

Compliance and Internal Control

Republic of the Marshall Islands

*Year ended September 30, 2023
with Report of Independent Auditors*



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Republic of the Marshall Islands

Reports on Compliance and Internal Control

Year ended September 30, 2023

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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, 2023, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements, and have issued our report thereon dated January 29, 2026. 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 \$17,559,807.

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 2023-003 through 2023-010, 2023-012, and 2023-014 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 2023-001, 2023-002, 2023-011 and 2023-020 to be significant deficiencies.

Report on Compliance and Other Matters

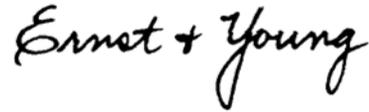
As part of obtaining reasonable assurance about whether RepMar's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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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January 29, 2026



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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 of Independent Auditors 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, 2023. 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, 2023:

ALN	Program Name
15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended
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 2023-011 through 2023-014, 2023-017 through 2023-019 and 2023-021 in the accompanying Schedule of Findings and Questioned Costs, RepMar did not comply with requirements regarding the following:

Finding	ALN	Program Name	Compliance Requirement
2023-011	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended	Allowable Costs/Cost Principles
2023-013	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended	Cash Management
2023-014	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended	Equipment and Real Property Management
2023-018	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended	Reporting
2023-019	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended	Subrecipient Monitoring
2023-021	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended	Special Test and Provision
2023-012	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Allowable Costs/Cost Principles
2023-013	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Cash Management
2023-014	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Equipment and Real Property Management
2023-017	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Procurement and Suspension and Debarment
2023-018	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 2023-015 and 2023-016. 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 2023-011 through 2023-014, 2023-017 through 2023-019 and 2023-021 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 2023-015 and 2023-016 to be significant deficiencies.

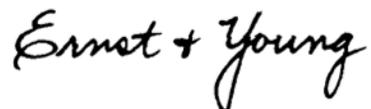
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements. We issued our report thereon dated January 29, 2026, 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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January 29, 2026

REPUBLIC OF THE MARSHALL ISLANDS

Summary Schedule of Expenditures of Federal Awards, By Grantor

Year Ended September 30, 2023

<u>Agency</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 656,174
U.S. Department of Commerce	442,946
U.S. Department of the Interior	71,020,524
U.S. Department of Labor	173,135
U.S. Institute of Museum and Library Services	28,942
U.S. Department of Education	2,029,835
U.S. Department of Health and Human Services	7,819,670
U.S. Department of Homeland Security	52,637
	\$ 82,223,863

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

Reconciliation to the 2023 financial statements is as follows:

U.S. Federal Grants Fund - Total Expenditures	(1)	\$	12,326,466
U.S. Federal Grants Fund - Total Transfers Out	(1)		2,862,325
Enewetak Food and Agricultural Support Fund	(1)		2,050,741
Compact Sector Fund - Total Expenditures	(1)		39,850,153
Compact Sector Fund - Total Transfers Out	(1)		1,092,202
Section 212 Kwajalein Landowners Fund - Total Expenditures	(2)		23,853,818
Section 213 Audit Fund - Total Expenditures	(1)		141,858
Section 213 Audit Fund - Total Transfers Out	(1)		46,300
		\$	82,223,863

- (1) Presented on page 95 of the 2023 financial statements.
- (2) Presented on page 105 of the 2023 financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Federal ALN	<u>Federal Grantor/Program or Cluster Title</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
	<u>U.S. Department of Agriculture:</u>		
	Child Nutrition Cluster:		
10.582	Fresh Fruit and Vegetable Program		\$ 595,637
	Subtotal Child Nutrition Cluster		595,637
10.664	Cooperative Forestry Assistance		56,289
	Quarantine Direct Cost		4,248
	Total U.S. Department of Agriculture		656,174
	<u>U.S. Department of Commerce:</u>		
11.460	Special Oceanic and Atmospheric Projects		442,946
	Total U.S. Department of Commerce		442,946
	<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	\$ 1,579,205	8,906,128
	Supplemental Education Grant	388,325	5,828,968
	Section 211(a)(2) Health Sector		6,849,759
	Section 211(b)(1) Ebeye Special Needs	513,028	6,502,173
	Section 211(b)(2) Landowners Special Needs	1,213,930	1,856,673
	Section 211(b)(3) Kwajalein Environment		268,061
	Section 211(d)(1) Public Infrastructure Development	500,000	10,232,918
	Section 211(d)(2) Infrastructure Maintenance		497,675
	Subtotal Compact of Free Association, As Amended, Sector Grants		40,942,355
	Section 212 Kwajalein Impact and Use		23,853,818
	Section 213 Audit		188,158
	EULG Food & Agriculture Support Program		2,050,741
	Namo Renewable Energy Project		98,920
	Strengthen the Waan Aelon in Majel		110,000
	177 Health Care Program Assistance Funding		2,240,225
	Enewetak/Ujelang Invasive Species		468,500
	Repair of Utrok Clinic & Health Center		350,000
	Providing Capacity in Grant Writing & Management		27,180
	EULG - Solar Energy System		43,500
	Providing Drought Resiliency to Wotje Atoll		83,825
	Retention and Recruitment of Health for Lib Island		33,210
	RMI Census		1,325
	TAP APIPA		50,214
	Likiep Atoll Community Dock Repair Project		119,560
	RALGOV Solar Energy Power for Homes		114,000
	RMI HHS Vaccination in the Neighboring Islands		8,177
	Subtotal ALN 15.875		70,783,708
15.904	Historic Preservation Fund Grants-In-Aid		236,816
	Total U.S. Department of the Interior		71,020,524
	<u>U.S. Department of Labor:</u>		
17.225	COVID-19 - Unemployment Insurance		173,135
	Total U.S. Department of Labor		173,135
	<u>U.S. Institute of Museum and Library Services</u>		
45.310	Grants to States		28,942
	Total U.S. Institute of Museum and Library Services		28,942
	<u>U.S. Department of Education:</u>		
	Special Education Cluster (IDEA):		
84.027	Special Education-Grants to States		1,773,628
	Subtotal Special Education Cluster (IDEA)		1,773,628
84.325P	The Republic of the Marshall Islands Teacher Retention Project		256,207
	Total U.S. Department of Education		2,029,835

See accompanying notes to schedule of expenditures of federal awards.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards, continued

Federal <u>ALN</u>	<u>Federal Grantor/Program or Cluster Title</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
	<u>U.S. Department of Health and Human Services:</u>		
93.069	Public Health Emergency Preparedness		306,144
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		196,374
93.110	Maternal and Child Health Federal Consolidated Programs		78,165
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		435,334
93.116	FY23 PCSI - HIV Surveillance Majuro Direct Cost		5,545
93.116	PCSI - STD P&C Majuro		63,723
93.217	Family Planning-Services		18,560
	Health Center Program Cluster:		1,103,845
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) Subtotal Health Center Program Cluster		1,453,327 2,557,172
93.268	Immunization Cooperative Agreements		889,873
93.268	COVID-19 - Immunization Cooperative Agreements		525,392
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		585,982
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		1,918,462
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		205,291
93.391	COVID-19 - Activities to Support State, Tribal, Local & Territorial (STLT) Health Department Response to Public Health or Health Care Crises		117,780
93.421	Association of State and Territorial Health Officials (ASTHO) Grant		145,500
93.495	COVID-19 Mental Health Outreach & Response		105,302
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		252,680
93.917	HIV Care Formula Grants		27,400
93.945	Assistance Programs for Chronic Disease Prevention and Control		223,947
93.991	Preventive Health and Health Services Block Grant		27,459
93.994	Maternal and Child Health Services Block Grant to the States		237,430
	Total U.S. Department of Health and Human Services		7,819,670
	<u>U.S. Department of Homeland Security</u>		
97.042	Emergency Management Performance Grants		52,637
	Total U.S. Department of Homeland Security		52,637
	TOTAL EXPENDITURES OF FEDERAL AWARDS	\$ 4,194,488	\$ 82,223,863

Republic of the Marshall Islands

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

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, 2023. 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, 2023 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, 2023.

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, 2023, 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	\$ -
Marshalls Energy Company, Inc.	\$ -
National Environmental Protection Authority Fund	\$ -
RMI Office of Commerce, Investment and Tourism	\$ -
RMI Ports Authority	\$ 4,828,969
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 2023. However, for non-Compact Federal awards, RepMar elected to use the de minimis indirect cost rate allowed under the Uniform Guidance in fiscal year 2023.

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 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, which is a treaty, and is not a federal program. The Compact is comprised of various funded programs, each with separate compliance requirements.

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, 2023

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:

ALN 15.875 Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended

Qualified

ALN 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases

Qualified

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

X **Yes** **No**

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Section I - Summary of Auditor’s Results, continued

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program
15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

Dollar threshold used to distinguish between
Type A and Type B Programs: \$2,466,715

Auditee qualified as low-risk auditee? _____ **Yes** X **No**

Section II - Financial Statement Findings

Reference Number	Finding
2023-001	Financial Management Information System
2023-002	Schedule of Expenditures of Federal Awards Preparation
2023-003	General Ledger Reconciliations
2023-004	Embassy Imprest Accounts
2023-005	Accounts Receivable
2023-006	World Bank Fund Receivable
2023-007	Capital Asset Acquisition
2023-008	Revenue Recognition
2023-009	Journal Entries
2023-010	External Financial Reporting
2023-011	Allowable Costs/Cost Principles
2023-012	Allowable Costs/Cost Principles
2023-014	Equipment and Real Property Management
2023-020	Overpayment on Return of Federal Funds

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Section III - Federal Award Findings and Questioned Costs

Reference Number	ALN	Finding	Questioned Costs
2023-011	15.875	Allowable Costs/Cost Principles	\$ 100,327
2023-012	93.323	Allowable Costs/Cost Principles	558,990
2023-013	15.875	Cash Management	--- *
2023-013	93.323	Cash Management	27,059
2023-014	15.875	Equipment and Real Property Management	--- *
2023-014	93.323	Equipment and Real Property Management	--- *
2023-015	15.875	Period of Performance	22,743
2023-016	15.875	Procurement and Suspension and Debarment	314,943
2023-017	93.323	Procurement and Suspension and Debarment	6,500
2023-018	15.875	Reporting	---
2023-018	93.323	Reporting	---
2023-019	15.875	Subrecipient Monitoring	5,166,243
2023-020	93.243	Subrecipient Monitoring/Overpayment on Return of Federal Funds	134,802
2023-021	15.875	Special Tests and Provisions – Annual Performance Reviews	--- *
		Total Questioned Costs	\$ <u>6,331,607</u>

* Questioned costs are undeterminable. See related finding for more information.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-001
Area: Financial Management Information System

Criteria:

The U.S. Government Accountability Office's (GAO) Yellow Book requires auditors to evaluate the design and operating effectiveness of an entity's internal controls over financial reporting and their compliance with applicable financial reporting frameworks.

Furthermore, the GAO's Green Book requires that management design control activities and information systems that provide relevant, reliable reporting for decision making and accountability.

Finally, Governmental Accounting Standards Board (GASB) Statement No. 34 requires governments to maintain fund accounting and to present financial statements by fund and on both the modified accrual and accrual bases, as applicable.

Condition:

RepMar's Ministry of Finance, Banking and Postal Services (MOFBPS) replaced the DILOG/4gov accounting system with Bisan, an enterprise fund accounting system commonly used in private-sector environments. While the system is capable of producing basic governmental fund accounting reports through the existing chart of accounts configuration, limitations remain in areas of budgetary reporting, encumbrance accounting, and the generation of reports that fully align with GASB requirements without additional manual processing.

As a result, system-generated reports were exported into spreadsheets and manually compiled to produce consolidated expenditure and encumbrance reports, fund financial statements, and budget-to-actual comparison reports. The reliance on manually prepared reports affected the audit process by necessitating additional audit procedures, including increased testing of spreadsheets and reconciliations, extended effort to trace transactions to underlying source records, and limiting the ability to perform automated data analysis and audit procedures.

Cause:

MOFBPS selected a private-sector accounting system without fully evaluating its capability to meet governmental fund accounting and reporting requirements or its impact on auditability prior to installation and implementation. System outputs could not be customized to meet governmental reporting needs, leading to reliance on off-system spreadsheets.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-001, continued
Area: Financial Management Information System

Effect:

With respect to internal controls over financial reporting, there is an increased risk of error or omission in fund reporting and budgetary compliance; a heavy reliance on manual workarounds that reduces efficiency and increases the likelihood of material misstatement. Furthermore, with respect to the inability to generate auditable, system-based fund reports, such may potentially impair transparency, compliance with GASB, and users' overall confidence in the financial statements.

Recommendation:

We recommend MOFBPS conduct an independent formal needs assessment to determine whether the current system can be configured to fully support fund accounting and GASB reporting. If full configuration is not feasible, MOFBPS should consider implementing a government-specific accounting system or robust fund-accounting module that complies with GASB and provides system-generated audit trails. In the interim, we recommend MOFBPS consider documenting and strengthening manual reconciliation processes, including supervisory review, to ensure fund balances and budgetary reports are accurate and complete. Finally, we recommend MOFBPS provide staff training on GASB requirements and how they are to be met within the current system and through supplemental processes.

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-002

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. For example, the National Institutes of Health is a major subdivision in the U.S. Department of Health and Human Services.
- Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number (ALN) or other identifying number when the Assistance Listings information is not available. For a cluster of programs, also provide the total for the cluster.
- Include the total amount provided to subrecipients from each Federal program.
- For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- Include notes that describe the significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in paragraph 200.414.

Condition 1:

The SEFA was not timely prepared and reconciled, resulting in multiple versions being provided during the course of the audit, with a final SEFA provided on July 15, 2025. Specifically, examination of the SEFA revealed errors in program cluster reporting, ALN and completeness of pass-through funding reporting.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-002, continued
Area: Schedule of Expenditures of Federal Awards Preparation

Condition 2:

Furthermore, there are no established policies and procedures relating to accurate and complete identification of COVID-19 related grants.

Condition 3:

The SEFA notes did not accurately describe RepMar's election to use the 10-percent de minimis indirect cost rate for certain non-Compact U.S. federal grants.

Cause:

RepMar lacks internal control policies and procedures over timely and accurate SEFA preparation and review, including the notes thereto. Furthermore, the SEFA preparation task is not assigned to a permanent employee of the Ministry of Finance, Banking and Postal Services.

Effect:

RepMar is noncompliant with the criteria. SEFA information is used by external auditors and grantor agencies. Incorrect SEFA information may result in unnecessary delays in the audit process and may result in additional and unnecessary audit costs.

Identification as a Repeat Finding:

Finding No. 2022-012

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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-003
Area: General Ledger Reconciliations

Criteria:

General ledger balances should be timely reconciled (e.g., at least monthly) with subsidiary ledgers or supporting details and independently reviewed. The reconciliation process is critical to maintaining accurate financial records and minimizing opportunity for misappropriation of funds or fraudulent activity.

Further, government accounting standards require that interfund receivables and payables should be reported in the fund financial statements.

Condition:

A preliminary trial balance, supporting ledgers and account reconciliations for fiscal year ended September 30, 2023 were made available on July 7, 2025. Twenty-two additional adjustments were proposed by Ministry of Finance, Banking and Postal Services (MOFBPS) subsequent to receipt of the preliminary trial balance, of which fifteen resulted from audit inquiries and procedures performed during the audit process. The additional adjustments increased assets by \$451,406, increased liabilities by \$4,543,024, increased revenues by \$6,048,374, increased expenditures by \$10,077,901, and corrected interfund balances by \$62,090.

The following matters were also noted based on examination of the preliminary trial balance:

1. Interfund receivables and payables by major fund were materially misstated as of fiscal year end and did not reconcile across all governmental funds. Such was discussed with and corrected by management. Further, interfund transfers do not reconcile and are off by \$111,788, which is deemed not material to the financial statements.
2. Various misstatements deemed not material to the financial statements were also noted and discussed with management. Such were corrected by management.
3. \$2 million withdrawal from Compact Trust Fund for budgetary support was incorrectly recorded as third party contribution rather than as transfer in. An audit reclassification was proposed to correct this recording.
4. Non-Federal grant receivable for Fund 10309 was understated by \$2 million. Such was discussed with and corrected by management.
5. Right-to-use lease assets are not timely reconciled and adjusted.

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.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-003, continued
Area: General Ledger Reconciliations

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 5, 2026. Accurate financial reporting was not achieved during the period and potential misappropriation of funds or fraudulent activities may have occurred and undetected by management.

Identification as a Repeat Finding:

Finding No. 2022-014

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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-004
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, 2023, RepMar recorded nine embassy imprest accounts, for which the September 2023 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 2023 reconciling items:
 - ▶ \$165,492 unreconciled wire transfers
 - ▶ \$106,122 unreconciled deposits
 - ▶ \$268,946 disallowed disbursements
 - ▶ \$83,619 unknown differences
- Tokyo, Japan Embassy September 2023 reconciling items:
 - ▶ \$379,688 unreconciled wire transfers
 - ▶ \$352,285 unreconciled deposits
 - ▶ \$514,532 disallowed disbursements
 - ▶ \$111,611 unknown differences
 - ▶ \$137,532 unidentified withdrawals
- Taipei, Taiwan Embassy September 2023 reconciling items:
 - ▶ \$112,126 unreconciled deposits
 - ▶ \$40,000 unrecorded withdrawal
 - ▶ \$100,308 disallowed disbursements
 - ▶ \$10,473 unknown differences
- UN Mission September 2023 reconciling items:
 - ▶ \$93,050 unreconciled wire transfers
 - ▶ \$258,369 unreconciled receipts
 - ▶ \$16,815 unknown difference
 - ▶ \$458,536 disallowed disbursements

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-004, continued
Area: Embassy Imprest Accounts

Condition, continued:

- Washington, D.C. Embassy September 2023 reconciling items:
 - ▶ \$72,935 unreconciled wire transfers
 - ▶ \$58,921 unreconciled deposits
 - ▶ \$171,691 disallowed disbursements
 - ▶ \$12,870 unknown differences

- Arkansas Consulate September 2023 reconciling items:
 - ▶ \$2,211 unreconciled wire transfers
 - ▶ \$19,760 unreconciled deposits
 - ▶ \$36,440 disallowed disbursements
 - ▶ \$497 unknown difference

- Seoul, Korea Embassy September 2023 reconciling items:
 - ▶ \$54,913 unreconciled wire transfers
 - ▶ \$134,741 unreconciled deposits
 - ▶ \$2,444 unidentified differences
 - ▶ \$211,849 disallowed disbursements

- Geneva Mission September 2023 reconciling items:
 - ▶ \$17,838 outstanding replenishments
 - ▶ \$64,853 unreconciled deposits
 - ▶ \$104,838 disallowed disbursements
 - ▶ \$9,391 unknown difference

- Honolulu Consulate September 2023 reconciling items:
 - ▶ \$20,064 unreconciled advances
 - ▶ \$25,980 unreconciled deposits
 - ▶ \$82,967 disallowed disbursements

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.: 2023-004, 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. 2022-015

Recommendation:

The Secretary of Finance, Banking and Postal Services, pursuant to the Public Financial Management Act, 2023, 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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-005
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, 2023 of \$17,559,807, which comprised of the following:

Compact Sector	\$ 12,308,054
Other Compact	1,163,431
Non-Compact	<u>4,088,322</u>
	\$ <u>17,559,807</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. 2022-016

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-005, 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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-006
Area: World Bank Fund Receivable

Criteria:

General ledger balances should be reconciled and supported by subsidiary ledgers.

Condition:

As of September 30, 2023, the World Bank Fund 10307 reported preliminary grant receivable of \$2,568,421 which was not supported by an underlying subsidiary ledger. As a result of audit inquiries, a subsidiary ledger was provided on January 5, 2026 along with a client adjusting entry to increase the receivable balance to \$5,492,402. Audit procedures subsequently performed indicated that the adjusted balance was further understated by \$3,258,148. An audit adjustment was proposed to correct the error.

Cause:

RepMar does not perform routine account reconciliations of the account throughout the year, including timely drawdown of grant funds.

Effect:

Accurate financial reporting was not achieved during the period and the General Fund bore the cost of grant expenditures that were not timely drawn to reimburse the General Fund.

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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-007
Area: Capital Asset Acquisition

Criteria:

Chapter 1 of the Republic of the Marshall Islands Government Procurement Code Act of 1988 stipulates the following:

- Except as otherwise provided, all rights, powers, duties, and authority relating to the procurement of supplies, services, and construction, and the management, control, warehousing, sale, and disposal of supplies, services, and construction now vested in, or exercised by, any governmental body under the several statutes relating thereto are hereby transferred to the Policy Office and the Chief Procurement Officer.
- The Chief Procurement Officer may delegate authority to designees or to any department, agency, or official, subject to the regulations of the Policy Office.
- §125 stipulates competitive sealed bidding, §126 stipulates competitive sealed proposals, and §128 stipulates sole source procurement.

Condition:

In September 2023, RepMar acquired a building in Tokyo, Japan to be used as RepMar's Embassy. However, there was no evidence of compliance with RepMar's Procurement Code and regulations, and there was no evidence of RepMar's request for an independent valuation of the building acquired for \$2,841,129. Moreover, the acquisition was incorrectly recorded as a prepayment as of September 30, 2023 instead of a capital expenditure of the General Fund. Further, the unused \$158,871 balance of the \$3 million transferred by the Ministry of Finance, Banking and Postal Services (MOFBPS) to RepMar's embassy in Japan for the purchase remains with the embassy and is not properly accounted for in the FMIS.

An audit adjustment was proposed to correct the misstatement of the fund financial statements. Management corrected misstatement of the government-wide financial statements, after audit inquiries and discussion of the matter.

Cause:

There is lack of control system in place requiring application of RepMar's Procurement Code and regulations by RepMar's overseas office.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-007, continued
Area: Capital Asset Acquisition

Effect:

The effect of the above condition is non-compliance with procurement regulations thereby resulting in lack of evidence to ensure all costs related to the building acquisition were necessary, cost-effective and maximized purchasing value of public funds.

Recommendation:

We recommend that RepMar ensure that sufficient appropriate evidence is available to corroborate the fair value of capital assets acquired. Further, MOFBPS management should observe established internal control policies and procedures to facilitate accurate financial reporting.

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-008
Area: Revenue Recognition

Criteria:

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

Condition:

The following transactions were recorded for the year ended September 30, 2023 in a manner inconsistent with the requirements of GASB Statement No. 33:

- \$3 million contribution from a component unit was incorrectly recorded as unearned revenue;
- \$1.2 million grant funding (SPG code 35220601) and \$1.29 million tax arrears were recognized as revenue before revenue recognition criteria was met;

Audit adjustments were proposed to correct the misstatements.

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 component unit contributions and other grants.

Effect:

The aforementioned grant revenue and related unearned revenues were misstated.

Identification as a Repeat Finding:

Finding No. 2022-017

Recommendation:

RepMar should develop monitoring procedures for financial reporting purposes that include timely and accurate recognition of component unit contributions 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 facilitate timely and accurate financial reporting.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-008, continued
Area: Revenue Recognition

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-009
Area: 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 while several were corrected during the audit process.

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.

Effect:

Inaccurate financial reporting throughout the year.

Identification as a Repeat Finding:

Finding No. 2022-018

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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-010
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 respective component units did not complete their annual financial statement audits in a timely manner due to the delayed submission of preliminary trial balances and related account reconciliations to the external auditors. 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.

Identification as a Repeat Finding:

Finding No. 2022-019

Recommendation:

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

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-010, continued
Area: External Financial Reporting

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-011
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact of Free Association, As Amended
Questioned Costs: \$100,327

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.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition 1:

Of 43 non-payroll transactions tested, aggregating \$5,876,660 of \$31,535,023 in total non-payroll program expenditures, we noted the following:

- 1. For 1 (or 2%), cost was not adequately documented due to lack of supporting vendor invoice:

Table with 5 columns: Item #, Fund #, Encumbrance/Voucher/JV #, Account, Total. Row 1: 1, 10402, 22/00003564 BRV, Contractual Services, \$ 100,000

- 2. For 7 (or 16%), the underlying grant award nos. D23AF00042-00 and D23AF00074-00 terms and conditions state that assistance under the awards may not be sub-granted or transferred. However, \$1,847,500 of the grant assistance was disbursed directly to the Enewetak/Ujelang Local Government (EULGOV) and a subgrant agreement with EULGOV was not available.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-011, 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 of Free Association, As Amended
Questioned Costs: \$100,327

Area: Allowable Costs/Cost Principles

Condition 2:

Of 25 payroll transactions tested, aggregating \$20,005 of \$18,441,905 in total payroll program expenditures, we noted the following:

1. For 3 (or 12%), leave hours were not supported by an approved leave form:

<u>Item #</u>	<u>Employee #</u>	<u>PPE</u>	<u>Hours</u>	<u>Amount</u>
1	206603	11/19/2022	8	\$ 50
3	090465	12/03/2022	24	196
2	04093566	03/11/2023	8	81
				<u>\$ 327</u>

2. For 1 (or 4%), direct payment to EULGOV was in breach of the underlying grant award nos. D23AF00042-00 and D23AF00074-00 terms and conditions, as noted under Condition 1 item 2 above. No questioned cost for these awards is presented at this finding.

Cause:

RepMar did not effectively maintain documentation to support expenditures charged to federal programs and 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.

Effect:

RepMar is in noncompliance with allowable costs/cost principles requirements. The reportable questioned cost is \$100,327.

Identification as a Repeat Finding:

Finding Nos. 2022-001 and 2022-002

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-011, 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 of Free Association, As Amended
Questioned Costs: \$100,327

Area: Allowable Costs/Cost Principles

Recommendation:

Documents supporting expenditures should be maintained. Further, RepMar management should strengthen monitoring controls so that expenditures are verified for validity and allowability. Finally, RepMar should adopt adequate internal control policies and procedures to facilitate adherence with grant terms and conditions.

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-012
 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: \$558,990

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.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition 1:

For 16 (or 33%) of 49 non-payroll transactions tested, aggregating \$1,851,210 of \$2,079,854 in total non-payroll program expenditures, the following deficiencies were noted:

<u>Item #</u>	<u>Encumbrance/ Voucher #</u>	<u>SPG #</u>	<u>COVID</u>	<u>Non-COVID</u>	<u>Total</u>
1	22/00001585 Journal	10290101	\$ 5,601	\$ -	\$ 5,601
2	22/00003730 BRV	10320101	44,463	-	44,463
3	22/00001975 BRV	10134501	-	37,900	37,900
4	22/00005845 BRV	10134501	-	1,784	1,784
5	22/00001980 BRV	10580201	20,000	-	20,000
6	22/00001585 JOURNAL	10610101	-	10,000	10,000
7	22/00002210 PORDER	10134501	-	2,520	2,520
8	22/00001931 PORDER	10290101	9,240	-	9,240
9	C1491501	10320101	6,947	-	6,947
10	C14081	10290101	264,000	-	264,000
11	22/00001633 PORDER	10520101	6,322	-	6,322
12	22/00003591 BRV	10320101	2,073	-	2,073
13	22/00001491 PORDER	10580101	-	2,780	2,780
14	22/00002713 PORDER	10136401	1,350	-	1,350
15	22/00002656 PORDER	10136401	4,514	-	4,514
16	22/0001587 JOURNAL	10610101	<u>138,900</u>	-	<u>138,900</u>
			\$ <u>503,410</u>	\$ <u>54,984</u>	\$ <u>558,394</u>

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-012, 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: \$558,990

Area: Allowable Costs/Cost Principles

Condition 1, continued:

Item #s 1 and 2 pertain to security services for which there was inadequate documentation to support cost allocation to the program.

Item #s 3 through 5 pertain to RepMar's Ministry of Health and Human Services (MOHHS) utility expenditures for which there was inadequate documentation to support cost allocation to the program.

Item #s 6 through 7 pertain to MOHHS communication expenditures for which there was inadequate documentation to support cost allocation to the program.

Item # 8 pertains to MOHHS fuel expenditures for which there was inadequate documentation to support cost allocation to the program.

Item # 9 pertains to the construction of MOHHS's Laura Health Centre Extension, for which the grant Notice of Award (NOA) strictly prohibits construction to be charged to the program.

Item # 10 pertains to the purchase of MOHHS's Marshall Health Information System (MHIS) for which there was inadequate documentation to support cost allocation to the program.

Item #s 11-15 pertain to the purchase of equipment (i.e laptops, copier machines, and duplicators), however we noted no budget for equipment per NOA.

Item # 16 pertains to a transfer to the Marshall Island Police Department, we were not provided supporting documentation for us to ascertain the allowability of the activity.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-012, 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: \$558,990

Area: Allowable Costs/Cost Principles

Condition 2:

For 3 (or 27%) of 11 payroll transactions tested, aggregating \$11,610 of \$471,786 in total payroll program expenditures, the following deficiencies were noted:

<u>Item #</u>	<u>Employee #</u>	<u>PPE</u>	<u>Hours</u>	<u>Amount</u>
1	04236064	10/08/2022	Unknown	\$ 103
2	04219081	6/3/2023	74.5	468
3	04231376	7/15/2023	4	<u>25</u>
				\$ <u>596</u>

For item # 1, employee was paid an additional \$103 which could not be verified due to lack of supporting calculation. Furthermore, the additional payment was not supported by documented approval.

For item # 2, the employee's position is Purchasing Specialist II. Documentation of why this is a necessary and reasonable program cost was not available for examination.

For item # 3, four leave hours paid were not supported by an approved leave form.

The above are expenditures under COVID SPG codes and resulted in reportable questioned costs of \$596 because the projected questioned cost exceeds the \$25,000 threshold.

Cause:

RepMar lacks adequate internal control over compliance with applicable allowed and unallowed activity requirements, as well as obtaining and retaining sufficient documentation to support all transactions.

Effect:

RepMar is in noncompliance with allowable costs/cost principles requirements. The reportable questioned cost is \$504,006 (COVID) and \$54,984 (non-COVID).

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-012, 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: \$558,990

Area: Allowable Costs/Cost Principles

Identification as a Repeat Finding:

Finding No. 2022-003

Recommendation:

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

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-013
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact of Free Association, As Amended
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: \$27,059

Area: Cash Management

Criteria:

Compact payments shall be made in accordance with Article IV of Fiscal Procedure Agreement (FPA). Further, Article VI stipulates that to the extent that the Government of the Republic of the Marshall Islands awards Sub-Grants to local governments or other entities, it shall establish reasonable procedures to ensure the timely receipt of the reports on cash balances and cash disbursements to enable the preparation of complete and accurate transactions reports.

2 CFR section 200.305(b) states that for recipients other than States, payment methods must minimize the time elapsing between the transfer of funds from the Federal agency and the disbursement of funds by the recipient.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition 1:

RepMar does not have established cash management monitoring, which is essential for ensuring compliance with Article IV of the Fiscal Procedure Agreement. Furthermore, there is no detailed listing of expenditures supporting the drawdowns made during the year on file to ascertain whether these expenditures were incurred prior to the date of the reimbursement request, thereby hindering the preparation of complete and accurate transaction reports.

Questioned costs, if any, that may result from inadequate records are not determinable.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-013, 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 of Free Association, As Amended
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: \$27,059

Area: Cash Management

Condition 2:

RepMar utilizes a cumulative deductive reimbursement method for payment, therefore, it is unable to provide or correlate when an invoice or drawdown is made.

Condition 3:

Internal control deficiency resulted in overdrafts during the year:

- \$27,059 for ALN 93.323, which is not material to the program but exceeds the \$25,000 threshold and thus questioned costs result.
- \$2,639,269 for ALN 15.875 in Fund 10309, SPG 70120100. With grantor approval, this overdraft was partially offset against grantor receivables, and the remaining \$2,342,351 balance as of September 30, 2023 was reclassified to liabilities. Therefore, no questioned cost results.

Cause:

RepMar lacks adequate internal controls over compliance related to cash management, including the retention of documentation supporting cash drawdowns.

Effect:

RepMar is in noncompliance with applicable cash management requirements. Questioned cost of \$27,059 results from Condition 3 ALN 93.323.

Recommendation:

RepMar should strengthen controls to ensure that complete and accurate transaction reports are retained to evidence compliance with applicable cash management requirements.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-013, 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 of Free Association, As Amended
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: \$27,059

Area: Cash Management

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-014
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact of Free Association, As Amended
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: 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.: 2023-014, 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 of Free Association, As Amended
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: Equipment and Real Property Management

Criteria, continued:

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

Capital asset 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 asset 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.
- RepMar has not established policies and procedures to routinely assess whether impairment indicators are present and to test long-lived capital assets with impairment indicators for impairment.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-014, 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 of Free Association, As Amended
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: Equipment and Real Property Management

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 asset reconciliations and related general ledger accounts are not effectively implemented.

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. 2022-004

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-014, 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 of Free Association, As Amended
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: Equipment and Real Property Management

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 asset reconciliations and related general ledger accounts.

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-015
 Federal Agency: U.S. Department of the Interior
 AL Program: 15.875 Economic, Social, and Political Development of the Territories
 Federal Award No.: Compact of Free Association, As Amended
 Questioned Costs: \$22,743

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.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition 1:

For 1 (or 8%) of 13 transactions tested aggregating \$30,782 of \$733,055 non-payroll expenditures, the vendor invoice was not provided to verify that the cost was not incurred prior to the funding period stipulated in the grant award.

<u>Item #</u>	<u>Fund #</u>	<u>Voucher #</u>	<u>Encumbrance #</u>	<u>Total</u>
1	10408	22/00001585 JOURNAL	F0178101	\$ 1,655

Condition 2:

For 4 (or 9%) of 44 transactions tested aggregating \$312,418 of \$7,510,168 in non-payroll expenditures, the vendor invoice was not provided to verify that the cost was not incurred subsequent to the funding period stipulated in the grant award.

<u>Item #</u>	<u>Fund #</u>	<u>Voucher #</u>	<u>Encumbrance #</u>	<u>Total</u>
1	10401	22/00003877 INVOICE	22/00002357 PORDER	\$ 355
2	10401	22/00003876 INVOICE	22/00002214 PORDER	111
3	10409	22/00003970 INVOICE	22/00001885 PORDER	320
4	10406	22/00010031 PV	22/00002158 BRV	<u>20,302</u>
				\$ <u>21,088</u>

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-015, 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 of Free Association, As Amended
Questioned Costs: \$22,743

Area: Period of Performance

Condition 3:

Expenditures totaling \$2,050,741 were charged to grant award nos. D23AF00042-00 and D23AF00074-00 utilizing a single project code (SPG # 70110100). The two grant awards have different periods of performance. Compliance with period of performance requirements related to award no. D23AF00074-00 for costs totaling \$688,542 could not be ascertained. Questioned costs, if any, that may result from this condition are not determinable.

Condition 4:

For the Four Atolls Health Care program, the applicable grant agreement covering the period from 10/01/2022 to 01/31/2023 was not made available. Therefore, compliance with period of performance requirements could not be ascertained. Questioned costs, if any, that may result from this condition are not determinable.

Cause:

RepMar did not effectively maintain documentation and did not establish a unique project code for each grant award to verify compliance with period of performance requirements.

Effect:

RepMar is in noncompliance with applicable period of performance requirements. Accordingly, questioned costs of \$22,743 result from conditions 1 and 2 because the projected questioned cost exceeds the \$25,000 threshold.

Identification as a Repeat Finding:

Finding No. 2022-005

Recommendation:

RepMar should implement adequate internal control policies and procedures requiring retention of documentation to support all transactions and establish a unique project code for each grant award.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-015, 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 of Free Association, As Amended
Questioned Costs: \$22,743

Area: Period of Performance

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-016
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact of Free Association, As Amended
Questioned Costs: \$314,943

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.

The RMI Procurement Regulations Pursuant to the Procurement Code Act 1988 (RMI Procurement Regulations) Sections 5 and 6 stipulate procedures pertaining to suspension or debarment of persons who shall not be considered for award of contracts.

2 CFR 200.214 states that recipients and subrecipients are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, as well as 2 CFR part 180. The regulations in 2 CFR part 180 restrict making Federal awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from receiving or participating in Federal awards.

2 CFR 180.300 states that when an entity enters into a covered transaction with another person at the next lower tier, the entity must verify that the person with whom the entity intends to do business is not excluded or disqualified by doing the following:

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-016, 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 of Free Association, As Amended
 Questioned Costs: \$314,943

Area: Procurement and Suspension and Debarment

Criteria, continued:

- (a) Checking SAM.gov Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition 1:

For 8 (or 12%) of 65 procurement transactions tested, aggregating \$6,463,583 of \$16,926,745 in total transactions subject to procurement requirements, there was no procurement file provided to substantiate compliance with applicable procurement requirements as follows:

<u>Item #</u>	<u>Fund #</u>	<u>Voucher #</u>	<u>Amount</u>
1	10410	22/00001589 JOURNAL	\$ 11,581
2	10409	22/00001587 JOURNAL	167,852
3	10401	22/00003286 PINVOICE	21,178
4	10406	22/00003856 PINVOICE	9,950
5	10406	22/00005332 PINVOICE	10,275
6	10401	22/00000717 PINVOICE	23,247
7	10406	22/00005350 PINVOICE	24,995
8	10406	22/00001939 PINVOICE	<u>10,437</u>
			\$ <u>279,515</u>

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-016, 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 of Free Association, As Amended
 Questioned Costs: \$314,943

Area: Procurement and Suspension and Debarment

Condition 2:

For 3 (or 5%) of 65 procurement transactions tested, aggregating \$6,463,583 of \$16,926,745 in total transactions, the procurement documentation is insufficient to support the rationale for vendor selection in accordance with 2 CFR section 200.323 and 48 CFR section 15.404-3.

<u>Item #</u>	<u>Fund #</u>	<u>Voucher #</u>	<u>Amount</u>
1	10402	22/00003565 PINVOICE	\$ 4,784
2	10402	22/00004883 PINVOICE	5,000
3	10406	22/00002441 PV	660
			\$ <u>10,444</u>

Condition 3:

For 9 (or 14%) of 65 procurement transactions tested, aggregating \$6,463,583 of \$16,926,745 in total transactions, supporting procurement documentation was not sufficient to substantiate compliance with applicable procurement requirements as follows:

<u>Item #</u>	<u>Fund #</u>	<u>Voucher #</u>	<u>Amount</u>
1	10402	22/00004885 PINVOICE	\$ 5,000
2	10402	22/00005513 PINVOICE	1,430
3	10406	22/00003035 PV	508
4	10406	22/00011377 PV	4,870
5	10406	22/00000549 PV	336
6	10403	22/00011927 PV	2,319
7	10401	22/00001875 PINVOICE	2,195
8	10402	22/00003839 PV	2,565
9	10402	22/00000269 PV	5,761
			\$ <u>24,984</u>

No quotations/ cost comparison were provided for the items. The procurement documentation is insufficient to demonstrate compliance with applicable procurement requirements.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-016, 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 of Free Association, As Amended
Questioned Costs: \$314,943

Area: Procurement and Suspension and Debarment

Condition 4:

Documented evidence of compliance with RMI Procurement Regulations and 2 CFR 200.214 and 2 CFR 180.300 regarding debarred, suspended, or otherwise excluded persons or entities was not made available.

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 \$314,943.

Identification as a Repeat Finding:

Finding No. 2022-006

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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-017
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: \$6,500

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 125 – (1) contracts shall be awarded by competitive sealed bidding. (2) An invitation for bids shall be issued and shall include a purchase description and all contractual terms and conditions applicable to the procurement. (3) adequate public notice of the invitation for bids shall be given a reasonable time. (4) Bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the invitation for bid. (5) Bids shall be unconditionally accepted without alteration or correction.
- (c) 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.
- (d) 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.

The RMI Procurement Regulations Pursuant to the Procurement Code Act 1988 (RMI Procurement Regulations) Sections 5 and 6 stipulate procedures pertaining to suspension or debarment of persons who shall not be considered for award of contracts.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-017, 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: \$6,500

Area: Procurement and Suspension and Debarment

Criteria, continued:

2 CFR 200.214 states that recipients and subrecipients are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, as well as 2 CFR part 180. The regulations in 2 CFR part 180 restrict making Federal awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from receiving or participating in Federal awards.

2 CFR 180.300 states that when an entity enters into a covered transaction with another person at the next lower tier, the entity must verify that the person with whom the entity intends to do business is not excluded or disqualified by doing the following:

- (a) Checking SAM.gov Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition 1:

For 1 (or 6%) of 17 procurement transactions tested, aggregating \$89,724 of \$1,985,592 in total transactions subject to procurement requirements, no procurement file was provided to substantiate vendor selection.

<u>Item #</u>	<u>Reference #</u>	<u>Expenditure Amount</u>	<u>Questioned Cost</u>
1	22/00001586	\$ 4,000	\$ 4,000

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-017, 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: \$6,500

Area: Procurement and Suspension and Debarment

Condition 2:

For 1 (or 6%) of 17 procurement transactions tested, aggregating \$89,724 of \$1,985,592 in total transactions, supporting procurement documentation was not sufficient to substantiate compliance with applicable procurement requirements as follows:

<u>Item #</u>	<u>Reference #</u>	<u>Expenditure Amount</u>	<u>Questioned Cost</u>
1	22/00002281	\$ 2,500	\$ 2,500

Condition 3:

Documented evidence of compliance with RMI Procurement Regulations and 2 CFR 200.214 and 2 CFR 180.300 regarding debarred, suspended, or otherwise excluded persons or entities was not made available.

Cause:

RepMar did not enforce adequate internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements. Further, RepMar lacks policies and procedures requiring verification of the status of an entity with which RepMar intends to enter into a covered transaction.

Effect:

RepMar is in noncompliance with applicable procurement requirements. Accordingly, questioned costs of \$6,500 result because the projected questioned cost amount exceeds the \$25,000 threshold.

Identification as a Repeat Finding:

Finding No. 2022-008

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-017, 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: \$6,500

Area: Procurement and Suspension and Debarment

Recommendation:

Responsible personnel should require that documentation be adequate to comply with applicable procurement requirements and regulations. Specifically, documentation should indicate the history of procurement, including the rationale for contractor or vendor selection, and verification of whether an entity or person with whom RepMar intends to do business is not excluded or disqualified.

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-018
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact of Free Association, As Amended
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.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition 1:

There are no policies and procedures requiring monitoring of 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.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-018, 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 of Free Association, As Amended
 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 2 (ALN 15.875):

Of 46 financial reports due in fiscal year 2023, we noted the following:

a) For 20 (or 43%), the reports were not available for examination:

<u>Item #</u>	<u>Fund #</u>	<u>SPG Code</u>	<u>Award #</u>	<u>Quarter End</u>	<u>Due Date</u>	<u>Date Submitted</u>
1	10406	70150200	D22AF00005-00	12/31/2022	01/30/2023	unknown
2	10406	70210100	D23AF00077-00	12/31/2022	01/30/2023	unknown
3	10406	70210200	D23AF00077-00	12/31/2022	01/30/2023	unknown
4	10406	70210400	D23AF00077-00	12/31/2022	01/30/2023	unknown
5	10409	70041000	D23AF00011-00	12/31/2022	01/30/2023	unknown
6	10409	70190100	D23AF00050-00	12/31/2022	01/30/2023	unknown
7	20103	70060100	D23AF00024-00	12/31/2022	01/31/2023	unknown
8	20103	70060101	D23AF00041-00	03/31/2023	04/30/2023	unknown
9	10406	70340103	D22AF00004-00	03/31/2023	04/30/2023	unknown
10	10408	70090100	D23AF00009-00	03/31/2023	04/30/2023	unknown
11	10409	70040600	D23AF00011-00	03/31/2023	04/30/2023	unknown
12	10409	70040700	D23AF00011-00	03/31/2023	04/30/2023	unknown
13	10409	70040900	D23AF00011-00	03/31/2023	04/30/2023	unknown
14	10409	70041000	D23AF00011-00	03/31/2023	04/30/2023	unknown
15	10409	70120100	D23AF00037-00	03/31/2023	04/30/2023	unknown
16	10409	70290100	D22AF00006-00	03/31/2023	04/30/2023	unknown
17	10409	71480000	D24AF00024	03/31/2023	04/30/2023	unknown
18	10412	70080300	D23AF00027	03/31/2023	04/30/2023	unknown
19	10412	70140100	D22AF00007-00	03/31/2023	04/30/2023	unknown

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-018, 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 of Free Association, As Amended
 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 2 (ALN 15.875), continued:

<u>Item #</u>	<u>Fund #</u>	<u>SPG Code</u>	<u>Award #</u>	<u>Quarter End</u>	<u>Due Date</u>	<u>Date Submitted</u>
20	10412	70140200	D22AF00007-00	03/31/2023	04/30/2023	unknown

b) For 3 (or 7%), SF-425 reports do not align with the underlying FMIS expenditure report:

<u>Item #</u>	<u>Fund #</u>	<u>SPG Code</u>	<u>Award #</u>	<u>Quarter End</u>	<u>SF-425 Amount</u>	<u>240P Amount</u>	<u>Difference</u>
1	410100	all cost centers	D22AF00003-00	FY22 annual	\$713,140	\$819,340	(\$ 106,200)
2	10409	70290100	D22AF00006-00	06/30/2023	5,743,454	6,063,193	(319,739)
3	20103	70060101	D23AF00041-00	7/30/2023	20,137,770	20,328,571	(190,801)
							<u>(\$ 616,740)</u>

Condition 3 (ALN 15.875)

For the Four Atolls Health Care program, we were unable to ascertain compliance with reporting requirements due to lack of grant agreement as reported in Finding No. 2023-015. Further, a second grant agreement (D23AP00058-01) covering the period from 02/02/2023 through 09/30/2027 was available for examination, however, the grant terms and conditions attachment was not included.

Condition 4 (ALN 93.323):

RepMar uses the ELC Cooperative Agreement Management Platform (CAMP) portal to report financial progress to the Federal grantor. RepMar was unable to provide evidence that such reporting occurred during the audit period. Furthermore, no evidence was provided indicating that the financial information reported thereon agreed to RepMar's underlying accounting records.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-018, 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 of Free Association, As Amended
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

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.

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. 2022-009.

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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-019
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact of Free Association, As Amended
Questioned Costs: \$5,166,243

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.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the COSO.

Condition 1:

For 12 (or 100%) subawards tested, no documented evidence was made available to demonstrate that the Ministry of Finance, Banking and Postal Services (MOFBPS) effectively monitored subrecipient activities. Consequently, we were unable to ascertain whether MOFBPS monitored subrecipient compliance with subaward agreements, Compact Agreement, grant award, and the FPA.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-019, 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 of Free Association, As Amended
 Questioned Costs: \$5,166,243

Area: Subrecipient Monitoring

Condition 1, continued:

<u>Item #</u>	<u>Subrecipient</u>	<u>Fund #</u>	<u>Sub-Grant</u>
1	College of the Marshall Islands	10401	\$ 987,000
2	College of the Marshall Islands	10402	388,325
3	College of the Marshall Islands	10406	125,000
4	College of the Marshall Islands	10409	500,000
5	Ebeye Christian School	10406	3,984
6	Ebeye Seventh Day Adventist	10406	54,530
7	Father Hacker High School	10406	6,695
8	Kwajalein Atoll Joint Utilities Resources (FY23 allocation)	10412	275,000
9	Kwajalein Atoll Joint Utilities Resources	10412	663,930
10	Kwajalein Atoll Joint Utilities Resources (FY22 allocation)	10412	275,000
11	Marshall Islands Scholarship Board	10401	592,202
12	Marshall Islands Scholarship Board	10406	200,000
13	Queen of Peace	10406	<u>39,279</u>
			<u>\$ 4,110,945</u>

Other discrepancies were also noted as follows:

For item #s 1 through 4, the 4th quarter financial reports were not supported by subrecipient expenditure reports, as required by MOFBPS. Further, the subrecipient’s fiscal year 2023 Uniform Guidance audit has not been issued. Accordingly, questioned cost of \$2,000,325 result.

For item #s 5 through 7 and 13, the subrecipients are not subject to audit; however, questioned cost of \$104,488 result, due to lack of documented evidence of subrecipient monitoring.

For item #s 8 and 9, funds were disbursed in one installment payment which conflicts with Section 4 of the underlying Memorandum of Agreement which stipulates quarterly disbursement of funds. Further, the subrecipient’s fiscal year 2023 Uniform Guidance audit has not been completed. Accordingly, questioned cost of \$938,930 result.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-019, 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 of Free Association, As Amended
Questioned Costs: \$5,166,243

Area: Subrecipient Monitoring

Condition 1, continued:

Item # 10 represents a subaward to the subrecipient under award no. D22AF00007-00 for which the period of performance was from 10/01/2021 to 9/30/2023. The subaward represents FY22 allocation that was accrued in fiscal year 2023 and paid in December 2023. Funds were disbursed in a manner inconsistent with the underlying Memorandum of Agreement. Finally, the subrecipient's fiscal year 2022 Uniform Guidance audit has not been completed. Accordingly, questioned cost of \$275,000 result.

For item #s 11 and 12, while there is no documented evidence of subrecipient monitoring, no finding is reported in the subrecipient's fiscal year 2023 Uniform Guidance audit related to the subaward. For item # 12, funds were disbursed semi-annually which conflicts with Section 4 of the underlying Memorandum of Agreement which stipulates quarterly disbursement of funds, and the financial reports required by MOFBPS were not made available. No questioned cost results since the subrecipient was separately audited.

Condition 2:

Subrecipient monitoring schedule provided by MOFBPS was incomplete. Grant assistance under award nos. D23AF00042-00 and D23AF00074-00 aggregating \$1,847,500 was sub-granted to a subrecipient that was not included in the monitoring schedule. Further, the sub-grant was prohibited by the grant award terms and conditions. Accordingly, questioned costs of \$1,847,500 result.

Condition 3:

There was no documented evidence that RepMar monitored subrecipient cash draws to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and disbursement of funds for program purposes was minimized. Questioned costs, if any, that may result from this condition are not determinable.

Cause:

RepMar lacks effective internal control policies and procedures governing subrecipient monitoring, including compliance with underlying grant awards and memoranda of agreement and Compact provisions.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-019, 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 of Free Association, As Amended
Questioned Costs: \$5,166,243

Area: Subrecipient Monitoring

Effect:

RepMar is in noncompliance with applicable subrecipient monitoring requirements. As a result, questioned cost of \$5,166,243 is reported.

Identification as a Repeat Finding:

Finding No. 2022-010

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:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-020
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.243 Substance Abuse and Mental Health Services – Projects of Regional and National Significance
Federal Award No.: 5U79SP020711-04
Questioned Costs: \$134,802

Area: Subrecipient Monitoring/Overpayment on Return of Federal Funds

Criteria:

In accordance with applicable subrecipient monitoring requirements per 2 CFR 200.332, a pass-through entity (PTE) must:

- 1) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, is used in accordance with the terms and conditions of the subaward, and achieves performance goals.
- 2) 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 subaward.
- 3) Issue a management decision as required by 2 CFR 200.521 for audit findings pertaining to the Federal award provided to the subrecipient from the PTE .

Condition:

RepMar did not perform the required monitoring activities for a subrecipient and did not issue a management decision with respect to the subrecipient's FY2018 Single Audit report dated February 22, 2023. The Single Audit reported questioned costs of \$43,335 for noncompliance with allowable costs/cost principles requirements and questioned costs of \$91,467 for noncompliance with procurement and suspension and debarment requirements.

Furthermore, in the grantor's March 2023 management decision communication, RepMar was required to refund the grantor for Federal funds reported for noncompliance in the same subrecipient's FY2016 and FY2017 Single Audit reports. RepMar has since determined that the July 2024 refund included a \$267,244 overpayment due to calculation error.

Cause:

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

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-020, continued
Federal Agency: U.S. Department of Health and Human Services
AL Program: 93.243 Substance Abuse and Mental Health Services – Projects of Regional and National Significance
Federal Award No.: 5U79SP020711-04
Questioned Costs: \$134,802

Area: Subrecipient Monitoring/Overpayment on Return of Federal Funds

Effect:

RepMar is in noncompliance with applicable subrecipient monitoring requirements and overpayment of Federal funds returned. Questioned cost of \$134,802 results.

Recommendation:

RepMar should more closely monitor subrecipients in accordance with subrecipient monitoring requirements.

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-021
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Compact of Free Association, As Amended
Questioned Costs: \$ Undeterminable

Area: Special Test and Provisions – Annual Performance Reviews

Criteria:

Education Sector NGA Section 4c. states that in furtherance of the progress made under JEMFAC Resolution 2015-MT-2 all personnel funded from Education Sector, Supplemental Education Grant (SEG) and Ebeye Special Needs (ESN) grants are required to undergo an annual performance evaluation and such evaluation shall be maintained as part of the personnel files and made available when requested for purposes of grant oversight or audits.

Furthermore, 2 CFR 200.303(a) states that a recipient of a Federal award must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the COSO.

Condition:

We were not provided with a complete listing of personnel funded by the Education Sector, SEG and ESN grants and evidence that the annual performance evaluation was conducted for such personnel. Thus, we were unable to ascertain compliance with this grant special terms and conditions.

Cause:

RepMar lacks adequate internal control policies and procedures to facilitate monitoring of and compliance with grant special terms and conditions.

Effect:

RepMar is potentially in noncompliance with applicable special tests and provision. We were unable to execute sufficient appropriate audit procedures. Accordingly, questioned cost is undeterminable.

Recommendation:

RepMar should establish adequate internal control policies and procedures to facilitate monitoring of and compliance with grant special terms and conditions.

Republic of the Marshall Islands

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-021, 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 of Free Association, As Amended
Questioned Costs: \$ Undeterminable

Area: Special Test and Provisions – Annual Performance Reviews

Views of Responsible Officials:

RepMar's Corrective Action Plan does not indicate disagreement and provides planned corrective action.



Republic of the Marshall Islands
Ministry of Finance, Banking and Postal Services
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CORRECTIVE ACTION PLAN
Year ended September 30, 2023

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
2023-001		Financial Management Information System		<p>The prior FMIS (4Gov) was replaced as it had reached end-of-life and end-of-support, making it obsolete.</p> <p>Between 2018 and 2020, the Ministry of Finance (MOF) conducted a comprehensive needs assessment on existing business processes through an external firm after which a terms of reference for a new FMIS was developed. Four potential financial management information systems were shortlisted and went through demonstrations.</p> <p>Implementation of the new FMIS required significant effort, including cost assessment, system design, configuration, testing, and phased deployment, which affected the timing of certain audit-related enhancements.</p> <p>A U.S. Graduate School assessment was completed in June 2024 and its recommendations were incorporated into the FMIS change requests, including audit requirements.</p> <p>Management is prioritizing audit-related FMIS enhancements, including SEFA reporting, through the PFM-funded hiring of an FMIS Specialist. These enhancements will be implemented within six (6) months, subject to system testing and validation.</p>	June 2026	Deputy Secretary, Core Financial Services (CFS), PFM Projects, FMIS Specialist
2023-002		Schedule of Expenditures of Federal Awards Preparation		The MOF acknowledges the need for multi-division coordination among the Budget, Compliance, and Accounting Divisions will develop a process for SEFA	March 2026	Chief Accountant, Senior Financial Analysts,

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>preparation, including quarterly updates as part of the existing Grants and Sub-Grants Monitoring Procedures Manual.</p> <p>As part of the process, the Budget Division will ensure the correct ALN (CFDA) is entered during SPG creation.</p> <p>Additionally, planned FMIS enhancements in early 2026 will include automation of SEFA reporting within Bisan.</p>	June 2026	<p>Assistant Secretary for Accounting, Chief of Internal Audit, Budget Director, Assistant Secretary, Budget Division</p> <p>Deputy Secretary, Core Financial Services (CFS), PFM Projects, FMIS Specialist</p>
2023-003		General Ledger Reconciliations		<p>The FY2023 Trial Balance was initially submitted in January 2025 and subsequently resubmitted after necessary adjustments were made following receipt of the final FY2022 audit reports in June.</p> <p>Reconciliation challenges during FY2023 were primarily attributable to staffing shortages, the implementation of a new FMIS, and data migration from the legacy system (4Gov).</p> <p>To address this, the MOF has recruited and continues to recruit additional staff to strengthen reconciliation capacity, and intends to revive the monthly close and reconciliation checklist (with support from RCU), and will continue to reinforce controls requiring proper entry and independent review prior to posting.</p> <p>In addition, the Bisan enhancements will be implemented to improve balance sheet and fund-level financial statement generation, ensure DTF entries are not netted, and support more timely reconciliations.</p>	<p>March 2026</p> <p>June 2026</p>	<p>Chief Accountant, Deputy Chief Accountant, SFAs, Assistant Secretary, Accounting;</p> <p>Deputy Secretary, Core Financial Services (CFS), PFM Projects, FMIS Specialist</p>
2023-004		Embassy Imprest Accounts		RMI embassies reported minimal disallowed disbursements and unknown differences in FY2023.		

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>To ensure consistent compliance, an Imprest Fund Procedures Manual has been in effect since February 2019, providing uniform procedures and reporting templates. Due to staff turnover and changes in embassy leadership, MOF, in coordination with the Ministry of Foreign Affairs & Trade (MOFAT), continues to provide targeted training and timely guidance as needed.</p> <p>Additionally, MOF continues close coordination with MOFAT and the embassies to prevent and resolve any remaining disallowed disbursements through quarterly meetings.</p> <p>Upon Cabinet approval, the MOF will submit to Nitijela a proposed resolution to write off accumulated disallowances for all embassies, consulates, and missions.</p> <p>MOFAT Response:</p> <p>MOFAT, in collaboration with the MOF, introduced Budget Consultations in 2024 and Imprest Fund Induction Training in 2025, to be conducted annually to support effective implementation of Imprest Fund procedures. Embassies were advised to designate a dedicated Fiscal Officer for Imprest Fund management, and additional training—particularly in reconciliation—continues.</p> <p>MOFAT has also appointed a dedicated Imprest Fund Fiscal Officer to oversee all Overseas Missions' accounts and a Human Resources Director to manage personnel matters, strengthening oversight, accountability, and consistency across Missions.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>January 2026</p>	<p>Reconciliation Specialist (Imprest Funds), Chief Accountant, Deputy Chief Accountant, Secretary of MOFAT, MOFAT Assistant Secretary, Bureau of Management</p> <p>Secretary of Finance</p> <p>Secretary of Foreign Affairs & Trade; MOFAT Assistant Secretary, Bureau of Management</p>
2023-005		Accounts Receivable		<p>MOF Management continues to actively recover receivables from grantors and strengthen grant drawdown processes through the following actions:</p>	Ongoing	<p>Chief Accountant, Deputy Chief Accountant, SFAs, Assistant</p>

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>1). Three batches of reconciliations were completed in January, May, and December 2023 to request re-granting of expired funds, resulting in \$5.9 million received, applied to unpaid billings and approximately \$2.0 million in receivables.</p> <p>2). Cabinet approved the write-off of \$5,212,915 in federal grant receivables.</p> <p>3). Significant reconciliations on Compact grants resulted in the collection of \$2.2 million in receivables.</p> <p>4). MOF continues ongoing discussions with the U.S. Department of Interior (DOI) regarding the recoverability of older grant balances, particularly under Compact II.</p> <p>5). As of FY2025, three Budget Division officials now have access to multiple online payment portals and are consistently drawing down funds on a monthly basis to prevent future accumulation of receivables.</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>Secretary for Accounting</p> <p>Compact grants draw downs: Compact Accountant, Chief Accountant, Deputy Chief Accountant, Assistant Secretary, Accounting</p> <p>Federal grants drawdowns: Senior Federal Budget Officer, Budget Director, Assistant Secretary for Budget</p>
2023-006		World Bank Fund Receivable		<p>In August 2025, the MOF hired a dedicated Accountant to focus on World Bank account reconciliations, and a CIU Finance Officer has been stationed within the Accounting Division to process World Bank related transactions.</p> <p>To further strengthen controls, MOF will update the existing Grants and Sub-Grants Monitoring Procedures Manual to formally incorporate the drawdown process for World Bank funds.</p>	March 2026	<p>Chief Accountant, Deputy Chief Accountant, SFAs, Assistant Secretary for Accounting; CIU Program Manager, CIU Finance</p>

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				Additionally, the MOF has recruited a permanent staff member to strengthen financial reporting, particularly within the Accounting Division, to ensure thorough review of technical transactions.		
2023-009		Journal Entries		<p>The MOF, through the PFM and RCU projects, continues to provide periodic training on the preparation, review, and approval of manual journal entries.</p> <p>In addition, the MOF is finalizing the recruitment of an additional permanent staff member in the Accounting Division who will provide the necessary support to strengthen financial reporting capacity and ensure enhanced supervisory review of manual journal entries for accuracy, completeness, and compliance with accounting policies.</p>	Ongoing February 2026	Chief Accountant, Deputy Chief Accountant, Senior Financial Analysts
2023-010		External Financial Reporting		<p>The MOF and the Component Units recognize the need for technical assistance in financial management, particularly on matters pertaining to the audit.</p> <p>Corrective measures include:</p> <p>1). Withholding subsidy disbursements until reporting requirements are met</p> <p>2). Providing additional technical audit support to CMI through the TAP grant,</p> <p>3). and recruiting a Senior Financial Analyst to strengthen SOEs' financial reporting.</p>	Ongoing Ongoing February 2026	<p>CMI President, MWSC General Manager, KAJUR General Manager</p> <p>Chief of Internal Audit, Assistant Secretary, SOEMU, Senior Financial Analyst (SOE Support)</p> <p>CMI President, Vice President for Business & Administration Services</p>

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>MWSC Response:</p> <p>MWSC agrees with the audit finding and GASB requirements. External auditors have been engaged, an audit timeline established, and internal controls strengthened to ensure timely audited financial statements. MWSC will continue coordinating with MOF and stakeholders to maintain compliance going forward.</p>		MWSC General Manager; MWSC Chief Financial Officer
2023-011	15.875	Allowable Costs/Cost Principles	\$100,327	<p>Condition 1:</p> <p>#1 In FY2025, the Accounting Management reinstated the pre-review of payment voucher requests to ensure all payments are properly reviewed prior to issuance.</p> <p>#2 Effective 3rd qtr. of FY2025, all transactions charged to the Enewetak grant go through the national procurement and payment process.</p> <p>Condition 2:</p> <p>#1 In early June 2025, a memo was issued to all Ministries and Agencies instructing that payroll will not be approved without submission of leave slips.</p> <p>#2 Same response as Condition 1 #2</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>Chief Accountant, Chief Accountant, SFAs</p> <p>Chief of Payroll, Assistant Secretary, Accounting</p>
2023-012	93.323	Allowable Costs/Cost Principles	\$573,311	<p>Condition 1: There is currently a MOF process in place when creating a new budget (SPG) account, in which all relevant documents are uploaded to the FMIS prior to releasing the budget, including the notice of award, budget narrative, and workplan.</p> <p>Furthermore, Management has reiterated that all supporting documents must be attached, including those supporting cost allocation and grantor-approved system vouchers for generally unallowable expenses.</p> <p>Condition 2: Effective FY2025, payroll supporting documentation,</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Senior Budget Officers, Budget Director, Assistant Secretary, Budget</p> <p>Budget Director, Assistant Secretary, Budget</p> <p>Chief of Payroll, Assistant Secretary, Accounting</p>

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				including signed leave slips, is required to be uploaded into the FMIS. In addition, effective February 2026, approved overtime requests will now be uploaded into the system to verify authorization prior to payroll processing.	February 2026	
2023-013	15.975 93.323	Cash Management	Undeterminable \$27,059	Condition 1 & 2: Effective FY2025, the Accounting Division is now required to prepare drawdown request forms using the detailed expenditure report (journal listing). Each request is submitted to the Finance Secretary only after approval by Accounting Management. Condition 3: The Budget Division will now be required to prepare drawdown request forms using the detailed expenditure report (journal listing). Each request is submitted onto the portal only after approval by Budget Management.	November 2025, ongoing January 2026	Compact Accountant, Chief Accountant, Deputy Chief Accountant, SFAs Senior Federal Budget Officer, Budget Director, Assistant Secretary, Budget
2023-014	15.975 93.323	Equipment and Real Property Management	Undeterminable Undeterminable	The MOF is actively recruiting two dedicated staff members to strengthen asset management, including ensuring the full utilization of the FMIS asset module for tracking, reporting, and monitoring capital assets. These positions will provide technical oversight and support for proper recording, classification, and reconciliation of assets. Furthermore, the MOF continues to coordinate with line Ministries to update and reconcile capital asset records, ensuring accuracy and completeness across all government entities.	Ongoing, September 2026 Ongoing	Senior Accountability & Property Officer, Chief Procurement Officer, Senior Procurement Officer Same as above
2023-015	15.875	Period of Performance	\$22,743	Condition 1: The new FMIS includes built-in controls to monitor the period of performance, including tracking the last day for encumbrances and payments, ensuring timely and accurate financial management.	Ongoing	Accounts Payable

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>Condition 2: In FY2025, all invoices with corresponding purchase orders are uploaded into the system by the Procurement & Supply Division. Once uploaded, the Accounting Division reviews and processes payments accordingly.</p> <p>Additionally, Accounting Management reinstated the pre-review of payment request vouchers with corresponding BRVs prior to payment issuance to strengthen controls and ensure compliance.</p> <p>Condition 3: A control process is currently in place whereby each Notice of Award (NOA) is assigned to a single, corresponding SPG account.</p> <p>Condition 4: NOAs and all relevant grant documents are required to be uploaded to Bisan at the time a new SPG account is created.</p>	Ongoing	<p>Officials, Chief Accountant, Deputy Chief Accountant</p> <p>Same as above</p> <p>Budget Director, Assistant Secretary, Budget (conditions 3 & 4)</p>
2023-016	15.875	Procurement and Suspension Debarment	\$314,943	<p>Conditions 1-3: The MOF acknowledges this finding and will address the deficiencies by reinforcing documentation and compliance requirements. Annual refresher training will be provided to current staff, and onboarding will be conducted for new staff to ensure adherence to established procedures.</p> <p>Condition 4: The MOF acknowledges this finding and notes that screening for debarred, suspended, or excluded entities was incorporated into the Grants and Sub-Grants Monitoring Procedures Manual in November 2024.</p> <p>The Ministry further confirms that this requirement will be enforced immediately.</p>	February 2026	<p>Chief Procurement Officer, Senior Procurement Officer, Supply Specialists, Deputy Secretary, CFS</p> <p>Chief Procurement Officer, Senior Procurement Officer, Supply Specialists; Budget Director, Budget Officers, Assistant Secretary, Budget; Deputy Secretary, CFS</p>
2023-017	93.323	Procurement and Suspension Debarment	\$6,500	<p>Conditions 1-2: The MOF acknowledges this finding and will address the deficiencies by reinforcing documentation and</p>	February 2026	Chief Procurement Officer, Senior Procurement

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>compliance requirements. Annual refresher training will be provided to current staff, and onboarding will be conducted for new staff to ensure adherence to established procedures.</p> <p>Condition 3: The MOF acknowledges this finding and notes that screening for debarred, suspended, or excluded entities was incorporated into the Grants and Sub-Grants Monitoring Procedures Manual in November 2024.</p> <p>The Ministry further confirms that this requirement will be enforced immediately.</p>		<p>Officer, Supply Specialists, Deputy Secretary, CFS</p> <p>Chief Procurement Officer, Senior Procurement Officer, Supply Specialists; Budget Director, Budget Officers, Assistant Secretary, Budget; Deputy Secretary, CFS</p>
2023-018	15.875 93.323 93.323	Reporting	\$0 \$0 \$0	<p>Condition 1: Compact financial reports are prepared by the Compact Accountant and reviewed by the Chief Accountant prior to submission to the Secretary of Finance. The existing Compact monitoring tool will be updated to include a tab to track reporting requirements.</p> <p>Condition 2a: Financial reports will be uploaded onto Bisan after submitting to DOI.</p> <p>Condition 2b: Compact financial reports are prepared by the Compact Accountant and reviewed by the Chief Accountant for accuracy prior to submission to the Secretary of Finance.</p> <p>Condition 3: When creating a new SPG account, all relevant documents—including the NOA, budget narrative, and workplan—are uploaded to the FMIS prior to releasing the budget.</p> <p>Condition 4: A monitoring tool will be developed by the Budget Division and implemented immediately.</p>	January 2026 January 2026 January 2026	<p>Compact Accountant, Chief Accountant, Deputy Chief Accountant</p> <p>(2a & 2b) Compact Accountant; Chief Accountant</p> <p>Budget Director, Assistant Secretary, Budget, Senior Budget Officer, Compact</p> <p>Senior Federal Budget Officer, Federal Budget Officer, Budget Director, AS for Budget</p>
2023-019	15.875	Subrecipient Monitoring	\$5,166,243	<p>Condition 1:</p> <p>#1–4, #5–7, #11–13: The MOF requires that all necessary</p>	Ongoing	Chief of Internal Audit,

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>documents, including expenditure and financial reports, be submitted prior to the release of subsequent funding. These reports are reviewed and processed by the Compliance Unit once complete.</p> <p>#8-9, #10, #12: The MOF, through the Compliance Unit, enforces payment terms strictly in accordance with the relevant memoranda of agreement.</p> <p>Condition 2: The subrecipient monitoring tool will be consolidated and used by the Budget Division, SOEMU, and the Compliance Unit. Once MOAs are drafted, the preparer will update the monitoring tool, which will then be reviewed by the Compliance Unit for completeness and accuracy against the Appropriation Act.</p> <p>Condition 3: The subrecipient monitoring tool will be updated to track the time elapsed between the transfer of Federal funds to the subrecipient and the disbursement of those funds for program purposes.</p>	March 2026	<p>Compliance Officer; Assistant Secretary, SOEMU</p> <p>Same as above</p> <p>Chief of Internal Audit, Assistant Secretary, SOEMU</p>
2023-020	93.243	Subrecipient Monitoring/Overpayment on Return of Federal Funds		<p>The MOF requires that all necessary documents, including expenditure and financial reports, be submitted prior to the release of subsequent funding. These reports are reviewed and processed by the Compliance Unit once complete.</p> <p>Additionally, the Sub-Grants Monitoring Procedures Manual has been updated to require management, through the Chief of Internal Audit, to prepare a management decision letter.</p> <p>Furthermore, a proposed adjusting entry will be made to recognize a receivable for the overpayment, which will be discussed with the grantor.</p>	January 2026	<p>Chief of Internal Audit, Compliance Officer</p> <p>Chief of Internal Audit</p>
2023-021	15.875	Special Test and Provisions	\$0	The Ministry acknowledges this finding and notes that the inability to reconcile the staff list was primarily due to the system	Ongoing	Senior Budget Officers, Budget Director,

Finding Number	ALN/C FDA No.	Compliance Requirement	Questioned Cost	Corrective Action Plan	Completion Date	Responsible Person
				<p>migration from 4Gov to the new FMIS, which required additional time to review and make necessary adjustments.</p> <p>As a corrective measure, all personnel must be entered into the system using their RMI Social Security Number, legal names, and confirmation from the Budget Division regarding the funding source to support payroll.</p> <p>The Budget Division is now required to upload all supporting documents into FMIS prior to establishing and releasing funds. Any changes to the approved budget narrative must include an official communication from the grantor, which must also be uploaded. Requests will not be processed without the required documentation.</p>		Assistant Secretary, Budget



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

September 29, 2025

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

RE: FY2023 Single Audit Reports – Schedule of Prior Year Single Audit Findings

Dear Ms. Gilmar,

Enclosed with this memorandum are the Ministry of Finance's responses to the audit findings for FY2022 and prior. The Ministry of Finance is actively pursuing resolutions to matters reported on the Schedule of Findings and Questioned Costs for the year ended September 30, 2023. The Ministry recognizes that some of these findings are repeated from FY2008 to FY2022 and are the subject of ongoing resolutions.

Should you require further clarifications, please do not hesitate to contact Ms. Jasmine Myazoe, the MOF Audit Coordinator. Kommool tata for your attention and cooperation on this urgent matter.

Sincerely,

Ayako Yamaguchi-Eliou
Secretary of Finance

All Federal Programs - Schedule of Prior Year Findings

**Audit Findings
Fiscal Year 2008**

Audit Finding No.	Status
2008-7	<p>Ministry of Finance and Ministry of Health and Human Services 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>On-going for Items #2-4. Pending DOHHS Determination Letter.</p>

**Audit Findings
Fiscal Year 2010**

Audit Finding No.	Status
2010-4	<p data-bbox="479 384 1422 745">Ministry of Finance and Ministry of Health and Human Services 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 data-bbox="479 787 1422 892">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. Pending DOHHS Determination Letter.</p>
2010-5	<p data-bbox="479 934 1422 1228">Ministry of Health and Human Services 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 data-bbox="479 1260 1422 1291">On-going. Pending DOHHS Determination Letter.</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.

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

**Audit Findings
Fiscal Year 2013**

Audit Finding No.	Status
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2013-002

Ministry of Health and Human Services

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.

On-going. Pending DOHHS Determination Letter.

**Audit Findings
Fiscal Year 2015**

Audit Finding No.	Status
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2015-006

Ministry of Natural Resources and Commerce

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.

On-going. Pending DOA Determination Letter.

**Audit Findings
Fiscal Year 2018**

Audit Finding No.	Status
2018-007	<p data-bbox="479 384 1433 562">Ministry of Health and Human Services 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.</p> <p data-bbox="479 604 1433 636">On-going. Pending DOHHS Determination Letter.</p>
2018-009	<p data-bbox="479 678 1433 1035">Ministry of Health and Human Services 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.</p> <p data-bbox="479 1077 1433 1108">On-going. Pending DOHHS Determination Letter.</p>

**Audit Findings
Fiscal Year 2019**

Audit Finding No.	Status
2019-002	<p data-bbox="479 384 1422 417">Ministry of Education (PSS)</p> <p data-bbox="479 422 1422 709">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. MOF is projecting to complete the inventory and update data in the Fixed Asset Register by September 2026 with the plan to employ more technical staff to assist with the inventory and reporting.</p> <p data-bbox="479 747 1422 783">On-going. Pending DOE Determination Letter.</p>
2019-005	<p data-bbox="479 821 1422 854">Ministry of Health and Human Services</p> <p data-bbox="479 858 1422 1037">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.</p> <p data-bbox="479 1041 1422 1150">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 data-bbox="479 1188 1422 1329">On-going. 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. Pending DOHHS Determination Letter.</p>

**Audit Findings
Fiscal Year 2021**

Audit Finding No.	Status
2021-002	<p data-bbox="477 384 1430 415">Ministry of Health and Human Services</p> <p data-bbox="477 422 1430 600">For Items #1 to #4, the MOFBPS and MOHHS discussed that renovations can only be recorded in the financial books as either Repairs (minor renovations) or Construction in Progress/Capital Asset (major renovations) in accordance with accounting rules. The MOHHS shall consider this in future discussions with the grantors.</p> <p data-bbox="477 606 1430 674">For Items #5 & #6, Utilities budget request under Others was approved by the grantor.</p> <p data-bbox="477 680 1430 747">For items #7, #10 & #11, Fuel/POL budget request was approved by the grantor.</p> <p data-bbox="477 753 1430 821">For items #8 & #9, Advertisement under Others was approved (post award request for approval) by the grantor.</p> <p data-bbox="477 827 1430 894">For Items #12 and #13, Communication under Others was approved by the grantor.</p> <p data-bbox="477 900 1430 1110">For Item #14, due to the urgent need of the equipment on Kwajalein for the quarantine, it was immediately shipped to Kwajalein to avoid disruption to the services. However, the MOHHS does note that proper coordination is necessary between MOHHS and MOFBPS Procurement and Supply when receiving goods. Furthermore, an annual training is conducted at the MOHHS to remind staff of this process.</p> <p data-bbox="477 1117 1430 1150">For items #15 & #16, Vehicle under Others was approved by the grantor.</p> <p data-bbox="477 1188 1430 1220">On-going. Pending DOHHS Determination Letter.</p>
2021-003	<p data-bbox="477 1262 1430 1293">Ministry of Finance and Ministry of Health and Human Services</p> <p data-bbox="477 1299 1430 1583">The Fixed Assets Management Manual was rolled out to all the M/D/A starting June 2019 which mainly referred to the basic criteria of the Fiscal Procedures Agreement (FPA). The execution of the policies and procedures though requires adequate manpower, an established function unit and thorough coordination among line ministries/agencies. Physical inspection by the MOFBPS Procurement and Supply Department is still ongoing mainly in major ministries, MOHSS, PSS and MWIU, that have custody of most of the government assets.</p> <p data-bbox="477 1589 1430 1692">A new FMIS with a Fixed Asset Module is in its implementation stage which is anticipated to address the proper recording and accounting of all the government assets throughout its life.</p> <p data-bbox="477 1734 1430 1766">On-going. Pending DOI and DOHHS Determination Letter.</p>
2021-006	<p data-bbox="477 1808 1430 1839">Ministry of Health & Human Services</p>

Direct procurement of vehicles under the Immunization grant is not allowable under the CDC Immunization Program Operations Manual, hence the annual rental of vehicles for the Program.

On-going. Pending DOHHS Determination Letter.

2021-007

Ministry of Health & Human Services

As a corrective action, MOHHS shall scan all procurement-related documents for submission to the MOFBPS. This is in line with the online workflows in place through the new FMIS wherein scanned copies of supporting documents are required to be uploaded as a requirement for approval. Furthermore, key requirements of the RMI Procurement Code shall be tackled in the government-wide Procurement Forum scheduled for March 2023.

On-going. Pending DOHHS Determination Letter.

2021-009

Ministry of Justice - Labor Division

The Labor Division will review these cases, analyze, and make necessary corrections with the procedures given in accordance with UI 20-21 Change 1 of the program.

On-going. MoF Internal Audit is currently working closely with PUA and DOL to resolve this issue.

2021-012

Ministry of Health and Human Services

The FY21 SF-425 reports for the ELC program were prepared and submitted online through the PMS grantee reporting system. The reports should have been available for examination. Wayforward, responsible person for submitting SF425 will share with implementing agencies and the Accounting department.

On-going. Pending DOHHS Determination Letter.

2021-013

Ministry of Justice - Labor Division

The Labor Division is planning to address the finding following steps in accordance with UI 20-21 Change 1:

1. Identify, establish and record overpayment.
2. Determine the cause and the party at fault (claimant, employer, official, or combination thereof).
3. Request Overpayment Waiver if not a fraudulent case in accordance with UI 20-21 Change 1 guideline.
4. If a fraudulent case, take every possible effort to recover overpayment.

On-going. Findings 1–3, remains in progress. Overpayment claimants have been identified, and each will be issued a formal Determination

Letter along with a Waiver Form to ensure proper documentation and compliance with program requirements.

**Audit Findings
Fiscal Year 2022**

Audit Finding No.	Status
2022-001	<p>Ministry of Finance</p> <p>Condition 1:</p> <p>#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>Condition 2:</p> <p>#1 Upon verification of the payslip, there were no leave hours claimed</p> <p>#2 & #3: Effective FY2025 PPE 14, MoF will no longer charge leave slips without proper supporting documents.</p> <p>#1 Employee did not receive a night differential for PP21 & PP22.</p> <p>#2 This was not part of the previous tested items. Personnel action & approved timesheet provided 05/27/25.</p> <p>#3 & #6: 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>#4 and #5 Employee did not receive 8 regular hours in previous pay period (PP01)</p> <p>#7: 30% is a combination of 20% standby differential and 10% Ebeye differential.</p> <p>On-going. Pending DOI Determination Letter.</p>
2022-002	<p>Ministry of Finance</p> <p>Upon verification, supporting documents for salaries and wages, such as timesheets and payroll registers, for the 18 samples were submitted to external auditors.</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> <p>On-going. Pending DOI Determination Letter.</p>
2022-003	<p>Ministry of Health and Human Services</p> <p>Condition #1 & #2:</p>

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).

On-going. Pending DOHHS Determination Letter.

2022-004

Ministry of Finance

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:

- 1) Hired additional asset management staff in May 2024.
- 2) Issued a memo to ministries that custodize 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.
- 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.
- 4) The asset management module of FMIS (BISAN) will be fully operationalized when the assets registry is complete.

On-going. Pending DOI Determination Letter.

2022-005

Ministry of Finance

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

On-going. Pending DOI and DOHHS Determination Letter.

2022-006

Ministry of Finance

#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 in regards to timely submissions of required supporting documents.

On-going. Pending DOI Determination Letter.

2022-007

Ministry of Finance

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.

On-going. Pending DOI Determination Letter.

2022-008

Ministry of Finance

Procurement documentations were provided on May 19, 2025.
The MOF management designated three audit focal points to coordinate effectively with external auditors in regards to timely submissions of required supporting documents.

On-going. Pending DOHHS Determination Letter.

2022-009

Ministry of Finance

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).

On-going. Pending DOI and DOHHS Determination Letter.

2022-010

Ministry of Finance

Condition #1: A compliance checklist will be developed and implemented July 1, 2025 on all subrecipients.

Condition #2: There is currently one consolidated subrecipient monitoring schedule that is monitored by the Compliance Unit and the SOEMU.

Condition #3: The Grants Manual will be updated to reflect audit determination letter processes for subrecipients.

On-going. Pending DOI Determination Letter.

2022-011

Ministry of Finance

The Secretary has confirmed with US DOI the restrictions on sub-granting of the Enewetak grant.

Effective 3rd qtr. of FY2025, all transactions charged to the Enewetak grant will go through the national procurement and payment process.

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.

MoF will conduct annual training on grants management.

On-going. Pending DOI Determination Letter.