnel, may be required to allow for accurate and complete financial reporting.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-018
Area: Manual Journal Entries

Criteria:

Journal entries and adjustments should be adequately supported, be timely and independently reviewed, and be approved by knowledgeable personnel prior to posting.

Condition:

Numerous journal entries recorded throughout the year, while approved, were inaccurate or inadequately supported. Material errors were ultimately corrected by management during year-end reconciliations in preparation for the annual audit. Furthermore, multiple journal vouchers could not be located and provided for examination.

Cause:

Ministry of Finance, Banking and Postal Services lacks adequate internal control policies and procedures requiring journal entries to be adequately supported, to be timely and independently reviewed, to be approved by knowledgeable personnel prior to posting, and to be maintained on file.

Effect:

Inaccurate financial reporting throughout the year.

Identification as a Repeat Finding:

Finding No. 2021-017

Recommendation:

Ministry of Finance, Banking and Postal Services (MOFBPS) management should establish internal control policies and procedures requiring journal entries be adequately supported, be timely and independently reviewed, and be approved by knowledgeable personnel prior to posting. In addition, management should examine personnel staffing requirements and qualifications associated with MOFBPS accounting department. MOFBPS employees responsible for maintaining and updating financial records should have adequate training to facilitate the review and approval process.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-019
Area: External Financial Reporting

Criteria:

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB No. 14 and 34*, requires that the financial statements of the reporting entity include component units for which the primary government is either financially accountable, or for which exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Condition:

The following material component units were unable to produce audited financial statements:

- College of the Marshall Islands
- Kwajalein Atoll Joint Utilities Resources, Inc.
- Majuro Water & Sewer Company, Inc.

Cause:

The cause of the above condition is the lack of audited financial statements for the respective entities. Furthermore, RepMar lacks adequate internal control policies and procedures to facilitate compliance with the financial reporting framework requirements.

Effect:

Nonconformity with GASB Statement No. 14, as amended. Omission of component unit financial statements resulted in an adverse opinion for the discretely presented component units.

Recommendation:

RepMar should continue efforts to have audits performed on the aforementioned financial statements of the component units.

Views of Responsible Officials:

We agree with the finding and provide details in our Corrective Action Plan.



Republic of the Marshall Islands
Ministry of Finance, Banking and Postal Services
P.O. Box D ~ Majuro ~ Marshall Islands ~ 96960
 Phone No. (692) 625-8320 ~ No. (692) 625-8311/8370/7420

CORRECTIVE ACTION PLAN
Year ended September 30, 2022

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2022-001	15.875	Allowable Costs/Cost Principles	\$27,380	<p><u>Condition 1:</u> #1 All supporting documents for travel mission vouchers are now uploaded onto Bisan.</p> <p>#2 & #3: The MOF Secretary reiterated to Accounting management the need to ensure that manual JVs have complete supporting documents. Bisan has an online approval workflow for manual JVs which facilitates the review of manual entries, including supporting attachments, prior to posting to the general ledger.</p> <p><u>Condition 2:</u> #1 & #2: Effective FY2025 PPE 14, MoF will no longer charge leave slips without proper supporting documents.</p> <p><u>Condition 2, continued:</u> #1 Employee did not receive a night differential for PP21 & PP22.</p> <p>#2 & #5: The online approval workflow in the payroll module of Bisan, where the ministry enters hours claimed while the MOF Payroll Division reviews and approves against supporting timesheets, helps ensure that payroll calculations are accurate.</p> <p>#3 and #4 Employee did not receive 8 regular hours in previous pay period (PP01)</p> <p>#6: 30% is a combination of 20% standby differential and 10% Ebeye differential.</p>	May 2025	Assistant Secretary, Ebeye Chief of Payroll; Assistant Secretary, Accounting
2022-002	15.875	Allowable Costs/Cost Principles	\$1,763,366	Upon verification, supporting documents for salaries and wages, such as timesheets and payroll registers, for the 18 samples were submitted to external auditors.	April 2025	Chief Accountant; Assistant Secretary for Accounting

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>MoF management will ensure responsible senior budget officers are well versed in all grant conditions and ensure that all transactions are in accordance with the grant agreement.</p> <p>MoF will conduct annual training on grants management.</p>	<p>July 2025</p> <p>July 2025</p>	<p>Senior Budget Officers; Budget Director; Assistant Secretary, Budget; Deputy Secretary, Core Financial Services</p>
2022-003	93.323	Allowable Costs/Cost Principles	\$550,115	<p>Condition #1 & #2: In preparation for the FY2026 budget entry exercise, MOF management will arrange for a training, to be conducted annually, for all Senior Budget Officers handling US Federal Grants. The training will focus on the need for proper and thorough review of grant budget proposals (i.e., every contract submitted to the Budget Division for obligation should be supported by the budget narrative otherwise, such will be returned).</p>	July 2025	<p>Senior Budget Officers; Budget Director; Assistant Secretary, Budget; Deputy Secretary, Core Financial Services (1, 2)</p>
2022-004	15.875	Equipment & Real Property Management	Undeterminable	<p>The fixed assets manual has been in place since FY2019; however, challenges exist in fully implementing the manual. The MoF management undertook the following actions:</p> <p>1) Hired additional asset management staff in May 2024.</p> <p>2) Issued a memo to ministries that customize government's assets to formally designate a property coordinator. To issue another memo to meet and train the designated property coordinators on their roles, responsibilities, & templates pertaining to the fixed assets management.</p> <p>3) Developed a collaborative approach between the ministries, outer island jurisdictions, and overseas' missions, in accomplishing the physical inventory with the MoF assets' manager serving as the lead.</p> <p>4) The asset management module of FMIS (BISAN) will be fully operationalized when the assets registry is complete.</p>	<p>August 2025</p> <p>December 2025</p>	<p>Senior Accountability & Property Officer; Chief Procurement Officer</p>

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2022-005	15.875 15.875 93.323	Period of Performance	Undeterminable	Grant agreements are filed with the respective Budget Officers. The period of performance is entered into the FMIS (Bisan) prior to account setup, which automatically halts transactions after the grant's closing date.	N/A	Senior Budget Officers, Budget Director, Assistant Secretary for Budget
2022-006	15.875	Procurement and Suspension and Debarment	\$44,942	#A26328 - MOF is drafting a new Travel Policy to address this issue. The MOF management designated three audit focal points to coordinate effectively with external auditors regarding timely submissions of required supporting documents.	September 2025	Secretary of Finance; Chief Accountant; Assistant Secretary for Accounting; Audit Coordinator
2022-007	15.875	Procurement and Suspension and Debarment	\$61,961	Effective 3rd qtr. of FY2025, all transactions charged to the Enewetak grant will go through the national procurement and payment process. The detailed compliance checklist covering Procurement and Supply, Budget, Accounting, and Compliance will be reinstated.	May 2025 May 2025	Chief Procurement Officer, Assistant Secretary for Budget, Assistant Secretary for Accounting, & Chief Internal Auditor
2022-008	93.323	Procurement and Suspension and Debarment	\$660,990	Procurement documentations were provided on May 19, 2025. The MOF management designated three audit focal points to coordinate effectively with external auditors regarding timely submissions of required supporting documents.	April 2025	Chief Accountant; Assistant Secretary for Accounting; Audit Coordinator
2022-009	15.875 15.875 93.323	Reporting	\$0	Condition #1: Compact SF-425 Reports were provided to the external auditors on May 8, 2024 along with the 240p reports. Condition #2 to #4: Grant agreements are filed with the respective Budget Officers. MoF accounting division management will thoroughly review completeness of all Compact SF-425 Reports prior to submission to the auditors. The 240p report was also attached with the SF_425 report for "KIF-CK6028." The 4th Quarter DAEF SF-425 was also provided to the auditors. Condition #3: Federal SF-425 reports are submitted on a quarterly and annual basis by the Budget Division (Federal Desk)	April 2025	Compact financial reports (SF-425): Compact Accountant; Chief Accountant; Assistant Secretary, Accounting Federal financial reports (SF-425): Senior Federal Budget Officer; Budget Director; Assistant Secretary, Budget

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2022-010	15.875	Subrecipient Monitoring	\$74,794	<p>Condition #1: A compliance checklist will be developed and implemented July 1, 2025 on all subrecipients.</p> <p>Condition #2: There is currently one consolidated subrecipient monitoring schedule that is monitored by the Compliance Unit and the SOEMU.</p> <p>Condition #3: The Grants Manual will be updated to reflect audit determination letter processes for subrecipients.</p>	October 2025	<p>Chief of Internal Audit</p> <p>Chief of Internal Audit; SOEMU Assistant Secretary</p> <p>Chief of Internal Audit</p>
2022-011	15.875	Subrecipient Monitoring	N/A	<p>The Secretary has confirmed with US DOI the restrictions on sub-granting of the Enewetak grant.</p> <p>Effective 3rd qtr. of FY2025, all transactions charged to the Enewetak grant will go through the national procurement and payment process.</p> <p>MoF management will ensure responsible senior budget officers are well versed in all grant conditions and ensure that all transactions are in accordance with the grant agreement.</p> <p>MoF will conduct annual training on grants management.</p>	April 2025	Senior Budget Officers; Budget Director; Assistant Secretary, Budget
2022-012	N/A	Schedule of Expenditures of Federal Awards Preparation	N/A	<p>#1 & #2: Budget Officers will ensure that each federal program's name, ALN number, and clusters' mapping are accurate during the SPG setup process on Bisan.</p> <p>#3: For every award, there is a corresponding SPG/cost center which allows the segregation of COVID-19 related-grants from core funds.</p> <p>#4: Federal awards for the excluded component units in the notes to SEFA were provided in full on April 03, 2025.</p>		Senior Budget Officers; Budget Director; Assistant Secretary, Budget
2022-013	N/A	Implementation of GASB Statement No. 87, Leases	N/A	Being the first year of implementation of a new and relatively complex accounting standard, differences in interpretation and calculations are expected. The Kwajalein LUA was included in the lease inventory of the national government for completeness and was proposed as an adjustment to the Fiduciary Fund itself, not the Governmental Fund. It		Assistant Secretary for Accounting, IT, & Payroll; Chief Accountant

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				has since been clarified by EY that conveyance of control of the leased asset is the primary consideration under GASBS 87 rendering incorrect the aforesaid interpretation, which the MOF accepted. The PV calculations for the airport will be adjusted accordingly.		
2022-014	N/A	Timely & Accurate Financial Reporting	N/A	The GRMI migrated to a new FMIS at the start of FY2023. As part of the data migration, adjustments to prior year balances were identified and CAJEs were submitted while the audit fieldwork was still ongoing, so that beginning balances in the new system reflected the adjustments already.	January 2025	Chief Accountant; Assistant Secretary, Accounting
2022-015	N/A	Imprest Funds Accounts	N/A	<p>An Imprest Fund Procedures Manual was rolled out to RMI embassies/consulates starting February 2019 to serve as a guide in implementing the uniform procedures and reporting templates. With the turnover and changes in the headship of the embassies/consular office, MoF and MoFAT continuously provide training as necessary.</p> <p>The MoF is closely coordinating with MoFAT and the embassies to avoid and eliminate disallowed disbursements.</p> <p>RMI embassies had less or no disallowed disbursements, neither an unknown difference since FY2021.</p> <p>Furthermore, a Cabinet Paper will be submitted to approve the write off of accumulated disallowances from all Embassies, Consulates, & Missions.</p>	May 2025	Reconciliation Specialist (Imprest Funds); Chief Accountant; Assistant Secretary, Accounting; MOFAT Assistant Secretary for Administration
2022-016	N/A	Accounts Receivable	N/A	<p>There have been ongoing efforts by the MoF management to recover receivables from grantors, which include the following:</p> <p>1) 3 major reconciliations completed in FY23 and FY24 of compact infrastructure grants resulting in collection of \$1.8 million of receivables.</p> <p>2) Multiple ongoing discussions with the U.S. DOI concerning the recoverability of old grants' balances particularly under Compact 2.</p>	Sept 2025	<p>Compact drawdowns: Compact Accountant; Chief Accountant; Assistant Secretary, Accounting</p> <p>Federal drawdowns: Senior Federal Budget Officer; Budget Director;</p>

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>3) Implementing ministries are currently assisting and reaching out to the concerned U.S. Federal Agencies for non-compact grants to determine the recoverability of old grants' balances.</p> <p>4) Any grant balance that is deemed no longer collectible will be written off immediately.</p>	Sept 2025	<p>Assistant Secretary, Budget</p> <p>Chief Accountant, Assistant Secretary, Accounting</p>
2022-017	N/A	Revenue Recognition	N/A	There has been ongoing training with the finance officers from the Central Implementation Unit (CIU) on accounting reconciliations. Furthermore, the MoF plans to recruit additional technical staff to strengthen CIU's financial reporting capability.	September 2025	Assistant Secretary, DIDA; CIU Program Manager; CIU Finance Manager
2022-018	N/A	Manual Journal Entries	N/A	<p>The accounting management will thoroughly review all manual journal entries prior to approval.</p> <p>The accounting management will ensure that accounting staff receive regular training on manual journal entries.</p> <p>The MoF management will be more selective in its hiring process for technical positions.</p>	<p>April 2025</p> <p>June 2025</p>	Chief Accountant; Assistant Secretary, Accounting
2022-019	N/A	External Financial Reporting	N/A	CMI, KAJUR and MWSC have engaged consultants to help them in keeping their financial audit in a timely manner. The MoF management has implemented measures for these autonomous entities and state-owned enterprises to take ownership of their financial reporting and audit related deliverables.	January 2025	Secretary of FBPS; CMI President; KAJUR GM; MWSC GM



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

March 25th, 2025

Ms. Deanna Gilmar
Ernst & Young LLP
4th Floor Napa Building
Majuro, Marshall Islands 96960

RE: FY 2022 Single Audit Reports – Schedule of Prior Years Single Audit Findings

Dear Ms. Gilmar,

The Ministry of Finance is actively pursuing resolution to matters reported to matters reported on the Schedule of Findings and Questioned Costs for the year ended September 30, 2022. The Ministry recognizes that some of these findings are repeated from FY2008 to FY2021. These findings are the subject of ongoing resolutions.

Enclosed with this memorandum are our responses to the audit findings for FY 2021 and prior. In addition, a decision memorandum from the United States Department of Interior (DOI) is also attached for your reference regarding findings related to Office of Insular Affairs (OIA) grants.

Should you have any questions or concerns, please do not hesitate to contact the Ministry.

Sincerely,

Ayako Yamaguchi-Eliou
Secretary of Finance, Ministry of Finance



P.O BOX D
Majuro, MH 96960



(692)625-8311/1966



ayakoye@rmigov.mh



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

March 4, 2025

DECISION MEMORANDUM

To: All Insular Governments

From: Eunbin Morrison
Audit and Accountability Specialist
Office of Insular Affairs (OIA)

Subject: Closing out the old single audit findings (audits submitted before October 2024)

Background

OIA has participated in the monthly single audit tracking process of the Department of the Interior (DOI), Office of Financial Management, Audit Management Division (PFM-AM) as of November 2024. The single audits submitted to Federal Audit Clearinghouse (FAC) as of October 2024 have been tracked by this process and OIA has been in contact with insular governments on their audit findings and corrective actions.

Issues

There are old audit findings regarding the audits submitted to FAC in March 2023 or before. These findings became no longer valid in accordance with 2 CFR 200.511 *Audit findings follow-up* because the following three factors have been met:

- (i) *Two years have passed since the audit report in which the finding occurred was submitted to the FAC;*
- (ii) *The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and*
- (iii) *A management decision was not issued.*

Decision

1. OIA determined that the old audit findings mentioned above are no longer valid in accordance with 2 CFR 200.511.
2. OIA determined not to follow up on corrective actions for the audits submitted prior to October 2024 because these audits are not part of the current single audit tracking process.

Eunbin Morrison

Eunbin Morrison
Audit & Accountability Specialist
Office of Insular Affairs (OIA)



Government of the Republic of the Marshall Islands
P.O. Box D, Majuro, Marshall Islands MH 96960

Payment 23/00013212

05/31/2024

Paid To 9803212
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) 200 Independence Ave SW, Washington, DC 20201, United States

Bank Check 0022339
Date 05/31/2024
Amount 1,336,187.00
Supplier Reference
Budget Request Voucher 23/00005786

Invoice	Comment	Amount
C.M. 066 (2024)	BRV#23/5786 - Kunit Bobrae Coalition's Audit FY2016-FY2017	1,336,187.00



GOVERNMENT OF THE MARSHALL ISLANDS
GENERAL FUND ACCOUNT
P.O. Box D,
Majuro, Marshall Islands MH 96960

Check No. **0022339**

Date **05/31/2024** Amount **1,336,187.00**

PAY

ONE MILLION THREE HUNDRED THIRTY SIX THOUSAND
ONE HUNDRED EIGHTY SEVEN USD

TO THE ORDER OF

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS)

Bank of Guam
Majuro Branch
P. O. Box C
Marshall Islands MH96960



AUTHORIZED SIGNATURES

⑈0022339⑈ ⑆1121405115⑆ ⑈0105⑈038060⑈



EMBASSY OF THE REPUBLIC OF THE MARSHALL ISLANDS

2433 Massachusetts Avenue, N.W., Washington, D.C. 20008

Tel. # (202) 234-5414 * Fax # (202) 232-3236 * E-mail: info@rmiembassyus.org

July 5, 2024

The RMI Embassy to the United States hand delivered check # 0022339 in the amount of One Million Three Hundred Thirty Six Thousand One Hundred Eighty Seven USD (\$1,336,187.00) from the Government of the RMI to the U.S. Department of Health and Human Services.

Furthermore, the hand delivered check was received by Marie Novak, Supervisory Auditor, Office of Financial Advisory Services, Office of Financial Resources (OFR) for the Substance Abuse and Mental Health Services Administration (SAMHSA) / Department of Health and Human Services located at the following address:

SAMHSA/DHHS
5600 Fisher Lane
Rockville, MD
20852

Delivered by:

A handwritten signature in black ink, appearing to be "CP", written over a horizontal line.

Charles Paul
RMI Ambassador

A handwritten date "07/05/24" in black ink, written over a horizontal line.

Date

Received by:

A handwritten signature in blue ink, appearing to be "Marie Novak", written over a horizontal line.

Marie Novak
Supervisory Auditor

A handwritten date "7/5/24" in blue ink, written over a horizontal line.

Date

**Audit Findings
Fiscal Year 2008**

Audit Finding No.	Status
2008-5	<p data-bbox="553 432 764 459">Ministry of Finance</p> <p data-bbox="553 464 1281 657">The Chief of Procurement and Supply and Budget Director have been designated as the Ministry's officials' in-charge to develop procedures and adequate internal control policies to ensure compliance with the procurement requirements as stipulated under the FPA. Currently, the Chief of Procurement & Supply is taking comprehensive measures to ensure all supporting documents are provided and attached to all incoming requests prior to processing.</p> <p data-bbox="553 684 1281 737">Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2008-7	<p data-bbox="553 798 764 825">Ministry of Finance</p> <p data-bbox="553 829 1281 936">The Office of the Secretary of Finance has directed a policy to strengthen internal control in ensuring that all proper justification, documentations and bidding requirements have been met before further approval for purchase or contract.</p> <p data-bbox="553 963 1281 1050">For Item #1, all prior year findings regarding DOI are resolved per DL attached. On-going for Items #2-4.</p>

**Audit Findings
Fiscal Year 2009**

Audit Finding No.	Status
2009-1	<p>Ministry of Finance Chief of Accounting and Accounts Payable Supervisor to ensure all check vouchers are supported with adequate documentation in order for expenditures to be traced.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2009-2	<p>Ministry of Finance The Assistant Secretary of Finance for Accounting will now be tasked with the responsibility to regularly review the payroll master file for detection of errors in a timely manner. The corrective action plan begins immediately.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2009-9	<p>Ministry of Finance The Chief of Procurement and Supply and Chief of Accounting have been designated as the Ministry's officials' in-charge to develop procedures and adequate internal control policies to ensure proper documentation, as well to ensure compliance with allowable costs/cost principles and the procurement requirements as stipulated under the FPA. In addition, the Accounts Payable Division, being the last division in process, will screen incoming requests to ensure all adequate and required supporting documentation are provided and attached to requests prior to printing of checks.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>

**Audit Findings
Fiscal Year 2010**

Audit Finding No.	Status
2010-4	<p>Ministry of Finance For FY 2011, tighter controls are being instituted and adequate documentation is being maintained to ensure compliance with US Federal procurement requirements as stipulated in the Financial Procedures Agreement. Stricter documentation procedures will be established (into the Standard Operating Procedures). These procedures will take into account the maximum requirements under the Financial Procedures Agreement and the Procurement Code. Similarly, supervisory and monitoring processes will be established and reflected in the Standard Operating Procedures.</p> <p>For CFDA #15.875, all prior year findings regarding DOI are resolved per DL attached. On-going for CFDA #10.567, #84.027, #93.003, #93.069, #93.110, #93.118, #93.163, #93.268, #93.889, #93.938, #93.958, #93.959, #93.977, and #93.988</p>
2010-5	<p>Ministry of Finance The Ministry of Finance's Procurement and Supply Division established a policy allied by improved working procedures to ascertain appropriate internal control. In that respect, the Procurement and Supply Unit will take stringent measures by ensuring that the process of procuring and supplying, including observation of the relevant procedures as disclosed in the Procurement Code, are strictly followed and complied with accordingly.</p> <p>On-going.</p>

**Audit Findings
Fiscal Year 2011**

Audit Finding No.	Status
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2011-05

Ministry of Finance

The Ministry will see to it that all the relevant control points are fully aware of the documentation requirements for all procurements under federal grants. In addition, the Federal Grants Section within the Budget Division will be strengthened with an additional staff who will also oversee compliance with all the grant conditions. In addition, the Ministry also intends to recruit an internal auditor who will also be charged with ensuring compliance and monitoring the compliance and surveillance program for the Ministry.

For Condition 1 Item #4, all prior year findings regarding DOI are resolved per DL attached.

On-going for Condition 1 Items 1,2,3,5, and 6 and Condition 2.

**Audit Findings
Fiscal Year 2012**

Audit Finding No.	Status
2012-01	<p>Ministry of Finance It is standard procedure of the Ministry of Finance Accounts Payable division to require all expenditures are supported by adequate documentation. We believe the two exceptions noted pertain to deficiencies in the filing system and will locate the documents for the cited payments for subsequent clearance.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2012-05	<p>Ministry of Finance Item #1: The exception pertained to a payment of Ebeye Finance, the documentation of the price quotations for which, were lost in transit on AMI to Majuro MOF. It is standard operating procedure for Ebeye Finance to require 3 quotes before vendor selection and the noted item is a non-recurring instance of lost documentation. Item #2 represented a payment on a sole-sourced contract for hospital air conditioner repairs to a vendor who had originally provided and installed the air conditioners. Under the circumstances it was not felt appropriate to have other vendors provide quotations or perform the repairs due to their lack of familiarity with the equipment. In the future, exceptions of like nature will be documented by the Ministry of Health per Section 128 of Title 44. Item #3 was for fence repair materials for which two of the three vendors from which quotations were solicited were non-responsive and no further attempts were made to obtain additional quotations. Management will clarify its policies and procedures concerning such situations to ensure the intent of small procurement controls are adhered to. Item #4 pertained to an office lease for the National Training Council (NTC) for which comparative quotations were not obtained. Insofar as this lease is at reasonable rates and provides easy access to many clients and customers of the NTC, management will request the grantor agency to specifically approve this lease. Moreover, given the shortage of both housing and office space available for leasing, management will consider incorporating a permanent exemption of obtaining price quotations for this type of procurement. It is standard procedure for MOF's procurement and supply department and accounts payable division to require adequate</p>

supporting documentation to support the history of a procurement including the rationale for vendor selection; this in accordance RepMar's procurement code. We note that all the instances cited were for small procurements for which any exceptions to Section 127 of Title 44 must be documented as per Section 128 (sole-source justification). MOF will reinforce adherence to this policy both with the line ministries and internally.

Completed. All prior year findings regarding DOI are resolved per DL attached.

**Audit Findings
Fiscal Year 2013**

Audit Finding No.	Status
2013-001	<p>Public Service Commission</p> <p>For item #1, per the instruction of the Public Service Commission (PSC), the Ministry of Finance (MOF) paid an employee an additional \$0.12 per pay period because of a housing allowance that was included in his gross pay rate. For item #2, MOF paid the employee from a timesheet that was not approved. MOF will immediately verify with PSC the correct rate to pay the employee who was overpaid.</p> <p>Additionally, although it is standard procedure for MOF to only pay from properly approved timesheets, MOF will reinforce this standard operating procedure with its payroll staff.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2013-002	<p>Ministry of Health</p> <p>The Ministries of Finance and Health agree to all the findings. Two vehicles were rented for the period stated above, exceeding the period of availability stated on the Purchase requisitions (PR) and grant budget period. Both vehicles were not used for the purposes stated on the PR but solely used by hospital administrators. For finding #3, a PR was submitted for purposes of temporary ambulance. The Purchase order, however, was used to pay off prior year liabilities that the Ministry of Health had not paid the vendor due to cessation of business with the vendor from the fraud cases in fiscal year 2010.</p> <p>On-going.</p>
2013-005	<p>Ministry of Education</p> <p>We only partially agree with the finding: Item # 1 is for the purchase of fresh fish from a local vendor for the school feeding program and is likewise not subject to the receipt of informal price quotations. Item # 3 is for the contract purchase from a Ebeye non-profit for MOE school feeding....all such contracts are approved for the same unit price by the bid committee and divided among several Ebeye organizations; likewise not subject to price quotations. Only item # 2 (international travel) references a finding whereby RepMar did not document it obtained the lowest fare for international travel, in this case to Fiji.</p>

Completed. All prior year findings regarding DOI are resolved per DL attached.

**Audit Findings
Fiscal Year 2014**

Audit Finding No.	Status
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2014-001

Ministry of Finance

For Item # 1, payment to employee # 90261 per check# 69014 dated 11/29/13 covered the retroactive pay for two pay periods (10/06/13 to 11/02/13) and pay period 11/03/13 to 11/16/13. A total of 240 hours should be paid to the employee. Hence, there was no overpayment of \$692 or 80 hours.

For Item # 2, there was an overpayment of salary adjustments. The Public Service Commission issued a memorandum dated April 13, 2015 to effect the correction on salary adjustments starting on January 24, 2014 and not on October 1, 2013. Our corrective action plan is to ensure that pay rates used in the generation of payroll should be periodically compared to the Notification of Personnel Action from PSC. Any changes in the timekeeping records should have prior approval and authorization. We will enforce monthly reconciliations of general ledger to ensure accuracy and timeliness of expenses.

For Item # 3, there were no approved timesheets attached to the claim. Our corrective action plan is to strictly enforce our policies on payroll. All timesheets must be approved prior to submission to Payroll Department for processing. We will ensure internal control for the review and verification of attendance records for accuracy and compliance to policy.

Completed. All prior year findings regarding DOI are resolved per DL attached.

Audit Findings
Fiscal Year 2015

Audit Finding No.	Status
2015-006	<p data-bbox="553 405 763 432">Ministry of Finance</p> <p data-bbox="553 434 1281 546">MOF will reinforce compliance with federal procurement requirements. The Ministry of Finance is in the process of improving and strengthening internal control measures including proper documentation and strict adherence to procurement standards.</p> <p data-bbox="553 573 657 602">On-going.</p>

**Audit Findings
Fiscal Year 2017**

Audit Finding No.	Status
2017-005	<p data-bbox="553 405 763 432">Ministry of Finance</p> <p data-bbox="553 434 1281 546">The Policy Office under the Chief Secretary's Office is undertaking actions and recommendations to develop a clear procurement policy to address impending issues and concerns. The project will be implemented with the support of key development partners.</p> <p data-bbox="553 573 1281 625">Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2017-007	<p data-bbox="553 657 763 684">Ministry of Finance</p> <p data-bbox="553 686 1281 798">The PFM-RCU has started to develop a Procedures Manual on Grants Management (Subrecipient Monitoring) and conducted simultaneous training workshops participated by MOF Accounting and Budget & Procurement/Supply officers and staff.</p> <p data-bbox="553 825 1281 877">Completed. All prior year findings regarding DOI are resolved per DL attached.</p>

**Audit Findings
Fiscal Year 2018**

Audit Finding No.	Status
2018-001	<p>Ministry of Finance PSC-driven HRMIS is envisioned to have interface capability with the new FMIS funded by the World Bank. To supplement the reviews conducted by Division Supervisors/Heads, the MOF will also enforce an internal control and compliance monitoring system.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2018-002	<p>Ministry of Finance MOF has developed a Grants Management Procedures Manual effective August 1, 2018 which clearly discusses the difference in handling of operational and non-operational grants. SEG drawdowns in the year 2018 were already on reimbursement basis.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2018-004	<p>Ministry of Finance The draft of the MOF Fixed Asset Management Manual has been circulated to MOF management for further comments in June 2019. The manual covers procedures ensuring compliance with the criteria required by the FPA. The relevant government officers will be trained on additional control and reporting procedures once the manual is approved.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2018-005	<p>Ministry of Finance The RMI's Procurement Regulations Pursuant to the Procurement Act 1988 draft is ongoing review. The regulations provide for bulk and centralized purchasing. Once approved, activities to operationalize the regulations shall be conducted which would include training and creation of procedures manual and templates as needed.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2018-006	<p>Ministry of Finance In compliance with the Grants Management Procedures Manual in place, Budget officers have been ensuring that NGAs have corresponding cost</p>

center/budget setup and vice versa. MOFA OCI was also advised to always copy MOF-Asst. Secretary Budget/Budget Director on all NGAs received.

Completed. All prior year findings regarding DOI are resolved per DL attached.

2018-007

Ministry of Finance

Starting December 2018, the MOF Budget fiscal officer and the MOHHS Finance officers have strengthened coordination in the preparation of FFRs for Federal Grants. MOHHS now reviews the FFRs prior to submission.

On-going.

2018-008

Ministry of Finance

Starting Fiscal Year 2019, MOF required all sub-grantees to submit reports and supporting documents for FY2018 subsidies prior to release of the first drawdown of their FY2019 grant. Furthermore, for Compact -funded grants which have no actual cost requirement, in compliance with the quarterly allocation provision of the RMI Financial Management Act, sub-grantees were moved to a quarterly MOA. A Grants and Sub-Grants Management Procedures Manual has been developed and became effective on August 1, 2018 and MOF is currently in the transition period of implementing all new controls and templates contained therein.

Completed. All prior year findings regarding DOI are resolved per DL attached.

2018-009

Ministry of Finance

Starting Fiscal Year 2019, MOF required all sub-grantees to submit reports and supporting documents for FY2018 subsidies prior to release of the first drawdown of their FY2019 grant. Furthermore, for Compact sector-funded grants which have no actual cost requirement, in compliance with the quarterly allocation provision of the RMI Financial Management Act, sub-grantees were moved to a quarterly MOA. A Grants and Sub-Grants Management Procedures Manual has been developed and became effective on August 1, 2018 and MOF is currently in the transition period of implementing all new controls and templates contained therein.

On-going.

2018-010

Ministry of Finance

MOF has developed an Imprest Fund Manual of Procedures in Feb 2019 and subsequently conducted consecutive trainings with all the embassies from Feb-Mar 2019. New reporting and monitoring templates are in the transition period of implementation. To supplement the routine operation

reviews conducted by Division Supervisors and heads, the MOF will also enforce internal control and compliance monitoring system.

On-going.

2018-011

Ministry of Finance

One temporary staff is being planned to be hired to do the reconciliation and investigation of these old A/R balances. Funding proposal will be tabled in time for inclusion in the FY202 Appropriation Act. The Compact monitoring worksheet discussed under finding #2 should minimize if not prevent A/R for infrastructure grants.

On-going.

**Audit Findings
Fiscal Year 2019**

Audit Finding No.	Status
2019-001	<p>Ministry of Finance The MOF shall further develop Budget Officers, Accounts Payable staff and Procurement staff through provision of advanced trainings which intends to develop fluency on the analysis of budget variation, determination of allowable/unallowable payments and strategic flagging of questionable transactions.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2019-002	<p>Ministry of Finance The MOF Fixed Assets Management Manual has been circulated to MOF management and is gradually rolling out. The manual covers procedures ensuring compliance with the criteria required by the FPA. The relevant government officers will be trained on additional control and reporting procedures once the manual is approved.</p> <p>On-going.</p>
2019-003	<p>Ministry of Finance Enactment of the RMI Procurement Regulations and Procurement Code Act 2020. Procurement training will be conducted to refresh GRMI staff on the requirements of the Procurement Code and related circulars.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2019-004	<p>Ministry of Finance Roll-out full implementation of monitoring activities of sub-grants by the MOF, being the pass-through Ministry of all grants. The MOF devised and maintained a monitoring tool which aims at providing the MOF the opportunity to ensure that expenditures by sub-recipients align with the requirements and conditions of Compact grants. MOF intends to further intensify its monitoring activities by conducting random field visits to audit the veracity of the expenditures by respective sub recipients and ensure that grants are being utilized as intended.</p> <p>Completed. All prior year findings regarding DOI are resolved per DL attached.</p>
2019-005	<p>Ministry of Finance</p>

Roll-out full implementation of monitoring activities of sub-grants by the MOF, being the pass-through Ministry of all grants. The MOF devised and maintained a monitoring tool which aims at providing the MOF the opportunity to ensure that expenditures by sub-recipients align with the requirements and conditions of Compact grants.

MOF intends to further intensify its monitoring activities by conducting random field visits to audit the veracity of the expenditures by respective sub recipients and ensure that grants are being utilized as intended.

Resolved. Repayment to SAMHSA was delivered on July 5, 2024. See attached of repayment. Furthermore, the Ministry of Finance responded to Findings provided by SAMHSA on November 29, 2024.

2019-006

Ministry of Foreign Affairs and Trade

The MOFAT, in coordination with MOF, shall initiate, facilitate and require submission of Annual Budget Plan by the overseas embassy ambassadors which shall serve to set and identify budgetary requirements for each expenditure line of the respective embassies.

On-going.

2019-007

Ministry of Finance

During Fy2020, the MOF intensified its efforts to investigate and reconcile the old accounts receivable balances which resulted in a 100% collection of outstanding AR for Single Audit and 50% collections of Compact and Federal Grants receivables.

The MOF management intends to continue these efforts and further intensify collaboration and coordination among all the concerned units of the MOF and other concerned Ministry to recover and minimize the remaining AR balances.

On-going.