

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor-General



Republic of the Marshall Islands

EBON ATOLL LOCAL GOVERNMENT

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT**

Period from October 1, 2018 through September 30, 2023

Audit No.: 2/21-2400

July 17, 2026

EBON ATOLL LOCAL GOVERNMENT

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT**

PERIOD FROM OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2023

EBON ATOLL LOCAL GOVERNMENT
Period from October 1, 2018 through September 30, 2023

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INDEPENDENT AUDITORS' REPORT

Honorable Almonson Naisher
Mayor
Ebon Atoll Local Government
Republic of the Marshall Islands

Report on the Financial Statement

Opinion

We were engaged to audit the accompanying financial statement of the Ebon Atoll Local Government (Ebon Government), which comprises the schedule of cash receipts and disbursements for the period from October 1, 2018 through September 30, 2023, and the related notes to the financial statements. The financial statement is the responsibility of the Ebon Government.

Basis for Disclaimer of Opinion

Because of inadequacies in the accounting records of the Ebon Government, we are unable to form an opinion regarding the amounts recorded as cash receipts and cash disbursements in the accompanying financial statement stated at \$284,354 and \$253,869, respectively.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement. Accordingly, we do not express an opinion on the accompanying financial statement of Ebon Government.

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.

Emphasis-of-Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities from Local Government Fund (LGF) administered and implemented by the Ebon Government and is not intended to present fairly the results of other non-Fund related operations of the Ebon Government in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibility of Management 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 this financial statements; 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.

Auditors' Responsibility for the Audit of the Financial Statement

Our responsibility is to express an opinion on this financial statement based on conducting the audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Use professional judgement and exercise professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Ebon Government's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise the substantial doubt about the Ebon Government's ability to continue as a going concern for a reasonable period of time.

Other Matter

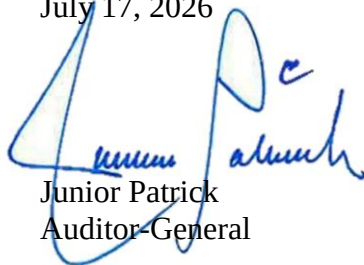
Required Supplementary Information

The Combining Schedule of Cash Receipts and Disbursements on page 7 is presented for purposes of additional analysis and is not a required part of the 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 financial statement. The information has been subjected to the auditing procedures applied in the engagement to audit the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis of Disclaimer of Opinion section of our report, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the other supplementary information in relation to the 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 July 17, 2026 on our consideration of the Ebon Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The 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 the Ebon Government'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 the Ebon Government's internal control over financial reporting and compliance.

July 17, 2026

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Junior Patrick
Auditor-General

Ebon Atoll Local Government

Schedule of Cash Receipts and Disbursements **Period from October 1, 2018 through September 30, 2023.**

	<u>Total</u>
Cash Receipts:	
RepMar Contributions	
Local Government Funds	142,617
NTA Grant	14,200
Business Licanse	50
Other Revenue	71,921
Unreported/unidentified deposits	55,566
Total cash receipts	<u>284,354</u>
Cash Disbursements:	
Salary and Sitting fees	46,411
Social Security	3,174
Supplies & Material	17,527
Travel & Freight	5,385
Pol & maintance	858
Other Expense	74,463
Unreported/unidentified cash disbursements	106,051
Total cash disbursements	<u>253,869</u>
Net Change in Cash	<u><u>30,485</u></u>

See Accompanying Notes to Schedule of Cash Receipts and Disbursements.

EBON ATOLL LOCAL GOVERNMENT

Notes to Schedule of Cash Receipts and Disbursements
Period from October 1, 2018 through September 30, 2023

(1) Organization

The Ebon Atoll Local Government (the Ebon Government) was established pursuant to Public Law 1981-2, the Local Government Act of the Republic of the Marshall Islands (RepMar) and operates under the Constitution of the Ebon Government. The Ebon Government is governed by an elected mayor, council members, and representatives.

The accompanying financial statement relates solely to those accounting records maintained by the Ebon Government for the administration and implementation of its Local Government Fund (LGF), and do not incorporate any accounts related to other operations of the Ebon Government that may be accounted for by the Ebon Government including appropriations from RepMar under the Outer Islands Economic Development Fund (OIEDF) and Grant-In-Aid fund administered and disbursed directly to vendors by RepMar's Ministry of Finance, Banking and Postal Services (MOFBPS).

(2) Basis of Accounting

The Schedule of Cash Receipts and Disbursements has been prepared on the cash basis of accounting. Receipts have been recognized when received in cash and disbursements have been recognized when cash is disbursed. The cash basis differs from accounting principles generally accepted in the United States of America primarily because receipts/revenues are recognized when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred.

The Ebon Government is not required to adopt fund basis accounting for local governments in conformity with standards promulgated by Governmental Accounting Standards Boards (GASB). However, the Ebon Government is required to comply with accounting system requirements established by the Government of the Republic of the Marshall Islands (RepMar's) Ministry of Culture and Internal Affairs (MOCIA).

(3) Cash

As of September 30, 2023, the carrying amount of the Ebon Government's total cash was \$30,485 which corresponds to the bank balance and which is maintained at a local financial institution which is not subject to Federal Deposit Insurance Coverage (FDIC). The Ebon Government does not require collateralization of its cash deposits in excess of FDIC depository limits.

(4) Budget Process

The Constitution of the Ebon Government states that "no taxes shall be imposed and no other revenues shall be raised and no money of the Local Government shall be expended, unless authorized by law".

EBON ATOLL LOCAL GOVERNMENT

Notes to Schedule of Cash Receipts and Disbursements
Period from October 1, 2018 through September 30, 2023

(5) RepMar Contributions

The Ebon Government receives annual grant funding from RepMar's Local Government Fund (LGF), which is distributed on a quarterly basis. This quarterly allotment is contingent upon the Ebon Government providing financial reports and supporting documents. For the period from October 1, 2018 through September 30, 2023, the Ebon Government received \$142,617 from the LGF.

(6) Related Party Transactions

During the period from October 1, 2018 through September 30, 2023, the Ebon Government made payments of salaries and sitting fees for the benefits of certain members of the council which amounted to \$46,411.

Ebon Atoll Local Government

Schedule of Cash Receipts and Disbursements Period from October 1, 2018 through September 30, 2023.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Cash Receipts:						
RepMar Contribution						
Local Government Fund(LGF)	28,477	21,358	35,596	14,239	42,947	142,617
NTC Grant	-	14,200	-	-	-	14,200
Business License	50	-	-	-	-	50
Other revenue	8,526	3,360	16,930	100	43,005	71,921
Unreported/unidentified deposits	9,656	7,906	10,544	31,779	16,770	55,566
Total Cash Receipts	46,709	46,823	41,982	46,117	102,722	284,354
Cash Disbursements:						
Salary and sitting fees	10,535	2,510	20,655	7,517	5,194	46,411
Social Security	1,314	-	1,860	-	-	3,174
Supplies & Material	400	4,497	2,217	9,036	1,377	17,527
Travel & Freight	1,438	772	589	-	2,586	5,385
Pol & maintance	858	-	-	-	-	858
Other Expense	5,829	1,607	21,424	-	45,604	74,463
Unreported/unidentified cash disbursements	15,569	29,066	7,305	34,701	19,410	106,051
Total Cash Disbursements	35,942	38,453	54,049	51,255	74,170	253,869
Net Change in Cash	10,767	8,370	12,067	5,138	28,552	30,485

See Accompanying Notes to Schedule of Cash Receipts and Disbursements.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED
UPON THE ENGAGEMENT TO AUDIT FINANCIAL STATEMENT IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARD**

Honorable Almonson Naisher
Mayor
Ebon Atoll Local Government
Republic of the Marshall Islands

We were engaged to audit, 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 Ebon Atoll Local Government (the Ebon Government) for the period from October 1, 2018 through September 30, 2023, and the related notes to the financial statement and have issued our report thereon dated July 17, 2026. Our report stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statement due to inadequacies in the accounting records.

Report on Internal Control over Financial Reporting

In planning the engagement to audit the financial statement, we considered the Ebon Government's internal control over financial reporting (internal control) to determine the 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 the Ebon Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ebon Government's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as *Finding No. 1, Finding No. 2, Finding No. 3, Finding No. 4, Finding No.5, Finding No.6 and Finding No.7* that we consider 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 deficiency described in the accompanying schedule of Findings and Responses as *Finding No.8* to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ebon Government's financial statement is 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement to audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as, *Finding No. 9, Finding No. 10, Finding No. 11, Finding No. 12, Finding No. 13 and Finding No.14* that we consider to be compliance weaknesses and other matters.

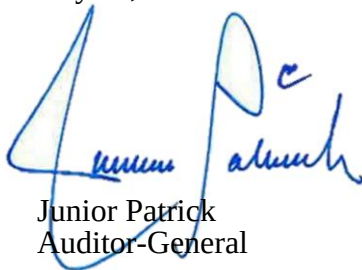
The Ebon Governments Response to Findings

We provided the Ebon Government, the Ministry of Culture and Internal Affairs (MOCIA) and the Ministry of Finance, Banking and Postal Services (MOFBPS) with a copy of the report and gave them an opportunity to respond to our findings. We did not receive a response from the Ebon Government and the MOCIA. We received a response from the MOFBPS which is described in the accompanying schedule of Findings and Response. The MOFBPS' responses were not subjected to the auditing procedures applied in the engagement to audit the financial statement and, accordingly, we express no opinion on them.

Purpose of the 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 the engagement to audit 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.

July 17, 2026

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Junior Patrick
Auditor-General

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.1

NTC Grant – Non-compliance with Grant Agreement & Lack of Supporting Documentation

Criteria: The grant agreement between the Ebon Atoll Local Government (Ebon Government) and the National Training Council (NTC) requires that:

- 70% of the total grant be paid upon signing of the contract.
- 20% be released upon submission of a midterm progress report; and
- 10% be paid upon completion of the training and fulfillment of reporting requirements.

Additionally, good internal control practices and grant agreement standards require that all expenditures be supported by adequate documentation to demonstrate that funds were used for allowable purposes.

Condition: We noted that no supporting documents were provided for audit review to verify that the grant funds totaling \$14,200 were used in accordance with the terms and conditions of the grant agreement. Furthermore, the second (20%) and third (10%) payments were released without submission of the required progress report.

Cause: This is due to inadequate monitoring of grant compliance requirements and weak internal controls over grant disbursement and documentation procedures by the Ebon Government.

Effect: As a result:

- There is an increased risk that funds may not have been used for their intended purpose.
- The lack of supporting documentation prevents verification of allowable costs.
- The entire amount of \$14,200 may be considered questioned costs until sufficient supporting evidence is provided.
- Non-compliance may affect future funding eligibility.

Recommendation: We recommend that Ebon Government should:

1. Strengthen internal controls over grant management to ensure compliance with grant terms before releasing funds.
2. Require submission and review of required progress and completion reports prior to approving subsequent disbursements.
3. Maintain complete and organized supporting documentation for all grant expenditure.
4. Conduct a review of the Gardening Project expenditures and submit supporting documents to the funding agency to resolve any question costs.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2018 through September 30, 2023

Finding No. 1 (continued)

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.2

Accounting System

Criteria: All Local Governments are required to establish an accounting system pursuant to the Financial Memoranda No. 1987-1 issued by the Ministry of Culture and Internal Affairs (MOCIA). Furthermore, Part VI of Section 20 of the Ebon Government Constitution states that the Executive Committee Branch of Ebon Atoll Local Government shall be responsible for the keeping of accurate records of all funds received or expended by all three branches of the Local Government.

Included in the accounting system are forms developed to be used, such as cash receipt and cash disbursement journals, collection cards for each taxpayer, summary sheet for the clerk to record taxes received daily, fines and rentals, records, payroll registers, stipends and casual employment pay sheets, personnel action forms, travel expense reports, and purchase order forms for proper record-keeping.

Condition: We found that the Ebon Government did not adopt the accounting system established by the MOCIA, and accounting forms as described in the above criteria were not utilized.

Cause: The cause of the above condition is due to the lack of adherence to the established accounting system by the Ebon Government. In addition, there is a lack of oversight by the MOCIA and the Ministry of Finance, Banking & Postal services (MOFBPS) in ensuring that the Ebon Government adopts and follows the accounting system in place.

Effect: The effect of the above condition is noncompliance by the Ebon Government with the Financial Memoranda No. 1987-1 and Ebon Constitution, which resulted in the followings:

- Inability to perform an audit of a complete set of financial statements;
- Inadequate recording of financial transactions into a general ledger,
- Inability to verify the accuracy of revenues collected and reported
- Inability to verify the accuracy of expenses paid and reported.

Repeated Finding: Audit No. 20/11-5206 Finding No.11

Recommendation:

1. We recommend that Ebon Government utilize the accounting system established for all local governments under MOCIA in order to improve accountability over its financial bookkeeping.
2. We also recommend proper oversight by the MOCIA and MOFBPS to ensure that the Ebon Government adopts and implements the local government accounting system prior to release of its Local Government Fund.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No. 2 (Continued)

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

Response from the MOCIA:

No response was provided by the MOCIA to the finding and recommendation although it communicated earlier that it would provide its comments.

Response from the MOFBPS:

The Ministry of Finance acknowledges and accepts the finding. Way forward, MOF has updated the Grants Management manual which includes a Subrecipient Pre-Wase Risk Assessment Tool to be implemented October 2026. MOF will assess the subrecipients', including Local Governments, accounting systems and determine whether funds should be transferred to the subrecipient or administered directly through MOF if the subrecipient is found to be noncompliant.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.3

Unsupported Disbursements

Criteria: The Local Government Financial Memoranda No. 1987-1 requires that purchases of goods and services be accompanied by receipts or invoices to prove that actual payment was made. Additionally, accountability and good governance required that supporting documents for all transactions be filed and maintained for all public funds.

Condition: During the periods under audit, we noted the following disbursements totaling \$137,980.33 that were not supported by invoices, copies of tickets, and other related supporting documentation as presented in the table below. Furthermore, twenty (20) payments were issued in cash with no supporting document totaling \$43,056.49.

Table 1: List of Unsupported Checks for FY2019

Fiscal Year	Date	Check No.	Amount	Description
FY2019	10/5/2018	1318	450.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	10/5/2018	1319	2,302.62	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	12/10/2018	1321	609.64	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	10/11/2018	1320	450.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	12/12/2018	1322	1,215.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	12/12/2018	1324	2,565.95	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	12/14/2018	1326	109.90	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	12/24/2018	1325	19.78	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.3 (Continued)

FY2019	4/8/2019	1339	500.00	Ebon Day 2019
	7/15/2019	1443	1,000.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	7/31/2019	1447	2,261.80	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	8/2/2019	1448	193.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	8/9/2019	1450	545.30	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/9/2019	1454	599.93	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/10/2019	1453	90.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/23/2019	1457	500.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
Total Amount			\$13,412.92	

Table 2: List of Unsupported Checks for FY2020

Fiscal Year	Date	Check No.	Amount	Description
FY2020	12/4/2019	1459	3,045.10	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	12/17/2019	1461	50.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	12/18/2019	1460	225.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	1/3/2020	1463	386.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.3 (Continued)

FY2020	1/3/2020	1464	386.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	2/6/2020	1462	3,293.72	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	2/6/2020	1467	2,035.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	2/10/2020	1466	422.86	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	3/5/2020	1471	729.27	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	3/19/2020	1480	475.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	4/20/2020	1481	2,290.95	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	4/20/2020	1482	2,460.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	4/20/2020	1483	1,500.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	4/20/2020	1484	700.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	5/6/2020	1486	386.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	7/8/2020	1488	2,954.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	7/8/2020	1489	2,600.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.3 (Continued)

FY2020	7/8/2020	1491	4,513.07	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	7/13/2020	1492	1,872.77	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	8/24/2020	1494	1,500.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	8/31/2020	1495	249.35	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
Total Amount			\$32,074.09	

Table 3: List of Unsupported Checks for FY2021

Fiscal Year	Date	Check No.	Amount	Description
FY2021	10/2/2020	1499	84.21	Unidentified
	10/8/2020	1503	8,440.00	unidentified
	10/8/2020	1501	250.00	Per Diem
	10/9/2020	1500	2,820.00	Refund deposits for solar
	10/12/2020	1502	123.76	Unidentified
	10/12/2020	101	136.50	Ink
	10/15/2020	102	89.00	Sink for airport terminal
	10/15/2020	1504	4,970.00	unidentified
	11/4/2020	106	350.00	Food for council meeting
	11/4/2020	107	2,480.00	OIOP activities
	1/11/2021	108	1,850.00	Ebon Truck
	3/18/2021	118	4,260.00	Transfer NTC Grant Deposit
	3/31/2021	120	2,000.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	3/31/2021	121	200.00	Ebon Celebration Day
	4/19/2021	124	250.00	Ebon Truck Repair
	7/19/2021	141	309.75	7/1/2021 payroll
	9/22/2021	140	309.75	7/1/2021 payroll
Total Amount			\$28,922.97	

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.3 (Continued)

Table 4: List of Unsupported Checks for FY2022

Fiscal Year	Date	Check No.	Amount	Description
FY2022	10/26/2021	149	30.00	#3381211
	11/22/2021	154	285.00	#0153583 & 0153600
	11/23/2021	155	24,982.50	VCO plant
	3/23/2022	159	1,500.00	Joor Day Activities
	3/24/2022	157	396.00	Airfare for Ajinet Jibas
	7/7/2022	176	442.50	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
Total Amount			\$27,636.00	

Table 5: List of Unsupported Checks for FY2023

Fiscal Year	Date	Check No.	Amount	Description
FY2023	10/21/2022	203	1,020.00	Airfare
	10/26/2022	205	360.00	Clutch Disc
	11/14/2022	207	350.00	#0008430
	6/29/2023	225	1,020.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	6/29/2023	224	19,982.50	unidentified
	7/4/2023	286	1,300.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	7/5/2023	226	1,280.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/19/2023	233	1,400.00	Check missing from file, unable to determine whether the fund was used accordingly.
	9/19/2023	241	2,645.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2018 through September 30, 2023

Finding No.3 (Continued)

FY2023	12/19/2022	209	100.00	Unidentified
	12/19/2022	210	100.00	Unidentified
	12/21/2022	212	100.00	Unidentified
	12/23/2022	211	100.00	unidentified
	3/21/2023	223	350.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	6/20/2023	284	220.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	6/26/2023	285	70.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	6/27/2023	281	300.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	6/28/2023	282	300.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	7/5/2023	283	800.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/4/2023	227	218.35	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/19/2023	217	619.50	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/19/2023	216	619.50	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/19/2023	215	885.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/19/2023	219	619.50	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/19/2023	229	350.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.3 (Continued)

FY2023	9/19/2023	239	700.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
	9/19/2023	240	125.00	Check missing from file, unable to determine whether the fund was for Ebon Government-related business.
Total Amount			\$35,934.35	

Overall total Amount	\$137,980.33	
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Cause: The cause of the above condition is due to the lack of adherence to Local Government Financial Memoranda No. 1987-1 and the lack of proper review of the financial reports by the MOCIA and MOFBPS to ensure all disbursements are adequately supported. Additionally, internal controls surrounding local government accounting for transactions are inexistent.

Effect: The effect if the above condition is non-compliance with Local Government Financial Memoranda No. 1987-1 by the Ebon Government and the inability to determine the authenticity and appropriateness of the disbursements made and the clear public purpose or benefits served.

Repeated Finding: Audit No.20/11-5206, Finding No.2

Recommendation:

- 1) Ebon Government should ensure all disbursements are properly supported with invoices or receipts and kept on file for audit purposes.
- 2) We also recommend that MOCIA and MOFBPS should strictly review quarterly financial reports to ensure they are supported by required documentation per Financial Memoranda No.1987-1.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

Response from the MOCIA:

No Response was provided by the MOCIA to the finding and recommendation although it communicated earlier that it would provide its comments.

Response from the MOFBPS:

The Ministry of Finance acknowledges and accepts the finding. Corrective action has been implemented and all current documentations are properly on file to ensure disbursements are properly supported. MOF has also updated the Grants Management Manual to better monitor

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2018 through September 30, 2023

Finding No.3 (Continued)

subrecipients, including Local Governments, to enforce stricter compliance with supporting documentation requirements. If a Local Government fails to comply, funds will not be disbursed. Additionally, the Ministry intends to conduct a grants manual training at the end of July for all entities receiving Government funds.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No. 4

Revenue/Cash Receipt

Criteria: A proper system of internal control requires that the collection of revenues be supported by cash receipts and be deposited intact in a timely manner. Additionally, the Local Government Accounting System established by the MOCIA requires that cash receipts be issued for all monies collected, and if cash receipts are not available, utilize the collection cards.

Condition: During the periods covered by this audit, Ebon Government reported in their quarterly financial reports \$28,966 in total local revenues collected, however, these revenues are not supported by cash receipts. As such, we could not determine how much actually collected and the sources.

Cause: This is due to the lack of adherence to the Local Government Accounting System requiring the issuance of cash receipts and the utilization of the cash receipts journals.

Effect: The lack of an audit trail prevents verification of local revenue collections, increasing the risk of misappropriation going undetected. This reflects a serious weakness in Ebon Government's financial controls, potentially leading to inaccurate reporting, revenue loss, and heightened risk of fraud and errors.

Recommendation: We recommend that the Ebon Government issue office cash receipts to customers, or utilize the collection cards when collecting the required fees and taxes on the island as a measure for transparency and accountability. These collections should be accounted for through a cash receipts journal and deposited in a timely manner.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.5

Check Issued to Cash

Criteria: Sound internal control practices and prudent financial management require that all disbursements be made payable directly to the authorized recipient to ensure accountability, transparency, and proper safeguarding of public funds. Checks payable to « Cash » should be prohibited except under limited and properly authorized circumstances supported by adequate documentation.

Condition: During the periods under audit, we noted numerous checks totaling \$79,901.19 that were issued to cash rather than to named payees for which the justification and purpose of payment were not provided. The details of these checks are listed in the table below.

Table 6: List of Checks issued to Cash

	Date	Check No.	Payee	Amount	Comments
1	10/5/2018	1319	Cash	2,302.62	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business.
2	12/12/2018	1322	Cash	1,215.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business
3	12/12/2018	1324	Cash	2,565.95	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business
4	3/20/2019	1338	Cash	3,780.00	2nd qtr. Salary + sitting fees
5	5/9/2019	1346	Cash	2,938.45	Check issued for payroll, however, we were unable to verify whether individuals were part of Local Government when no Personnel Action on file.
6	5/15/2019	1348	Cash	2,025.00	sitting fees for 2nd qtr.2019
7	7/31/2019	1447	Cash	2,261.80	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.5 (Continued)

8	8/2/2019	1448	Cash	193.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business.
9	12/4/2019	1459	Cash	3,045.10	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business.
10	2/6/2020	1467	Cash	2,035.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business.
11	3/19/2020	1480	Cash	475.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business.
12	4/20/2020	1481	Cash	2,290.95	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business
13	4/20/2020	1482	Cash	2,460.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business
14	4/20/2020	1483	Cash	1,500.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business
15	4/20/2020	1484	Cash	700.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business
16	7/8/2020	1488	Cash	2,954.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business
17	7/8/2020	1489	Cash	2,600.00	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.5 (Continued)

18	7/8/2020	1491	Cash	4,513.07	Check missing from file, unable to determine whether the fund was used for Ebon Government-related business
19	10/15/2020	1504	Cash	4,970.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, we are unable to determine what the fund was used for.
20	11/4/2020	105	Cash	2,635.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, we are unable to determine what the fund was used for.
21	11/4/2020	106	Cash	350.00	Food for council meeting.
22	11/4/2020	107	Cash	2,480.00	Check issued to cash with no description and justification provided. Additionally, the underlying supporting documentation were not available, we are unable to determine what the fund was used for.
23	2/2/2021	113	Cash	5,182.00	2nd quarter payroll
24	4/15/2021	125	Cash	4,832.00	3rd Quarter Payroll
25	6/14/2021	127	Cash	2,645.00	council meeting sitting fees
26	11/2/2021	152	Cash	4,872.25	Quarterly payroll
27	11/2/2021	150	Cash	2,645.00	Council meeting sitting fees
28	3/23/2022	159	Cash	1,500.00	Joor day Activities
29	6/22/2022	174	Cash	2,645.00	Council Meeting sitting fees
30	11/1/2022	206	Cash	2,645.00	Council sitting fees
31	9/19/2023	241	Cash	2,645.00	Council sitting fees
Total				\$79,901.19	

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.5 (Continued)

Cause: The cause of the above condition is the lack of adequate internal control policies and procedures established governing cash disbursements.

Effect: The effect of the above condition is the inability to determine the authenticity and appropriateness of the disbursements made or the clear public purpose or benefits served. It also increases the risk of unauthorized use, loss, fraud, or misappropriation of public funds.

Repeated Finding: Audit No.20/11-5206, Finding No.1

Recommendation:

1. We recommended that the Ebon Government cease the practice of writing checks to cash and issued checks directly to the appropriate payee. In the event checks have to be issued to cash, then relevant and appropriate supporting documentation should be maintained for accountability purposes.
2. We also recommend that the MOCIA put in place strict oversight procedures and take responsibility for the local government affairs.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

Response from the MOCIA:

No response was provided by the MOCIA to the finding and recommendation although it communicated earlier that it would provide its comments.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.6

Financial Report

Criteria: Financial Reports should be accurate and accompanied by proper documentation. Additionally, Local Government Financial Memoranda No. 1987-1, Section 1 (B) states, a local government must submit a quarterly financial report to the Secretary of the MOCIA by no later than the 15th of January, April, July, and October each year.

Condition: Our review of the quarterly financial reports filed with the MOCIA and MOFBPS disclosed the following issues:

- Filing and receiving dates of the quarterly financial reports were not documented by Officials of the Local Government Office to ensure compliance with the reporting requirement stipulated under the Local Government Financial Memoranda No. 1987-1.
- Bank statements were not provided with the financial reports.
- 1st and 4th quarterly financial reports for FY2019 were missing along with their supporting documents (meeting minutes, check copies, ordinances, resolution, invoices and receipts)
- Not all relevant check vouchers, invoices and receipts were provided and attached to the quarterly financial reports.

Cause: The cause of the above condition is the lack of adherence to the Local Government Financial Memoranda No.1987-1 by Ebon Government. There is also insufficient oversight by MOCIA and MOFBPS to ensure financial reports submitted are accurate, complete, and properly supported prior to payment of the Local Government Fund, and that financial reports and supporting documentation were properly maintained and safeguarded.

Effect: Non-compliance with the reporting requirements by Ebon Government and inability to verify the validity, accuracy, completeness, and propriety of the financial transactions.

Repeated Finding: Audit No.20/11-5206, Finding No.4

Recommendation:

1. We recommend that the Ebon Government comply with the reporting requirements as dictated in the Financial Memoranda No. 1987-1.
2. We also recommend that the MOCIA address these compliance issues with Ebon Government on a regular basis. Review the reports thoroughly and ensure they are accurate, complete and properly supported. In addition, the Officials at the local government division should complete the required checklist form quarterly from the local governments in order to indicate review and verification.
3. Furthermore, we recommend that the MOFBPS thoroughly review these reports and ensure

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.6. (Continued)

accurate and reliable proper supporting documentation are provided before releasing the fund.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

Response from the MOCIA:

No response was provided by the MOCIA to the finding and recommendation although it communicated earlier that it would provide its comments.

Response from the MOFBPS:

The Ministry of Finance acknowledges and accepts the finding. Corrective action has been implemented and all current documentations are properly on file to ensure disbursements are properly supported. MOF has also updated the Grants Management Manual to better monitor subrecipients, including Local Governments, to enforce stricter compliance with supporting documentation requirements. If a Local Government fails to comply, funds will not be disbursed. Additionally, the Ministry intends to conduct a grants manual training at the end of July for all entities receiving Government funds.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.7

Fixed Assets

Criteria: Under the Local Government Act 1980 (PL 1981-2), Section 46(2)(b), every local government is required to file a report of properties in their possession.

Condition: Based on our review of the documents obtained from MOCIA and MOFBPS, we noted that the Ebon Government is not maintaining a fixed assets register for assets acquired or received through donation over the years. It was also noted that no report or a listing of fixed assets was filed by the local government as stipulated under the Local Government Act of 1980 during the periods covered by the audit.

Cause: This is due to the lack of adherence to the above criteria by the Ebon Government and the lack of oversight by MOCIA in making sure assets purchased are recorded and reported as required.

Effect: The effect of the above condition is noncompliance with the fixed assets requirements and the possibility of misappropriation of assets, which may not be detected and corrected in a timely manner.

Repeated Finding: Audit No. 20/11-5206, Finding No. 15

Recommendation: We recommend that the Ebon Government comply with the Local Government Act of 1980 by maintaining and submitting a complete and accurate inventory of all fixed assets acquired and under its custody.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.8

Revenue & Expenditures Under Reported

Criteria: Article VI section 20 of the constitution of Ebon Atoll Local Government states that the Executive Branch shall be responsible for the keeping of accurate records of all funds received or expended by all three branches of the Local Government. Furthermore, good internal control dictates that all revenues and expenditures are properly accounted for and adequately supported.

Condition: Based on our review of the quarterly financial reports and bank statements for the periods under audit, we noted that that the Ebon Government underreported revenues and expenditures by \$55,566 and \$106,051 respectively. In addition, we were unable to determine which portion of the disbursements totaling \$106,051, was reported to MOFBPS due to missing quarterly reports and related supporting documentations.

Table 6: Receipts:

Periods	Bank Statements	Financial Summary Report	Under/Over Reported
FY2019	\$46,709	\$37,053	\$9,656
FY2020	\$46,823	\$38,918	\$7,906
FY2021	\$41,982	\$52,526	-\$10,544
FY2022	\$46,117	\$14,339	\$31,779
FY2023	\$102,722	\$85,952	\$16,770
Total	\$284,354	\$228,788	\$55,566

Table 7: Disbursement:

Periods	Bank Statements	Financial Summary Report	Under/Over Reported
FY2019	\$35,942	\$20,373	\$15,569
FY2020	\$38,453	\$9,386	\$29,066
FY2021	\$54,049	\$46,744	\$7,305
FY2022	\$51,255	\$16,554	\$34,701
FY2023	\$74,170	\$54,761	\$19,410
Total	\$253,869	\$147,818	\$106,051

Cause: The cause of the above condition is the lack of oversight by the Executive Committee to ensure proper records-keeping and reporting of Ebon Government's revenues and expenditures during the period.

Effect: The effect of the condition is noncompliance with Ebon Constitution. In addition, lack of

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Schedule of Findings and Responses
Period from October 1, 2018 through September 30, 2023

Finding No.8 (Continued)

proper financial reporting greatly diminishes accountability over Ebon Government funds and increases the possibility for unauthorized transactions to occur which may not be detected and corrected in a timely manner.

Repeated Finding: Audit No. 20/11-5206, Finding No.5

Recommendation:

1. We recommend that the Mayor and Executive Committee Members of the Ebon Government keep full and proper accounts and records of all their revenues and expenditures.
2. We also recommend that the MOCIA ensure that the Mayor and Executive Committee Members received proper training on how to properly record and report revenues and expenditures.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

Response from the MOCIA:

No response was provided by the MOCIA to the finding and recommendation although it communicated earlier that it would provide its comments.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No. 9

Bank Reconciliation

Criteria: The Local Government Financial Memoranda No. 1987-1 requires all local governments to perform bank reconciliation of the accounts regularly to prevent fraud and error.

Condition: Based on our review, we found that Ebon Government did not reconcile its cash at the bank for the entire period under review. The Ebon Government relied on the bank to indicate what checks have been cleared and what deposits have been made into their bank account.

Cause: The cause of the above condition is the lack of oversight by the Executive Committee and MOCIA to ensure that bank reconciliations are performed on a regular basis.

Effect: The effect of the above condition is noncompliance with the requirements, and the possibility of the Ebon Government not be able to detect potential financial errors and/or fraud in a timely manner.

Repeated Finding: Audit No. 20/11-5206, Finding No. 7

Recommendation:

1. We recommend that the Executive Committee of the Ebon Government ensure that the bank reconciliations are prepared monthly.
2. In addition, we recommend that MOCIA ensure that Ebon Government is performing its bank reconciliation on a regular basis and provide these with the quarterly financial reports.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

Response from the MOCIA:

No response was provided by the MOCIA to the finding and recommendation although it communicated earlier that it would provide its comments.

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Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.10

Budget

Criteria: The Local Government Act 1980, Section 118 states that the local government shall provide for the executive committee to introduce into the council at least one set of budget estimates of revenues and expenditures and at least one Appropriation Ordinance with respect to each financial year, and shall further provide that no money of the Council shall be expended unless appropriated by ordinance for the purpose, or for a purpose that includes the purpose, for which it is to be expended.

Condition: Review of the Budget Ordinances for the periods covered by the audit disclosed that the budget ordinance for FY2019 was not available on file for examination.

Cause: The cause of the above condition is the lack of adherence to the Local Government Act 1980 and the lack of review and monitoring by the Council to ensure expenditures are incurred following the approved spending limits.

Effect: Non-compliance with the Local Government Act 1980, and the inability to verify whether expenses incurred during FY2019 were approved and authorized by the Council.

Repeated Finding: Audit No. 20/11-5206, Finding No.10

Recommendation:

1. We recommend that the Ebon Government comply with Section 118 of the Local Government Act 1980 by preparing, adopting and maintaining an annual budget ordinance for each fiscal year.
2. Additionally, the Council should periodically review actual revenues and expenditures against the approved budget to ensure expenditures remain within authorized spending limits and are incurred only for approved purposes.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

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Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No. 11

Income Taxes, Social Security and Health Fund Taxes.

Criteria: The Income Tax Act of 1989 states that income tax shall be collected at a tax rate of eight percent (8%) upon the first \$10,400, to be prorated at \$200 per week, or \$866.67 per month, and twelve percent (12%) upon the amount over \$10,400, as prorated by pay period of all wages and salaries received by every employee, except as provided in subsection (2) of 93) of this section. Every employer is required to deduct and withhold the tax imposed and shall pay tax to the Secretary of Finance.

The Social Security Tax Act of 1990, states that a worker or a self-employed worker shall contribute to the Administration an amount equal to 7% of his/her salaries. This increased in the Social Security Amendment 2016 by an additional 1% on January 1, 2017. The worker's contributions due from the worker's earnings, and the employer shall remit the same to the Administration along with the employer's contributions.

The Marshall Health Fund Act of 2002 requires as every to pay 3.5% of their covered earnings to the Health Fund. It also requires that every employer shall remit the same to the Administration along with the employer's contributions.

Condition: During the scope under audit, we noted that Ebon Government taxes were withheld for FY2019, FY2020 and FY2021. However, no evidence was provided to demonstrate that taxes related to salaries and wages paid during FY2022 and FY2023 were remitted as required by applicable laws and regulations. The Salaries and sitting fees paid during FY2022 and FY2023 for which taxes were not remitted totaled \$12,710.75 as summarized below:

Table 8: Uncollected Taxes

Periods	Description	Amount
FY2022	Salary and Sitting Fees	\$7,517.25
FY2023	Salary and Sitting Fees	\$5,193.50
Total		\$12,710.75

Cause: The Cause of the above condition is due to a lack of oversight from the Ebon Government to ensure income tax, social security tax, and health fund tax are withheld when salaries and sitting fees are issued.

Effect: The effect of the above condition is noncompliance with the Income Tax Act of 1989, the Social Security Tax Act of 1990 and the Health Fund Tax Act of 2002.

Recommendation: We recommend that Ebon Government comply with the Income Tax Act of

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses
Period from October 1, 2018 through September 30, 2023

Finding No. 11 (continued)

1989, the Social Security Tax Act of 1990 and the Health Tax Act of 2002.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

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Finding No.12

Personnel File

Criteria: Personnel action files should be maintained to have evidence that a person receiving salaries/compensations was actually hired. A personnel file should include an approved personnel action form, job descriptions that clearly define duties and responsibilities, and other related documents.

Condition: Personnel files and time sheets were not being maintained, however, salaries & sitting fees in the amount of \$46,411 were paid to council employees that included police officers, tax collectors, clerks, and administration staff. In the absence of these documents, we are unable to determine whether employees paid are in fact employees of Ebon Government.

Cause: The cause of the above condition is due to the lack of internal control policies and procedures regarding personnel files and time sheets.

Effect: The effect of the above conditions is the inability to determine the appropriateness of the compensations paid and whether they were properly authorized.

Recommendation: We recommend that the Ebon Government established and implements internal control policies and procedures requiring that personnel files are established for all employees of the Ebon Government and that copies are maintained of file.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

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Finding No.13

Business Listing

Criteria: Section 203 of the Local Government Tax and Fees Act of 1989 requires, at the end of each quarter, every local government council shall provide to the Secretary of Finance through the Secretary of Internal Affairs a list of names of all businesses licensed under its jurisdiction.

Condition: We did not find any business listing filed by Ebon Government with the MOCIA and MOFBPS for the entire periods covered by this audit.

Cause: The cause of the above condition is the lack of oversight by the MOCIA to require that prior to acceptance of the financial reports that a business listing is provided as part of the required financial reports.

Effect: The effect of the above condition is that Ebon Government did not comply with the requirement of the Local Government Tax and Fees Act of 1989.

Repeated Finding: Audit No. 20/11-5206, Finding No.12

Recommendation:

1. We recommend that the Ebon Government comply with Section 203 of the Local Government Tax and Fees Act of 1989.
2. We also recommend that the MOCIA, as the administrator, requires that Ebon Government complies with the requirements of the Local Government Tax and Fees Act of 1989.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

Response from the MOCIA:

No response was provided by the MOCIA to the finding and recommendation although it communicated earlier that it would provide its comments.

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.14

Procurement Code Violation

Criteria: All Local Governments who receive funds from the RMI Government are required to adhere to the RMI Procurement Code Policies established by the MOFBPS for small purchases \$.01-25,000.

- i. Procurement \$.01 to \$500 under General Fund requires minimum of 1 quotation only.
- ii. \$500 to \$25,000 for General Fund requires a minimum of 3 valid and relevant quotations.
- iii. For all other funds, \$.01 to \$24,999.99 requires a minimum of 3 valid and relevant quotations.

Condition: We found that Ebon Government did not provide any price quotation for all payments where price quotations are mandatory. For instance, the following payments were made from the Local Government Fund (LGF) for which the 3 price quotations requirement was not followed.

Table 9 : Payment made without price quotation

Date	Check No.	Vendor	Description	Amount	Remarks
6/26/2019	1440	Eweica Reimers	RMI Pageant Ms. Ebon	2,000.00	No price quotation on file
3/3/2020	1469	Do it Best	Purpose not indicated	1,669.40	No price quotation on file
3/5/2020	1472	Ace Hardware	Purpose not indicated	758.98	No price quotation on file
3/9/2020	1473	True Value	Purpose not indicated	997.59	No price quotation on file
3/11/2020	1479	ELM	Purpose not indicated	840.00	No price quotation on file
10/9/2021	1500	MEC	Refund deposit for solar	2,820.00	No price quotation on file
11/23/2021	155	J&H Const.	VCO plant	24,982.50	No price quotation on file
8/30/2022	187	Eye Catuter	E-8007	1,377.00	No price quotation on file
7/24/2023	224	J&H Const.	unidentified	19,982.50	No price quotation on file
Total				\$55,427.97	

EBON ATOLL LOCAL GOVERNMENT

Schedule of Findings and Responses Period from October 1, 2018 through September 30, 2023

Finding No.14 (Continued)

Cause: The cause of the above condition is the lack of proper oversight, monitoring and enforcement to ensure that Ebon Government complies with the RMI Procurement Code Policy.

Effect: The effect of the above condition is noncompliance with the Procurement Code by Ebon Government and there is no assurance whether the Local Government is getting the best value for money spent.

Recommendation:

1. We recommend that the Ebon Government strictly comply with the Procurement Policy to get the best value for its money.
2. We also recommend that the MOCIA and MOFBPS ensure that Ebon Government complies with the procurement code prior approval and disbursements of funds.

Auditee's Response and Corrective Action Plan:

The Ebon Government has verbally agreed to our findings. No written response was provided to us for inclusion in this final report.

Response from the MOCIA:

No response was provided by the MOCIA to the finding and recommendation although it communicated earlier that it would provide its comments.

Response from the MOFBPS:

The Ministry of Finance acknowledges and accepts the finding. Corrective action has been implemented and all current documentations are properly on file to ensure disbursements are properly supported. MOF has also updated the Grants Management Manual to better monitor subrecipients, including Local Governments, to enforce stricter compliance with supporting documentation requirements. If a Local Government fails to comply, funds will not be disbursed. Additionally, the Ministry intends to conduct procurement training at the beginning of the fiscal year for all entities receiving Government funds.

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