

*Financial Statement, Supplementary Information, and
Report on Internal Control and Compliance*

Kili/Bikini/Ejit Local Government

*Year ended September 30, 2019
with Report of Independent Auditors*



Kili/Bikini/Ejit Local Government

Financial Statement, Supplementary Information, and
Report on Internal Control and Compliance

Year ended September 30, 2019

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Report of Independent Auditors

The Honorable Mayor Tommy Irujiman Jibok
Kili/Bikini/Ejit Local Government

Report on the Financial Statement

We have audited the accompanying financial statement of the Kili/Bikini/Ejit Local Government (KBLGOV), which comprises the statement of cash receipts and disbursements for the year ended September 30, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence to support certain disbursements totaling \$1,778,557 included in the financial statement for the year ended September 30, 2019. The documentation provided was not adequate to determine the nature, purpose, or propriety of these disbursements in accordance with the cash basis of accounting. As a result, we were unable to determine whether any adjustments might have been necessary to cash disbursements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of KBLGOV for the year ended September 30, 2019, in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis-of-Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the receipts and disbursements of Kili/Bikini/Ejit Local Government accounting records maintained by the KBLGOV Trust Liaison and Support Office and is not intended to present fairly the financial position and results of operations of the Kili/Bikini/Ejit Local Government in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises KBLGOV's basic financial statement. The supplementary information, which comprises the Combining Statement of Cash Receipts and Disbursements on page 9, is presented for purposes of additional analysis and is not a required part of the basic financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2025, on our consideration of KBLGOV's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KBLGOV's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KBLGOV's internal control over financial reporting and compliance.

The logo for Ernst + Young, featuring the company name in a stylized, cursive script font.

October 1, 2025

Kili/Bikini/Ejit Local Government

Statement of Cash Receipts and Disbursements

Year ended September 30, 2019

Cash receipts:	
Distribution from Resettlement Trust Fund	\$ 19,612,303
Distribution from Bikini Claims Trust Fund	6,845,980
RMI deposits	204,573
Shipping	55,458
Rental	32,998
RMI Local Government Fund	15,363
Miscellaneous	615,703
Total cash receipts	<u>27,382,378</u>
Cash disbursements:	
Section 177 distribution payments	8,784,543
Kili/Ejit projects	4,877,255
Salary payments	3,315,426
Travel	2,076,853
New housing project	1,042,294
Supplemental food purchases	1,027,918
Apartment building project	916,368
Social security/income tax	889,828
Per diem	696,267
Benefit payments	494,847
Scholarships	373,300
Bikini Day	320,827
Car/auto	279,385
Insurance	226,770
Representation	207,034
Lease payments	174,632
Moriba Boats	168,428
Housing	166,792
Education	85,972
Stipend	76,000
Land project	57,438
Telephone and fax	31,445
KBE Annex	27,600
Audit fees	24,700
Solar project	18,000
Bank charges	9,073
LGF expenditures	7,567
Legal fees	4,813
Miscellaneous	804,703
Total cash disbursements	<u>27,186,078</u>
Net change in cash	<u>\$ 196,300</u>

See accompanying notes.

Kili/Bikini/Ejit Local Government

Notes to Financial Statement

Year ended September 30, 2019

1. Organization

The Kili/Bikini/Ejit Local Government (KBLGOV) was established pursuant to Section 13(1) of the Local Government Act 1980, the Ordinance. KBLGOV is governed by an elected Mayor, Council members, and representatives.

The accompanying financial statement relates solely to those accounting records maintained by the KBLGOV Trust Liaison and Support Office located on Majuro Atoll and does not incorporate any accounts related to the Bikini Claims Trust Fund, the Bikini Resettlement Trust Fund, or any other departments or agencies of KBLGOV that may be accounted for outside of the KBLGOV Trust Liaison and Support Office.

The KBLGOV Trust Liaison and Support Office is responsible for the day-to-day administration of KBLGOV operations on Majuro Atoll. The Trust Liaison and Support Office maintains several bank accounts to function in this capacity. These bank accounts are comprised of the following:

- Section 177 Distribution Account - accounts for the receipts and disbursements of quarterly distribution payments in accordance with Article II of the Agreement between the Government of the United States and the Government of the Republic of the Marshall Islands (RepMar) for Implementation of Section 177 of the Compact of Free Association (the Compact) (the Agreement).
- Council Account - accounts for the receipts of rebates received from the Fund Manager, UBS. The Council is allowed to use a certain percentage of the Claims Trust Fund and the Resettlement Trust Fund to pay for the commission. The commission is set at a certain amount and once it has reached that amount, anything over that is remitted to the Council to be used for whatever the Council decides. The Council Account also receives funds from RepMar's Local Government Fund.
- Revenue Account - accounts for the receipts and disbursements of funds received from diver visits and other local revenue activities deposited into the account such as payment of electricity and water from the U.S. Department of Energy for personnel who are stationed on Bikini Atoll.
- Purchasing Account - accounts for the receipts and disbursements of the USDA food program that is received by the Ministry of Finance on a quarterly basis and passed through to KBLGOV.
- Operations Account - accounts for the receipts and disbursements of funds received from the Resettlement Trust Fund to pay for general KBLGOV operations.

Kili/Bikini/Ejit Local Government

Notes to Financial Statement, continued

1. Organization, continued

- Labor Account - accounts for the receipts and disbursements of funds received from the Resettlement Trust Fund to pay for certain KBLGOV payroll costs.
- Bikini Projects Department Account - accounts for the receipts and disbursements of funds received from the Resettlement Trust Fund to pay for certain KBLGOV living costs for Bikinians living on the islands of Kili and Ejit.

In addition to the above accounts, KBLGOV maintains the following investment trust funds:

- Bikini Claims Trust Fund - accounts for funds received under Article II, Section 2, of the Agreement.
- Bikini Resettlement Trust Fund - accounts for United States Congress appropriations under United States Public Law 97-257 to assist in the resettlement of Kili Island by the people of Bikini.

These investment accounts are separately maintained by a trustee located in the United States of America.

Bikini Claims Trust Fund:

The Bikini Distribution Authority (the Distribution Authority) was established pursuant to Section 177 of the Compact. The Distribution Authority was established to satisfy requirements of the Agreement. Article III of the Agreement establishes KBLGOV as the Distribution Authority.

Section 177(c) of the Compact provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement. Pursuant to the Agreement, RepMar established the Nuclear Claims Trust Fund (NCTF) from which these distributions are made. The Distribution Authority is to receive \$75,000,000 from the NCTF, in payment of claims arising out of the Nuclear Testing Program for loss or damage to property of or personal injury to the people of Bikini, to be disbursed in quarterly amounts of \$1,250,000, commencing one calendar quarter after the effective date (October 21, 1986) of the Compact. These funds shall be distributed, placed in trust or otherwise invested as the Distribution Authority may determine consistent with the Agreement. Accordingly, the Distribution Authority established the Bikini Claims Trust Fund. Pursuant to the Bikini Claims Trust Fund agreement, the trustee, upon receipt of each quarterly payment, distributes 48% to the Distribution Authority, for distribution to the people of Bikini. These distributions are based on an approved distribution scheme. The remaining 52% is retained and added to the corpus of the Bikini Claims Trust Fund.

Kili/Bikini/Ejit Local Government

Notes to Financial Statement, continued

1. Organization, continued

Bikini Claims Trust Fund, continued:

The trust agreement was amended on July 25, 2002 (retroactive to the quarter ending March 31, 2002) to allow for quarterly distributions to the Distribution Authority at the rate of 1.25% of the average market value of the Bikini Claims Trust Fund for the previous three fiscal years.

The trust agreement was further amended in August of 2005 to allow for a 3% distribution in lieu of the 1.25% quarterly distribution in the event of an unforeseen natural disaster or other similar circumstance to occur no more frequently than every three years, provided the value of the trust fund has increased as of the preceding fiscal year ends.

Bikini Resettlement Trust Fund:

The Resettlement Trust Fund for the People of Bikini was established by the U.S. Congress under Public Law No. 97-257 on October 16, 1982, and a trust agreement approved by the people of Bikini and the Secretary of the Interior effective October 18, 1982. The trust agreement was amended on October 26, 1988, to comply with Public Law No. 100-446.

2. Basis of Accounting

The KBLGOV Trust Liaison and Support Office's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the KBLGOV Trust Liaison and Support Office's functional and presentation currency.

3. Budget Process

The Constitution of KBLGOV stated that "no taxes shall be imposed, and no other revenue shall be raised, and no money of the Local government shall be expended unless authorized by Law".

Kili/Bikini/Ejit Local Government

Notes to Financial Statement, continued

4. Distribution from the Bikini Claims Trust Fund

During the year ended September 30, 2019, distribution payments of \$8,784,543 were paid to the people of Bikini, on a per capita basis, based on a distribution scheme approved by KBLGOV.

During the year ended September 30, 2019, the following distributions were made from the Bikini Claims Trust Fund for the purpose of funding distribution payments to the people of Bikini:

1.25% distributions from corpus:

November 28, 2018	\$ 722,814
February 28, 2019	722,814
May 28, 2019	1,063,856
August 28, 2019	<u>836,495</u>
	3,345,979

Special distributions:

December 20, 2018	3,500,000
July 26, 2019	<u>2,000,000</u>
	<u>\$8,845,979</u>

Kili/Bikini/Ejit Local Government

Combining Statement of Cash Receipts and Disbursements

Year ended September 30, 2019

	Section 177 Distribution Account	Council Account	Revenue Account	Operations Account	Labor Account	BPD Account	USDA Purchasing Account	Total
Cash receipts:								
Distribution from Resettlement Trust Fund	\$ 2,000,000	\$ ---	\$ 2,950,000	\$ 14,662,303	\$ ---	\$ ---	\$ ---	\$ 19,612,303
Distribution from Bikini Claims Trust Fund	6,845,980	---	---	---	---	---	---	6,845,980
RMI deposits	---	---	---	---	---	---	204,573	204,573
Shipping	---	---	---	55,458	---	---	---	55,458
Rental	---	---	32,998	---	---	---	---	32,998
RMI Local Government Fund	---	15,363	---	---	---	---	---	15,363
Miscellaneous	---	9	78,854	1,016	433,968	96,856	5,000	615,703
Total cash receipts	<u>8,845,980</u>	<u>15,372</u>	<u>3,061,852</u>	<u>14,718,777</u>	<u>433,968</u>	<u>96,856</u>	<u>209,573</u>	<u>27,382,378</u>
Cash disbursements:								
Section 177 distribution payments	8,658,273	---	---	126,270	---	---	---	8,784,543
Kili/Ejit projects	---	---	8,280	1,354,615	389,525	3,124,835	---	4,877,255
Salary payments	---	---	12,685	456,513	2,521,479	324,749	---	3,315,426
Travel	---	---	341,428	1,727,083	8,342	---	---	2,076,853
New housing project	---	---	1,020,462	---	---	21,832	---	1,042,294
Supplemental food purchases	---	---	---	733,279	2,471	---	292,168	1,027,918
Apartment building project	---	---	905,200	---	---	11,168	---	916,368
Social security/income tax	---	---	27,364	---	692,967	169,497	---	889,828
Per diem	3,000	---	167,650	523,967	1,650	---	---	696,267
Benefit payments	---	---	900	493,444	503	---	---	494,847
Scholarships	---	---	34,400	338,900	---	---	---	373,300
Bikini Day	---	---	---	320,827	---	---	---	320,827
Car/auto	---	---	147,900	131,485	---	---	---	279,385
Insurance	---	---	---	226,770	---	---	---	226,770
Representation	---	---	22,000	182,034	3,000	---	---	207,034
Lease payments	---	---	---	174,632	---	---	---	174,632
Moriba Boats	---	---	139,700	28,728	---	---	---	168,428
Housing	---	---	8,650	118,855	39,287	---	---	166,792
Education	---	---	300	81,572	4,100	---	---	85,972
Stipend	---	---	---	76,000	---	---	---	76,000
Land project	---	---	---	57,438	---	---	---	57,438
Telephone and fax	---	---	1,167	26,874	3,404	---	---	31,445
KBE Annex	---	---	---	27,600	---	---	---	27,600
Audit fees	---	---	---	13,960	10,740	---	---	24,700
Solar project	---	---	18,000	---	---	---	---	18,000
Bank charges	27	140	48	7,740	1,118	---	---	9,073
LGF expenditures	---	7,567	---	---	---	---	---	7,567
Legal fees	---	---	---	4,813	---	---	---	4,813
Miscellaneous	---	---	53,716	689,476	61,511	---	---	804,703
Total cash disbursements	<u>8,661,300</u>	<u>7,707</u>	<u>2,909,850</u>	<u>7,922,875</u>	<u>3,740,097</u>	<u>3,652,081</u>	<u>292,168</u>	<u>27,186,078</u>
	<u>184,680</u>	<u>7,665</u>	<u>152,002</u>	<u>6,795,902</u>	<u>(3,306,129)</u>	<u>(3,555,225)</u>	<u>(82,595)</u>	<u>196,300</u>
Cash transfers:								
Transfers in	---	---	---	156,449	3,343,200	3,556,173	---	7,055,822
Transfers out	(156,449)	---	(45,000)	(6,854,373)	---	---	---	(7,055,822)
	<u>(156,449)</u>	<u>---</u>	<u>(45,000)</u>	<u>(6,697,924)</u>	<u>3,343,200</u>	<u>3,556,173</u>	<u>---</u>	<u>---</u>
Net change in cash	<u>\$ 28,231</u>	<u>\$ 7,665</u>	<u>\$ 107,002</u>	<u>\$ 97,978</u>	<u>\$ 37,071</u>	<u>\$ 948</u>	<u>\$ (82,595)</u>	<u>\$ 196,300</u>

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*

The Honorable Mayor Tommy Irujiman Jibok
Kili/Bikini/Ejit Local Government

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Kili/Bikini/Ejit Local Government (KBLGOV), which comprises the statement of cash receipts and disbursements for the year ended September 30, 2019, and the related notes to the financial statement, and have issued our report thereon dated October 1, 2025, which report was qualified due to the inability to obtain sufficient appropriate audit evidence to support certain disbursements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered KBLGOV'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of KBLGOV's internal control. Accordingly, we do not express an opinion on the effectiveness of KBLGOV'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 Responses, 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 prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001 through 2019-004 to be material weaknesses.

Compliance and Other Matters

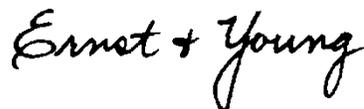
As part of obtaining reasonable assurance about whether KBLGOV's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

KBLGOV's Response to Findings

KBLGOV's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. KBLGOV's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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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October 1, 2025

Kili?Bikini/Ejit Local Government

Schedule of Findings and Responses

Year ended September 30, 2019

Finding No.: 2019-001
Area: Local Noncompliance - RMI Procurement Code

Criteria: The RMI Procurement Code states the following:

(a) Section 124 - unless otherwise authorized by law, all Government contracts (including local government Councils) 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 has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from three qualified sources.

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

Condition: Of \$12,525,605 in non-payroll disbursements, we tested the following thirty-seven (37) non-federal program disbursements for which supporting documentation was inadequate to evidence the procurement process:

<u>Item</u>	<u>Account</u>	<u>Check #</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
1	Operations	40678	01/30/2019	Travel - Airline	\$133,649
2	Operations	41189	02/08/2019	Travel - Airline	\$100,000
3	Operations	41203	02/13/2019	Travel - Airline	\$100,000
4	Operations	41684	03/19/2019	Travel - Airline	\$90,015
5	Operations	40621	01/24/2019	Food items	\$277,554
6	Revenue	4367	04/16/2019	Good Earth Apartments	\$860,000
7	Revenue	38325	10/15/2018	Kili Housing Project	\$21,825
8	Revenue	38326	10/15/2018	Kili Housing Project	\$35,354
9	Revenue	39058	11/06/2018	Kili Housing Project	\$25,473
10	Revenue	39059	11/06/2018	Kili Housing Project	\$28,400
11	Revenue	39325	12/06/2018	Kili Housing Project	\$40,000
12	Revenue	39326	12/06/2018	Kili Housing Project	\$41,438
13	Revenue	39327	12/06/2018	Kili Housing Project	\$51,210
14	Revenue	39607	01/03/2019	Kili Housing Project	\$25,650
15	Revenue	39782	01/17/2019	Kili Housing Project	\$39,689
16	Revenue	39783	01/17/2019	Kili Housing Project	\$37,035

Kili?Bikini/Ejit Local Government

Schedule of Findings and Responses, continued

Finding No.: 2019-001, continued
 Area: Local Noncompliance - RMI Procurement Code

Condition, continued:

<u>Item</u>	<u>Account</u>	<u>Check #</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
17	Revenue	39784	01/17/2019	Kili Housing Project	\$18,450
18	Revenue	40797	02/05/2019	Kili Housing Project	\$38,631
19	Revenue	40798	02/28/2019	Kili Housing Project	\$42,750
20	Revenue	41515	02/28/2019	Kili Housing Project	\$45,855
21	Revenue	41516	02/28/2019	Kili Housing Project	\$38,073
22	Revenue	41517	02/28/2019	Kili Housing Project	\$40,362
23	BPD	23785	12/14/2018	Fuel and oil	\$101,700
24	BPD	23953	01/25/2019	Fuel and oil	\$179,400
25	BPD	24226	04/08/2019	Fuel and oil	\$178,800
26	BPD	24227	04/08/2019	Fuel and oil	\$179,400
27	Operations	42977	08/07/2019	Prepaid fuel	\$245,650
28	Operations	4508	06/03/2019	Travel-Japan	\$50,000
29	Operations	42376	06/04/2019	Travel-Japan	\$100,000
30	Operations	4519	06/06/2019	Travel-Japan	\$100,000
31	Operations	42702	07/03/2019	Travel-Airline	\$100,000
32	Operations	43080	08/15/2019	Travel-Airline	\$100,000
33	Operations	38401	10/26/2018	Travel-Bikini	\$375
34	Operations	40789	02/04/2019	Travel-Airline	\$4,636
35	BPD	24126	03/12/2019	Handing/storage fee	\$5,812
36	BPD	24908	07/30/2019	Cat KBE Air and sea	\$14,624
37	Operations	42976	08/07/2019	Livery painting	\$37,843

Item #s 1-4 and 28-32 pertain to advances for the purchase of airfare and accommodation with total payments of \$873,664.

Item # 6 pertains to down payment for the acquisition of an apartment complex with a total cost of \$1,310,000.

Item #s 7-22 pertain to contractor progress payments for the Kili Housing Projects with a total cost of \$1,237,563.

Kili?Bikini/Ejit Local Government

Schedule of Findings and Responses, continued

Finding No.: 2019-001, continued
Area: Local Noncompliance - RMI Procurement Code

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

Effect: Noncompliance with procurement requirements of the RMI Procurement Code.

Recommendation: We recommend that KBLGOV require that documentation be adequate to comply with the RMI Procurement Code. Specifically, documentation should indicate the history of procurement, including the rationale for contractor selection.

Auditee Response and Corrective Action Plan: We concur with the finding. KBLGOV is aware of the RMI Procurement Code and we will implement all of these from now on.

Kili/Bikini/Ejit Local Government

Schedule of Findings and Responses, continued

Finding No.: 2019-002
 Area: Lack of Council Resolutions Approving Trust Fund Withdrawals

Criteria: Local government regulations and internal policies typically require that all trust fund withdrawals be authorized through a formal council resolution to ensure proper oversight and accountability.

Condition: During our review of trust fund transactions, we noted the following withdrawals made from the Resettlement Trust Fund and the Bikini Claims Trust Fund were not supported by formal approval through a Council resolution, as required by applicable policies and procedures:

Resettlement Trust Fund:

<u>Withdrawal Date</u>	<u>Receipt Date</u>	<u>Amount</u>	<u>Withdrawal Date</u>	<u>Receipt Date</u>	<u>Amount</u>
11/19/2018	11/20/2018	\$381,000	12/27/2018	12/28/2018	\$99,000
11/30/2018	12/03/2018	\$95,000	12/27/2018	12/28/2018	\$99,000
11/30/2018	12/03/2018	\$95,000	12/27/2018	12/28/2018	\$99,000
12/14/2018	12/17/2018	\$95,000	12/27/2018	12/28/2018	\$99,000
12/14/2018	12/17/2018	\$95,000	01/15/2019	01/16/2019	\$700,000
12/14/2018	12/17/2018	\$95,000	01/16/2019	01/16/2019	\$4,875,000
12/14/2018	12/17/2018	\$96,000	04/30/2019	04/30/2019	\$3,740,356
12/14/2018	12/17/2018	\$95,000	04/29/2019	04/29/2019	\$400,000
12/14/2018	12/17/2018	\$95,000	06/14/2019	06/14/2019	\$1,000,000
12/14/2018	12/17/2018	\$95,000	07/22/2019	07/22/2019	\$750,000
12/14/2018	12/17/2018	\$99,000	09/09/2019	09/09/2019	\$157,947
12/27/2018	12/28/2018	\$99,000	03/25/2019	03/25/2019	\$250,000
12/27/2018	12/28/2018	\$99,000	03/25/2019	03/25/2019	\$1,600,000
12/27/2018	12/28/2018	\$99,000			

Bikini Claims Trust Fund:

<u>Withdrawal Date</u>	<u>Receipt Date</u>	<u>Amount</u>	<u>Withdrawal Date</u>	<u>Receipt Date</u>	<u>Amount</u>
12/19/2018	12/19/2018	\$3,500,000	07/25/2019	07/25/2019	\$2,000,000

Cause: KBLGOV did not consistently follow established procedures requiring Council approval prior to initiating withdrawals from the respective trust funds.

Kili?Bikini/Ejit Local Government

Schedule of Findings and Responses, continued

Finding No.: 2019-002, continued
Area: Lack of Council Resolutions Approving Trust Fund Withdrawals

Effect: Without proper Council authorization, there is an increased risk of unauthorized or inappropriate use of trust fund resources. This also undermines the transparency and accountability of financial operations related to the respective trust funds.

Recommendation: We recommend that KBLGOV implement controls to ensure that all future withdrawals from the respective trust funds are supported by approved Council resolutions. Management should also review past withdrawals to determine whether retroactive Council approval or corrective action is necessary.

Auditee Response and Corrective Action Plan: We concur with the finding. KBLGOV will make sure that there are approved Council Resolutions for all KBLGOV Trust Fund withdrawals.

Kili?Bikini/Ejit Local Government

Schedule of Findings and Responses, continued

Finding No.: 2019-003
Area: Cash Disbursements

Criteria: Cash disbursements should be supported by underlying vendor invoices or other documentation substantiating the nature of the disbursement.

Condition: Of \$12,525,605 in non-payroll disbursements, we tested the following fifteen (15) non-federal program disbursements, totaling \$1,778,557, for which the following items were not adequately supported by attendant documentation:

<u>Item</u>	<u>Account</u>	<u>Check #</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
1	Operations	40678	01/30/2019	Travel-Airline	\$133,649
2	Operations	41189	02/08/2019	Travel-Airline	\$100,000
3	Operations	41203	02/13/2019	Travel-Airline	\$100,000
4	Operations	41684	03/19/2019	Travel-Airline	\$90,015
5	Revenue	4367	04/16/2019	Good Earth Apartments	\$860,000
6	Operations	4508	06/03/2019	Travel-Japan	\$50,000
7	Operations	42376	06/04/2019	Travel-Japan	\$100,000
8	Operations	4519	06/06/2019	Travel-Japan	\$100,000
9	Operations	42702	07/03/2019	Travel-Airline	\$100,000
10	Operations	43080	08/15/2019	Travel-Airline	\$100,000
11	Operations	38558	11/01/2018	Lease payments	\$897
12	Operations	38837	11/01/2018	Lease payments	\$295
13	Operations	38936	11/01/2018	Lease payments	\$46
14	BPD	24126	03/12/2019	Handling/storage fee	\$5,812
15	Operations	42976	08/07/2019	Livery painting	\$37,843

Item #s 1-4 and 6-10 pertain to credit card advances for the purchase of airfare and accommodation with total payments of \$873,664.

Item # 5 pertains to down payment relating to the acquisition of an apartment complex at a total cost of \$1,310,000.

Cause: Lack of internal control policies and procedures over required attendant documentation to substantiate cash disbursements.

Effect: Inability to determine the accuracy and validity of check disbursements and whether such disbursements were in accordance with prescribed policies and procedures. A qualified opinion resulted.

Kili?Bikini/Ejit Local Government

Schedule of Findings and Responses, continued

Finding No.: 2019-003, continued
Area: Cash Disbursements

Recommendation: We recommend management establish internal control policies and procedures requiring accounting records relative to check disbursements be adequately maintained, safeguarded and filed.

Auditee Response and Corrective Action Plan: We concur with the finding. KBLGOV will make sure that all check disbursement records of KBLGOV are adequately maintained and safeguarded. However, we know that all of these transactions are properly filed.

Kili/Bikini/Ejit Local Government

Schedule of Findings and Responses, continued

Finding No.: 2019-004
 Area: Distribution Payments

Criteria: Disbursements from the Local Distribution Authority (LDA) should be supported by authorization letters or evidenced by signature from recipients.

Condition: During the year ended September 30, 2019, distribution payments of \$8,784,543 were made to the people of Bikini; however, underlying accounting records relative to distribution check disbursements were inadequate. Specifically, the following items were tested, all of which were not supported by evidence of receipt by authorized recipients:

December 2018 Special Distribution

<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>
12/18/18	72294	\$578	12/18/18	72003	\$1,734	12/18/18	72980	\$1,734
12/18/18	71819	\$1,734	12/18/18	72471	\$1,734			

July 2019 Special Distribution

<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>
07/22/19	75893	\$975	07/22/19	76949	\$975	07/22/19	76586	\$1,300
07/22/19	76623	\$975						

Quarterly Distributions

<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>
11/20/18	71729	\$119	11/21/18	71319	\$476	02/28/19	74002	\$354
11/21/18	70742	\$119	11/21/18	70980	\$833	06/03/19	74869	\$260
11/21/18	71640	\$119	02/28/19	74027	\$118	06/03/19	75634	\$390

Elderly Distributions

<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>
06/05/19	75810	\$322	08/20/19	78563	\$322

Kili?Bikini/Ejit Local Government

Schedule of Findings and Responses, continued

Finding No.: 2019-004, continued
Area: Distribution Payments

Cause: Lack of adequate internal control policies and procedures over the maintenance of LDA distribution payment records.

Effect: Inability to determine whether the designated payees received distribution payments or whether the distribution payments were in accordance with prescribed policies and procedures.

Recommendation: We recommend management establish internal control policies and procedures requiring accounting records relative to distribution check disbursements be adequately maintained, safeguarded and filed.

Auditee Response and Corrective Action Plan: We concur with the finding. From now on, KBLGOV will make sure that all accounting records relative to distribution check disbursements are adequately maintained, safeguarded and filed. KBLGOV will train more of the staff who are handling the distribution payments.