

*Financial Statements and Reports on Internal Control
and Compliance*

College of the Marshall Islands

(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2021

with Report of Independent Auditors



College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements and Reports on Internal Control and Compliance

Year ended September 30, 2021

Contents

Report of Independent Auditors	1
Audited Basic Financial Statements	
Statement of Net Position.....	3
Statement of Revenues, Expenses, and Changes in Net Position.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6
Reports on Internal Control and Compliance	
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 <i>Government Auditing Standards</i>	23
Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	25
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	33
Corrective Action Plan.....	75
Summary Schedule of Prior Audit Findings	84



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Report of Independent Auditors

Board of Regents
College of the Marshall Islands

Report on the Financial Statements

We have audited the accompanying financial statements of the College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College as of September 30, 2021, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the College'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 College'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 College's internal control over financial reporting and compliance.

Ernst + Young LLP

September 26, 2024

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Statement of Net Position

September 30, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 757,928
Time certificates of deposit	2,958,825
Accounts receivable and unbilled charges, net	2,697,473
Due from grantor agencies, net of allowance for doubtful accounts of \$28,192	1,015,997
Prepaid expenses	172,867
Inventory	<u>539,020</u>
Total current assets	<u>8,142,110</u>
Noncurrent assets:	
Investments	2,344,397
Capital assets, net of accumulated depreciation	<u>9,250,867</u>
Total noncurrent assets	<u>11,595,264</u>
Total assets	<u><u>\$ 19,737,374</u></u>

LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable	\$ 966,043
Withholding taxes payable	75,413
Social security taxes payable	325,167
Student refunds payable	248,032
Due to grantor agencies	2,063,249
Accrued liabilities	496,157
Unearned revenue	<u>1,723,234</u>
Total current liabilities	<u>5,897,295</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	9,250,867
Restricted:	
Endowment - nonexpendable	2,344,397
Unrestricted	<u>2,244,815</u>
Total net position	<u>13,840,079</u>
Total liabilities and net position	<u><u>\$ 19,737,374</u></u>

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2021

Operating revenues:	
Student tuition and other fees	\$ 6,319,076
Less: Scholarship discounts and allowances	(6,313,627)
	<u>5,449</u>
Private gifts, grants and donations - restricted	280,517
Other	83,954
Net operating revenues	<u>369,920</u>
Operating expenses:	
Salaries and employee benefits	6,904,583
Student grants	2,126,117
Depreciation	1,418,057
Student aid	964,888
Books and school supplies	743,604
Small tools and equipment	648,796
Utilities	616,243
Subscriptions and membership dues	526,027
Contractual services	497,862
Supplies	445,254
Student housing, meal and other related	298,868
Communication	247,764
Travel, representation and entertainment	152,860
Graduation and Christmas related	121,788
Insurance	112,120
Land lease	102,037
Import tax	90,766
COVID-19 vaccine drive related	87,750
Repairs and maintenance	80,564
Stipends	57,615
Fuel	48,639
UNDP related	32,911
Arrak quarantine related	30,104
Boat charter	25,127
Postage and shipping	18,477
Miscellaneous	124,805
Total operating expenses	<u>16,523,626</u>
Operating loss	<u>(16,153,706)</u>
Nonoperating revenues (expenses):	
U.S. federal grants	10,832,888
RepMar contributions	4,691,862
Investment income	484,507
Gain on disposal/transfer of capital assets	2,549
Write-off of capital assets	(372,306)
Total nonoperating revenues, net	<u>15,639,500</u>
Change in net position	<u>(514,206)</u>
Net position at beginning of the year	<u>14,354,285</u>
Net position at end of the year	<u>\$ 13,840,079</u>

See accompanying notes.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Statement of Cash Flows

Year ended September 30, 2021

Cash flows from operating activities:	
Cash received from student tuition and fees	\$ 6,218,241
Other receipts	132,721
Cash payments to suppliers for goods and services	(8,997,768)
Student scholarships paid	(6,946,700)
Cash payments to employees for services	(4,979,705)
Net cash used in operating activities	<u>(14,573,211)</u>
Cash flows from noncapital financing activities:	
Cash received from U.S. federal grants	11,345,521
RepMar contributions received	<u>4,608,862</u>
Cash provided by noncapital financing activities	<u>15,954,383</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(418,808)</u>
Cash flows from investing activities:	
Net increase in time certificates of deposit	(275,268)
Purchase of investments	<u>(200,000)</u>
Cash used in investing activities	<u>(475,268)</u>
Net change in cash and cash equivalents	487,096
Cash and cash equivalents at beginning of year	270,832
Cash and cash equivalents at end of year	<u>\$ 757,928</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (16,153,706)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,418,057
Bad debts	270,000
Changes in assets and liabilities:	
Accounts receivable and unbilled charges	(544,305)
Prepaid expenses	49,996
Due from grantor agencies	75,154
Inventory	(121,867)
Accounts payable	273,492
Withholding taxes payable	(161,802)
Social security taxes payable	21,042
Student refunds payable	60,446
Due to grantor agencies	11,709
Accrued liabilities	58,606
Unearned revenue	<u>169,967</u>
Net cash used in operating activities	<u>\$ (14,573,211)</u>

See accompanying notes.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Year ended September 30, 2021

1. Organization

On April 1, 1993, College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands, was established as an independent institution governed by a Board of Regents appointed by the Republic of the Marshall Islands (RepMar) Cabinet pursuant to the College of the Marshall Islands Act of 1992 (Public Law 1992-13). Prior to enactment of the Act, the College was a component of the College of Micronesia (COM). The College operates another program, the Land Grant program, but results of its operations are substantially reported within the financial statements of COM. Therefore, the accompanying financial statements relate solely to those accounting records maintained within the College and do not incorporate any accounts related to its operations that may be accounted for as a separate component of COM.

2. Basis of Presentation

Financial Statement Presentation

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statement presentation required by GASB Statement Nos. 34 and 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required. Other GASB Statements are required to be implemented in conjunction with GASB Statements 34 and 35. Therefore, the College has also implemented, where applicable, Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statement Nos. 14 and 34*.

To conform to these requirements, equity is presented in the following net position categories:

- Net investment in capital assets: capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted: Nonexpendable net position subject to externally imposed stipulations that require the College to maintain such permanently. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Basis of Presentation, continued

Financial Statement Presentation, continued

- Restricted: Expendable net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire with the passage of time. As of September 30, 2021, the College has no expendable restricted net position.
- Unrestricted: net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is the College's policy to use unrestricted resources first, then restricted resources as they are needed.

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents and Time Certificates of Deposit

Cash and cash equivalents include cash on hand, cash held in demand and savings accounts, and short-term investments in U.S. Treasury obligations with maturity dates within three months of acquisition by the College. Time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net position.

Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the College of Micronesia, employees and officers, and other sources. Receivables are recorded net of estimated allowances for uncollectible amounts.

Due from Grantor Agencies

Reimbursements due to the College for expenditures on federally funded reimbursement and grant programs are reported as due from grantor agencies. Due from grantor agencies are recorded net of estimates allowances for uncollectible amounts.

Allowance for Doubtful Accounts

Management determines the adequacy of the allowance for doubtful accounts based upon review of the aged receivables. Amounts determined uncollectible are charged to bad debts and are added to the allowance. Bad debts are written-off against the allowance on the specific identification method.

Prepaid Expenses

Certain payments made to vendors or persons for goods and services reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Inventory

Inventory consists of items purchased for resale at the College's bookstore. Inventory is valued at the lower of cost (first-in, first-out) or market value.

Capital Assets

Capital assets with a cost that equals or exceeds \$500 are capitalized. Such assets are recorded at cost in instances where cost is determinable or estimated cost where cost is not determinable. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The College has no items that qualify for reporting in this category.

Unearned Revenue

Unearned revenues include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

The College recognizes the cost of accrued annual leave at the time such leave is earned. As of September 30, 2021, the College recorded \$203,410, of accrued annual leave, which is included within the statements of net position as accrued liabilities. The College does not participate in an employee pension plan.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The College has no items that qualify for reporting in this category.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating - Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) others.

Nonoperating - Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, most federal grants, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as RepMar appropriations and investment income.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Classification of Revenues and Expenses, continued

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student charges, the College has recorded a scholarship discount and allowance.

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. The College is specifically exempt from this tax.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

During the year ended September 30, 2021, the College implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the fiscal year ending September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for the fiscal year ending September 30, 2022.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for the fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for the fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for the fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for the fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for the fiscal year ending September 30, 2022.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This statement provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

- 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions will be effective upon issuance.
- 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions will be effective upon issuance.
- 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance will be effective upon issuance.
- 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance will be effective upon issuance.
- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates will be effective upon issuance.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance will be effective upon issuance.
- 7) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 8) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 9) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 10) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset effective for fiscal year ending September 30, 2023.
- 11) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability effective for fiscal year ending September 30, 2023.
- 12) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a) management’s discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

4. Deposits and Investments

The deposit and investment policies of the College are governed by the Board of Regents. As such, the Board of Regents is authorized to delegate certain responsibilities to third parties. Investment managers have discretion to purchase, sell, or hold the specific securities to meet the objectives set forth in the investment policy.

Generally, the College can invest in cash and cash equivalents, bonds, U.S. and non-U.S. equities, and fixed income securities, as follows:

Global equities	60%
Fixed income	<u>40%</u>
Total portfolio	<u>100%</u>

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College’s deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution but not in the College’s name. The College does not have a deposit policy for custodial credit risk.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

4. Deposits and Investments, continued

Deposits, continued

As of September 30, 2021, the carrying amounts of the College's total deposit was \$3,716,753, and the corresponding bank balances was \$3,807,616. Of the bank balance amounts, \$815,668, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021, bank deposits in the amount of \$250,000, were FDIC insured. Bank deposit of \$2,991,948, are maintained in financial institutions not subject to depository insurance. The College does not require collateralization of its deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Investments

Investments held by the College consist of money market funds, mutual funds, and equity securities. As of September 30, 2021, investments are as follows:

Money market funds	\$ 10,282
Exchange traded products	1,490,561
Mutual funds	<u>843,554</u>
	<u>\$2,344,397</u>

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated in accordance with the College's investment policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2021, the College's investments were held in the College's name and were administered by investment managers in accordance with the College's investment policy.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amounts of investment in any one issuer that represents five percent (5%) or more of total investments for the College. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of September 30, 2021, no investments in any one issuer exceeded 5% of total investments.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

4. Deposits and Investments, continued

Investments, continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The College categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The College has the following recurring fair value measurements as of September 30, 2021:

	<u>Fair Value Measurements Using</u>			
	September 30, 2021	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange traded products	\$1,490,561	\$1,490,561	\$ ---	\$ ---
Mutual funds	<u>843,554</u>	<u>843,554</u>	---	---
Total investments by fair value level	2,334,115	<u>\$2,334,115</u>	\$ ---	\$ ---
Investments measured at amortized cost:				
Money market funds	<u>10,282</u>			
	<u>\$2,334,397</u>			

Exchange traded products and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

5. Accounts Receivable and Unbilled Charges

Summarized below are the College's accounts receivable and unbilled charges as of September 30, 2021:

Student tuition and fees	\$ 5,222,577
Employees and officers	101,716
Other	<u>566,932</u>
	5,891,225
Less allowance for doubtful accounts	<u>(3,193,752)</u>
Net accounts receivable and unbilled charges	<u>\$ 2,697,473</u>

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

6. Capital Assets

Summarized below are the College's investment in capital assets and changes for the year ended September 30, 2021:

	Estimated Useful <u>Lives</u>	Balance at October 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2021</u>
Nondepreciable capital assets:					
Land and improvements		\$ 372,306	\$ ---	\$(372,306)	\$ ---
Construction in progress		<u>48,400</u>	<u>---</u>	<u>(48,400)</u>	<u>---</u>
		<u>420,706</u>	<u>---</u>	<u>(420,706)</u>	<u>---</u>
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	4,111,564	258,858	(3,234,025)	1,136,397
Buildings and improvements	20 years	<u>24,056,892</u>	<u>255,750</u>	<u>(2,705,044)</u>	<u>21,607,598</u>
		28,168,456	514,608	(5,939,069)	22,743,995
Less accumulated depreciation		<u>(17,969,288)</u>	<u>(1,418,057)</u>	<u>5,894,217</u>	<u>(13,493,128)</u>
		<u>10,199,168</u>	<u>(903,449)</u>	<u>(44,852)</u>	<u>9,250,867</u>
Net investment in capital assets		<u>\$10,619,874</u>	<u>\$(903,449)</u>	<u>\$(465,558)</u>	<u>\$ 9,250,867</u>

During the year ended September 30, 2021, the College recorded nonoperating expense of \$372,306 relating to write-off of land and land improvements.

7. RepMar Contributions

The College is dependent upon RepMar to provide annual appropriations in an amount sufficient to provide stable financial backing to meet educational and vocational needs of the community. During the year ended September 30, 2021, the College received \$4,691,862, from RepMar to administer various postsecondary functions and to improve facilities as follows:

General Fund	\$2,741,534
Compact Sector Funds:	
Education Sector Grant	987,003
Public Infrastructure Development Sector Grant	500,000
Ebeye Special Needs Sector Grant	125,000
Supplemental Education Grant	<u>338,325</u>
	<u>\$4,691,862</u>

For the year ended September 30, 2022, the Nitijela of RepMar appropriated \$3,327,662 to fund operations of the College, \$500,000 to fund preventive maintenance of capital assets, and \$82,770 for the College's endowment fund.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

8. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

9. Related Party Transaction

The College is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including the Marshall Islands National Telecommunications Authority (NTA). During the year ended September 30, 2021, the College paid an advance of \$144,331 to NTA for the purpose of upgrading telecommunication services at Batkan, Majuro Atoll, which is to be applied as credit by NTA against the College's future monthly telecommunication costs. Application of credit has yet to occur as of September 30, 2021.

10. Commitments

On July 31, 2000, the College executed two lease agreements for parcels of land and attached buildings and improvements located on Arrak Island. The leases commenced on July 1, 2000 for periods of thirty years each, ending on June 30, 2030, with options to renew for additional terms of thirty years. The terms of the leases call for rent to be paid in equal quarterly installments, with increases totaling \$800 in the quarterly installments, every five years. On April 20, 2007, the College executed a sublease agreement for a parcel of land adjacent to the main campus in Uliga. The lease commenced on March 1, 2007, for a term of thirty years, ending on February 13, 2037. On March 24, 2014, the College executed a lease agreement for a parcel of land at Lotodrik and Barkan Wetos in Uliga. The lease commenced April 1, 2014, for a term of thirty years, ending on March 31, 2044. On August 9, 2020, the College executed a memorandum of agreement for the use of school facilities located in Ebeye. The agreement commenced August 9, 2020, for a term of three years, ending on August 9, 2023.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

10. Commitments, continued

Future minimum lease payments under these leases are as follows:

Year ending September 30.

2022	\$ 105,684
2023	104,350
2024	97,684
2025	97,684
2026	100,884
2027 - 2031	404,418
2032 - 2036	104,418
2037 - 2041	81,293
2042 - 2044	<u>39,709</u>
	<u>\$1,136,124</u>

11. Contingencies

Sick Leave

It is the policy of the College to record expenditures for sick leave when leave is taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. There is no liability for unpaid accumulated sick leave since the College does not have a policy to pay any amounts when employees separate from service. The estimated accumulated sick leave as of September 30, 2021, was \$162,640.

Accreditation

Based on the comprehensive evaluation during June 2015, the Accrediting Commission for Community and Junior Colleges (ACCJC) took action to remove the Warning, reaffirmed accreditation, and required that the College submit a Follow-Up Report in March 2016. In May 2016, WASC issued a Warning status to the College because of its evaluation of the College's Follow-up Report with the requirement that the College submit a revised Follow-Up Report on October 1, 2016. On February 3, 2017, ACCJC took action to remove the Warning. Based on the comprehensive evaluation during June 2021, ACCJC reaffirmed accreditation for eighteen (18) months, and required that the College submit a Follow-up Report on October 1, 2022. On October 1, 2022, the College submitted a Follow-Up Report, and the follow-up visit was held virtually in October 17-18, 2022. At its January 2023 meeting, ACCJC acted to reaffirm the College's accreditation for the remainder of the cycle.

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*

Board of Regents
College of the Marshall Islands

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 26, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 Questioned Costs as items 2021-001 through 2021-005 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The College's Responses to Findings

The College's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The College's responses were not subjected to the other auditing procedures applied in the audit of the financial statements 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.

Ernst + Young LLP

September 26, 2024



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

Board of Regents
College of the Marshall Islands

Report on Compliance for Each Major Federal Program

We have audited the College of the Marshall Islands' (the College's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2021. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the College's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in items 2021-007, 2021-009 through 2021-012, and 2021-014 through 2021-016 in the accompanying Schedule of Findings and Questioned Costs, the College did not comply with requirements regarding the following:

<i>Finding No.</i>	<i>Assistance Listing No.</i>	<i>Program (or Cluster) Name</i>	<i>Compliance Requirement</i>
2021-007	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Equipment and Real Property Management
2021-009	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Procurement and Suspension and Debarment
2021-010	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Reporting
2021-011	84.047	TRIO Upward Bound	Allowable Costs/Cost Principles
2021-012	84.047	TRIO Upward Bound	Eligibility
2021-014	84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	Activities Allowed or Unallowed
2021-015	84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	Allowable Costs/Cost Principles
2021-016	84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	Procurement and Suspension and Debarment

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

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Each Major Federal Program paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as follows:

<i>Finding No.</i>	<i>Assistance Listing No.</i>	<i>Program (or Cluster) Name</i>	<i>Compliance Requirement</i>
2021-006	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Allowable Costs/Cost Principles
2021-008	15.875	Economic, Social, and Political Development of the Territories: Compact of Free Association, As Amended, Sector Grants	Period of Performance
2021-013	84.047	TRIO Upward Bound	Special Tests and Provisions
2021-017	84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	Reporting

Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-007, 2021-009 through 2021-012, and 2021-014 through 2021-016 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-006, 2021-008, 2021-013 and 2021-017 to be significant deficiencies.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College as of and for the year ended September 30, 2021, and have issued our report thereon dated September 26, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst + Young LLP

September 26, 2024

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Other Identification Number	Federal Expenditures	Research and Development Cluster
Direct from US Department of Agriculture:					
Forest Service:					
Forest Stewardship Program		10.678		\$ 2,422	\$ -
Total US Department of Agriculture				<u>\$ 2,422</u>	<u>\$ -</u>
Direct from US Department of Education:					
Student Financial Assistance Cluster:					
Federal Pell Grant Program		84.063		\$ 7,007,146	\$ -
Subtotal Student Financial Assistance Cluster				7,007,146	-
TRIO Cluster:					
TRIO Upward Bound		84.047A		314,011	-
Subtotal TRIO Cluster				314,011	-
Education Stabilization Fund:					
COVID-19 Higher Education Emergency Relief Fund- Student Aid Portion		84.425E	P425E204126	1,619,790	-
COVID-19 Higher Education Emergency Relief Fund- Institutional Portion		84.425F	P425F202732	1,372,265	-
COVID-19 Higher Education Emergency Relief Fund- Minority Serving Institution		84.425L	P425L200219	117,439	-
Subtotal Educational Stabilization Fund				<u>3,109,494</u>	<u>-</u>
Office of Special Education and Rehabilitative Services:					
Special Education- Personnel Development to Improve Services and Results for Children with Disabilities		84.325K		54,944	-
Subtotal Office of Special Education and Rehabilitative Services				<u>54,944</u>	<u>-</u>
Total US Department of Education				<u>\$ 10,485,595</u>	<u>\$ -</u>
US Department of Health and Human Services:					
Pass-through from University of Hawaii:					
Area Health Education Centers	5 U77HP08404-14-00	93.107		\$ 94,927	\$ 94,927
Total US Department of Health and Human Services				<u>\$ 94,927</u>	<u>\$ 94,927</u>
US Department of the Interior:					
Pass through from the Republic of the Marshall Islands:					
Economic, Social and Political Development of the Territories, Compact of Free Association Program, As Amended:	9870076103	15.875			
Compact Capital Fund				\$ 350,000	\$ -
Education Sector Grant				987,003	-
Supplemental Education Grant				338,325	-
Ebeye Special Needs- Adult Education				125,000	-
Total Department of the Interior				<u>\$ 1,800,328</u>	<u>\$ -</u>
National Science Foundation:					
Pass through from the University of Hawaii:					
Education and Human Resources:					
Partnership for Advanced Marine and Environmental Science Training for Pacific Islanders	1954994	47.076		\$ 1,343	\$ 1,343
Islands of Opportunity Alliance	1826864	47.076		28,894	28,894
Total National Science Foundation				<u>\$ 30,237</u>	<u>\$ 30,237</u>
Total Federal Expenditures of Federal Awards				<u>\$ 12,413,509</u>	<u>\$ 125,164</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

1. Scope of Audit

The College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands (RepMar), was established as an independent institution governed by a Board of Regents appointed by RepMar's Cabinet pursuant to the College of the Marshall Islands Act of 1992 (Public Law 1992-13). Prior to the enactment of the Act, the College was a component of the College of Micronesia (COM).

The U.S. Department of the Interior has been designated as the College's cognizant agency for the Single Audit.

2. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the College under programs of all federal grants from the US, including the pass-through federal grants from the RMI government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

3. Summary of Significant Accounting Policies

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements. No amounts were passed through to subrecipients. Pass-through entity identifying numbers are presented where available.

4. Indirect Cost Rate

The College of the Marshall Islands has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Notes to Schedule of Expenditures of Federal Awards, continued

Year ended September 30, 2021

5. Assistance Listing Number 15.875

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

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs

Year ended September 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X **Yes** **No**

Significant deficiency(ies) identified?

 Yes X **None reported**

Noncompliance material to financial statements noted?

 Yes X **No**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 X **Yes** **No**

Significant deficiency(ies) identified?

 X **Yes** **None reported**

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

All major programs

Qualified

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

 X **Yes** **No**

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Section I - Summary of Auditors' Results, continued

Federal Awards, continued

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social, and Political Development of the Territories <u>TRIO Cluster:</u>
84.047A	TRIO Upward Bound
84.425	<u>Education Stabilization Fund:</u>
84.425E	Higher Education Emergency Relief Fund Student Aid Portion
84.425F	Higher Education Emergency Relief Fund Institutional Portion
84.425L	Higher Education Emergency Relief Fund Minority Serving Institution

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

\$750,000

Auditee qualified as low-risk auditee?

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

Section II - Financial Statement Findings

<u>Finding Number</u>	<u>Finding</u>
2021-001	Schedule of Expenditures of Federal Awards Preparation
2021-002	Timely Financial Reporting
2021-003	Receivables
2021-004	Capital Assets
2021-005	Revenue Recognition

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Section III - Federal Award Findings and Questioned Costs

<u>Finding Number</u>	<u>ALN</u>	<u>Requirement</u>	<u>Questioned Costs</u>
2021-006	15.875	Allowable Costs/Cost Principles	\$ 4,597
2021-007	15.875	Equipment and Real Property Management	---
2021-008	15.875	Period of Performance	2,107
2021-009	15.875	Procurement and Suspension and Debarment	68,090
2021-010	15.875	Reporting	---
2021-011	84.047A	Allowable Costs/Cost Principles	7,018
2021-012	84.047A	Eligibility	24,646
2021-013	84.047A	Special Tests and Provisions - Minimizing Duplication of Services under the TS and UB Programs	---
2021-014	84.425	Activities Allowed or Unallowed	45,752
2021-015	84.425	Allowable Costs/Cost Principles	109,757
2021-016	84.425	Procurement and Suspension and Debarment	192,795
2021-017	84.425	Reporting	---
Total Questioned Costs			<u>\$454,762</u>

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-001
Area: Schedule of Expenditures of Federal Awards Preparation

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

- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- Include the total amount provided to subrecipients from each Federal program.
- For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in paragraph 200.414.

Condition: The SEFA was not timely reconciled and completed, resulting in multiple versions being provided during the audit. Furthermore, examination of the SEFA indicated the following:

1. Format of the initial provided SEFA is not correct.
2. Program names or titles and assistance listing numbers were either incorrect or incomplete.
3. For a cluster of programs, cluster names and related list of individual Federal programs within the cluster of programs were not identified or reflected.
4. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity reflected were either incomplete or not included.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-001, continued
Area: Schedule of Expenditures of Federal Awards Preparation

Cause: The College lacks internal control policies and procedures over timely and accurate SEFA preparation and review. The College's Business and Accounting Office employees responsible for reporting the amounts on the SEFA do not appear to know how expenditures should be reported.

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

Identified as a Repeat Finding: 2020-001

Recommendation: College management should establish internal control policies and procedures to facilitate timely and accurate SEFA preparation. In addition, College management should examine personnel staffing requirements and qualifications associated with the College's Business and Accounting Office. College employees responsible for federal grants should have adequate training of the SEFA reporting requirements.

Views of Auditee and Planned Corrective Actions: The College agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No. 2021-002
Area: Timely Financial Reporting

Criteria: Timely financial reporting should be facilitated by an internal control structure conducive to the preparation and independent review of reconciliations of all significant general ledger accounts.

Condition: The College did not finalize closing fiscal year September 30, 2021 financial information (trial balance, subsidiary and general ledgers) until April 17, 2023. Further, although the College have an established set of policies and procedures regarding preparation and review of reports, accurate and timely preparation and review of reconciliations and reports were not performed. During the year ended September 30, 2021, various accounting records did not appear to have been processed and timely updated as evidenced by the following:

1. The AR-Students Aging Report were not timely reconciled and completed, resulting in multiple versions being provided during the audit.
2. Examination of bank reconciliations indicated \$67,075 of outstanding checks had been outstanding for more than six months. Furthermore, reconciling items do not appear to be monitored.
3. Tests of due to/from grantor agencies noted 17 non-moving/inactive net credit balance accounts aggregating \$348,432, which were not timely assessed, monitored and closed out to the appropriate account.
4. Tests of due from grantor agencies revealed uncollectible amount of \$208,218, which was not provided for allowance.
5. Tests of other payables indicated \$82,243 were not liquidated or timely reconciled. Furthermore, \$152,638 recorded under General Ledger Account # 2002 was not supported by underlying documentation or a reconciliation.
6. \$134,227 of prepaid expenses included \$87,636 that are aged more than one year. Furthermore, analysis of the prepaid expense account was not performed timely and regularly during the year.
7. \$132,418 recorded under General Ledger Account # 2005 was not supported by underlying documentation or reconciliation.
8. The subsidiary ledger supporting amounts due from grantor agencies was not timely and properly reconciled resulting in multiple versions being provided during the audit.
9. General Ledger Account #s 1150 A/R Federal Programs, 1160 A/R Non-Federal Programs, 2211 Due To/From Federal Programs and 2212 Due To/From Other Grants – subledgers were not reconciled with general ledger balance.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No. 2021-002, Continued
Area: Timely Financial Reporting

Cause: The College lacks strict implementation of internal control policies and procedures over timely year-end closing processes and over timely reviews and reconciliations of significant general ledger accounts.

Effect: An inability to meet established reporting deadlines and unnecessary additional audit costs of \$60,000 results from the condition.

Identified as a Repeat Finding: 2020-002

Recommendation: College management should strictly implement internal control policies and procedures to facilitate timely and accurate general ledger reconciliation processes. Furthermore, College management should examine personnel staffing requirements and qualifications associated with the College's business and accounting office.

Views of Auditee and Planned Corrective Actions: The College agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No. 2021-003
Area: Receivables

Criteria: Financial reporting should be facilitated by an internal control structure conducive to the preparation and independent review of all receivable account reconciliations.

Condition: As of September 30, 2021, the following exceptions were noted:

1. General Ledger Account # 1103 AR-Students Clearing Account to 1101 (Temporary Account) - \$71,490 of AR-Students Clearing Account remain uncleared or unposted to the respective student subledger accounts. Furthermore, subsidiary ledger was not timely and properly reconciled.
2. General Ledger Account # 1133 AR-Employee (Temporary Account) – subledgers were not reconciled with general ledger balance. Furthermore, analysis of the current year movement listing indicated that \$86,711 of employee receivables included \$44,661 that relate to either former employees of the College or non-employee individuals or entities.
3. Employee Receivables - \$101,716 of recorded employee receivables and travel advances included \$46,193 that were aged more than one year.
4. General Ledger Account # 1321 Due from College of Micronesia – credit amount of \$44,295 remain uncleared or unliquidated for more than a year.
5. General Ledger Account # 1121 Other Receivables – \$43,978 of recorded other receivables included \$42,952 that were aged more than one year.

Cause: The College lacks established internal control policies and procedures over monitoring timely reconciliation of receivables.

Effect: While receivable balances are potentially misstated, management assessed that the potential misstatement relating to the above conditions is not material to the financial statements.

Identified as a Repeat Finding: 2020-003

Recommendation: College management should establish internal control policies and procedures requiring the monitoring of receivables to facilitate timely and accurate receivable reconciliation processes.

Views of Auditee and Planned Corrective Actions: The College agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No. 2021-004
Area: Capital Assets

Criteria: Adequate accounting controls necessitate that capital assets and related depreciation be appropriately recorded and monitored. Furthermore, regular review and update of capital asset registry should be performed.

Condition: Tests of capital assets noted the following:

1. Capital asset additions aggregating \$227,953 were not depreciated during the year.
2. Purchase of an equipment with PO# 21-PO-1191 with a cost of \$1,019 was recorded twice in the capital asset registry.
3. Disposal form of one disposed vehicle with a cost of \$18,995 is not traceable to the capital asset register. The information on the disposal form is inconsistent with information on the capital asset register.

Cause: The College lacks internal control policies and procedures over the monitoring of capital assets.

Effect: Misstatement related to Condition #s 1 and 2 were not considered material to the financial statements, hence, no audit adjustment was proposed. Condition # 3 does not have quantitative impact on the financial statements.

Identified as a Repeat Finding: 2020-004

Recommendation: College management should establish internal control policies and procedures requiring the monitoring of capital assets to facilitate timely and accurate updates of the capital asset registry. Also, responsible personnel should not dispose of capital assets unless supporting disposal forms are approved and filed.

Views of Auditee and Planned Corrective Actions: The College agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-005
Area: Revenue Recognition

Criteria: GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires that government-mandated nonexchange transactions relating to federal grants revenues be recognized and recorded when all applicable eligibility requirements, including time requirements, are met.

Condition: During the year ended September 30, 2021, the College recorded nonexchange transactions inconsistent with the above criteria. Specifically, U.S. Federal grants amounting to \$806,695 related to Education Stabilization Funds received in advance were recognized as revenues prior to allowable costs being incurred.

Cause: Lack of adequate internal control policies and procedures over the recognition and recording of federal grants revenues in accordance with generally accepted accounting principles (GAAP).

Effect: A potential GAAP departure from revenue recognition requirements and misstatement of federal grants revenues. An audit adjustment was proposed to correct the misstatement.

Recommendation: We recommend management establish adequate internal control policies and procedures requiring federal grant revenues be recognized and recorded when all applicable eligibility requirements, including time requirements, are met.

Views of Auditee and Corrective Action Plan: The College partially agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-006
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of the Interior
 AL Program: 15.875 Economic, Social and Political Development of the Territories
 Federal Award No.: Compact of Free Association Program, As Amended
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$4,597

Criteria: Federal program expenditures should be necessary and reasonable for the performance of the Federal award in accordance with allowable costs/cost principles requirements and be adequately documented.

Conditions:

1. For three (or 9%) of thirty-two items, aggregating \$29,888 of \$1,479,778 in total payroll expenditures, deficiencies were noted, as follows:

<u>Item #</u>	<u>Check #</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
1	44607	Salaries	\$ 83	\$ 83
2	46959	Social security tax	20	20
3	47984	Salaries	<u>1,125</u>	<u>1,125</u>
			<u>\$1,228</u>	<u>\$1,228</u>

For item #s 1 and 2, there were no approved timesheets on file to substantiate the actual number of hours worked.

For item # 3, we noted discrepancy in the number of credits paid which is based on employment contract against the number of equivalent credits assigned to instructors per Semester Section Offering or Instructor's Schedule.

2. For one (or 13%) of eight items, aggregating \$49,248 of \$320,550 in non-payroll expenditures, the item amounting to \$1,250 (21-PO-2096) pertains to a per diem payment that was not supported by adequate documentation to ascertain whether the travel transpired.
3. One duplicated expenditure amounting to \$2,119 (21-PO-1098) was charged to the program.

Cause: The College lacks adequate internal controls over compliance with applicable federal regulations relating to allowable costs/cost principles, specifically, obtaining and retaining sufficient documentation to support all transactions.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-006, continued
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Compact of Free Association Program, As Amended
Area: Allowable Costs/Cost Principles
Questioned Costs: \$4,597

Effect: The College is in noncompliance with applicable allowable costs/cost principles requirements. Accordingly, questioned costs of \$4,597 result because the projected questioned costs exceed the \$25,000 threshold.

Recommendation: College management should improve internal control policies and strengthen controls requiring obtaining and retaining sufficient documentation to support all transactions.

Views of Auditee and Corrective Action Plan: The College partially agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-007
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Compact of Free Association Program, As Amended
Area: Equipment and Real Property Management
Questioned Costs: \$ Undeterminable

Criteria: Non-federal entities other than states must follow Sections 200.313(c) through (e) of the Uniform Guidance. Section 200.313(d) states that procedures for managing equipment, whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- a. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
- b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years;
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated;
- d. Adequate maintenance procedures must be developed to keep the property in good condition; and
- e. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

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

1. Certain information in the capital assets records are either incomplete or missing, such as the source of funding for the property (including the FAIN), who holds title, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property).
2. An inventory of capital assets has been performed on an annual basis, however, the result of the physical inventory was not completely reflected/ reconciled with the property records.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-007, continued
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Compact of Free Association Program, As Amended
Area: Equipment and Real Property Management
Questioned Costs: \$ Undeterminable

Condition, continued:

3. As capital assets records are not effectively maintained, it does not appear that the College has effectively developed means to adequately safeguard capital assets from loss, damage, or theft, or to reasonably investigate such occurrences.

4. Long-lived assets are not routinely evaluated for possible impairment.

Cause: The College lacks adequate internal control policies and procedures over compliance with applicable federal property rules and regulations and lacks effective procedures governing property maintenance, as well as periodic assessment of asset impairment conditions. Moreover, internal control policies and procedures requiring periodic and timely performance and independent review of capital assets reconciliations and related general ledger accounts are not effectively implemented.

Effect: The College is in noncompliance with applicable equipment and real property management requirements. Questioned costs, if any, that may result from inadequate property records, maintenance procedures, and the absence of timely reconciliations are not determinable.

Capital outlays within the program for fiscal years are summarized as follows:

<u>Fiscal Year</u>	<u>Capital Outlays</u>
2021	\$207,400
2020	\$248,700
2019	\$249,400
2018	\$359,000
2017	\$328,400

Recommendation: College management should establish and strengthen internal control policies and procedures over compliance with applicable federal regulations on equipment and real property management.

Views of Auditee and Corrective Action Plan: The College agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-008
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of the Interior
 AL Program: 15.875 Economic, Social and Political Development of the Territories
 Federal Award No.: Compact of Free Association Program, As Amended
 Area: Period of Performance
 Questioned Costs: \$2,107

Criteria: The terms of the sub-awards administered by RepMar under the Compact of Free Association grant awards stipulate the period of performance during which time only costs resulting from obligations of the funding period may be charged.

Condition: For three (or 9%) of thirty-two items, aggregating \$29,888 of \$1,479,778 in total payroll expenditures, the following cost of salaries charged to the program were incurred prior to the funding period stipulated in the grant awards:

<u>Item #</u>	<u>Check #</u>	<u>Check Date</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
1	42517	10/23/20	Salaries	\$1,074	\$ 307
2	42188	10/09/20	Salaries	833	833
3	42204	10/09/20	Salaries	<u>967</u>	<u>967</u>
				<u>\$2,874</u>	<u>\$2,107</u>

Cause: The College lacks adequate internal controls over compliance with applicable federal regulations relating to period of performance.

Effect: The College is in noncompliance with applicable period of performance requirements. Accordingly, questioned costs of \$2,107 result because the projected questioned costs exceed the \$25,000 threshold. For item # 1, only \$307 is included in the total questioned costs, which relates to costs incurred prior to the funding period stipulated in the grant awards.

Recommendation: College management should improve internal control policies and strengthen controls to comply with applicable period of performance requirements. Specifically, review should be made to ensure all costs charged to the program are within the funding period stipulated in the grant awards.

Views of Auditee and Corrective Action Plan: The College partially agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-009
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Compact of Free Association Program, As Amended
Area: Procurement and Suspension and Debarment
Questioned Costs: \$68,090

Criteria: Under the terms of the sub-awards administered by RepMar under the Compact of Free Association grant awards, RepMar authorizes the College to use its own procedures for procurement provided they meet the RepMar Procurement Code.

RepMar's Procurement Code states the following:

- (a) Section 126.7 - Award shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the Government taking into consideration price and the evaluation factors set forth in the Request for Proposals. No other factors or criteria shall be used in the evaluation. The contract file shall contain the basis on which the award is made.
- (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 an adequate number of qualified sources.
- (c) Section 128 - a contract may be awarded for 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.
- (d) Section 129 - Notwithstanding any other provision of this Chapter, the Chief Procurement Officer, the head of a Purchasing Agency, or a designee of either officer may make or authorize others to make emergency procurement when there exists a threat to public health, welfare, or safety under emergency conditions as defined in regulations promulgated by the Policy Office; provided, that such emergency procurement shall be made with such competition as is practicable under the circumstances.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-009, continued
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of the Interior
 AL Program: 15.875 Economic, Social and Political Development of the Territories
 Federal Award No.: Compact of Free Association Program, As Amended
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$68,090

Conditions: Of twenty-one items, aggregating \$104,429 of \$277,718 in total non-payroll expenditures, deficiencies were noted, as follows:

- For 2 items (or 10%), procurement was not supported by appropriate procurement methodology; thus, the following purchases appear to have been sole sourced without written justification:

<u>Item #</u>	<u>PO #</u>	<u>PO Amount</u>	<u>Description</u>	<u>FY 2021 Expenditures</u>	<u>Questioned Costs</u>
1	21-1232	\$2,090	Travel	\$ 2,090	\$ 2,090
2	21-2098	\$418	Travel	418	418
				<u>\$ 2,508</u>	<u>\$ 2,508</u>

- For 10 items (or 48%), supporting procurement documentation was not sufficient to substantiate compliance with small purchase procedures.

<u>Item #</u>	<u>PO #</u>	<u>PO Amount</u>	<u>Description</u>	<u>FY 2021 Expenditures</u>	<u>Questioned Costs</u>
1	21-582	\$1,397	Repairs and maintenance	\$ 1,397	\$ 1,397
2	21-873	\$3,450	Repairs and maintenance	3,450	3,450
3	21-1612	\$1,917	Materials and supplies	1,917	1,917
4	No PO	No PO	Materials and supplies	2,405	2,405
5	21-2074	\$19,164	Materials and supplies	19,164	19,164
6	21-32	\$2,000	Cleaning supplies	1,923	1,923
7	21-1517	\$300	Cleaning supplies	221	221
8	21-854	\$3,990	Repairs and maintenance	3,990	3,990
9	21-1921	\$6,395	Small tools	6,395	6,395
10	21-2033	\$24,720	Boat charter	<u>24,720</u>	<u>24,720</u>
				<u>\$65,582</u>	<u>\$65,582</u>

For item #s 1 through 7, there were no vendor quotations on file.

Moreover, for item #s 8 through 10, selected vendor is not the lowest bidder and no justification of vendor selection was on file.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-009, continued
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Compact of Free Association Program, As Amended
Area: Procurement and Suspension and Debarment
Questioned Costs: \$68,090

Cause: The College did not follow internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements.

Effect: The College is in noncompliance with applicable procurement requirements. Total questioned cost is \$68,090.

Recommendation: Responsible personnel should ensure that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the solicitation process and rationale for contractors or vendor selection.

Views of Auditee and Corrective Action Plan: The College agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-010
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Compact of Free Association Program, As Amended
Area: Reporting
Questioned Costs: \$0

Criteria: Under the terms of the sub-awards administered by RepMar under the Compact of Free Association grant awards, the College is required to submit:

1. As supporting report for the initial payment request, a duly accomplished standard Form SG1- Subgrant Objectives and Budget Proposal;
2. As supporting report for subsequent payment requests, a duly accomplished standard Form SG2- Performance and Financial Evaluation quarterly report;
3. Duly accomplished Form SG2-Performance and Financial Evaluation final report within 30 calendar days after the end of the MOA's term. If the organization is receiving subsidy or subgrant in the new fiscal year or new funding period, the prior year's or prior funding period's SG2 final report is required to be submitted together with the SG1 report, before the initial payment can be released under the new subsidy or subgrant MOA.

Further, the College shall maintain an acceptable financial management system during the term of the sub-award agreement including an accurate, current and complete disclosure of financial activity of Company funds and consistency with all financial administration, program monitoring, performance reporting and enforcement provisions of the Financial Management Act.

Conditions:

1. The College did not prepare and submit the required Form SG1- Subgrant Objectives and Budget Proposal as supporting report for the initial payment for the U.S. Compact Funding subaward for the Education Sector, Ebeye Special Needs – Adult Education, Compact Capital Fund and Supplemental Education Grant.
2. The College did not provide the required Form SG2-Performance and Financial Evaluation final report and Form SG2- Performance and Financial Evaluation quarterly report for the quarter ended June 30, 2021 for the U.S. Compact Funding subaward for the Education Sector, Ebeye Special Needs – Adult Education, Compact Capital Fund and Supplemental Education Grant.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-010, continued
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of the Interior
 AL Program: 15.875 Economic, Social and Political Development of the Territories
 Federal Award No.: Compact of Free Association Program, As Amended
 Area: Reporting
 Questioned Costs: \$0

Conditions, continued:

3. Expenditures reported per the Form SG2- Performance and Financial Evaluation quarterly report did not agree to the underlying quarterly expenditures report submitted to the Secretary of Finance as follows:

a. 1st Quarter ended December 31, 2020

Sector	Amount per Form SG2- Performance and Financial Evaluation quarterly report	Amount per supporting expenditure report	Variance
Education Sector	\$495,437	\$495,031	\$406

b. 2nd Quarter ended March 31, 2021

Sector	Amount per Form SG2- Performance and Financial Evaluation quarterly report	Amount per supporting expenditure report	Variance
Ebeye Special Needs – Adult Education	\$31,249	\$22,875	\$8,374
Supplemental Educational Grant	\$72,081	\$59,536	\$12,725

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-010, continued
 Pass-Through Entity: Republic of the Marshall Islands
 Federal Agency: U.S. Department of Interior
 AL Program: 15.875 Economic, Social and Political Development of the Territories
 Federal Award No.: Compact of Free Association Program, As Amended
 Area: Reporting
 Questioned Costs: \$0

Conditions, continued:

4. Expenditures reported per the Form SG2- Performance and Financial Evaluation quarterly report did not agree to the quarterly expenditures reported in SEFA as follows:

a. 1st Quarter ended December 31, 2020

Sector	Amount per Form SG2- Performance and Financial Evaluation quarterly report	Amount as reported in SEFA	Variance
Education Sector	\$495,437	\$286,085	\$209,352
Ebeye Special Needs – Adult Education	\$39,220	\$36,821	\$2,399
Compact Capital Fund	\$190,210	\$63,061	\$127,149
Supplemental Educational Grant	\$78,597	\$73,684	\$4,913

b. 2nd Quarter ended March 31, 2021

Sector	Amount per Form SG2- Performance and Financial Evaluation quarterly report	Amount as reported in SEFA	Variance
Education Sector	\$274,709	\$229,969	\$44,740
Ebeye Special Needs – Adult Education	\$31,249	\$23,760	\$7,489
Compact Capital Fund	\$187,273	\$90,586	\$96,687
Supplemental Educational Grant	\$72,081	\$60,555	\$11,526

No reconciliation was provided to reconcile the quarterly expenditures reported in SEFA against the expenditures reported per the Form SG2- Performance and Financial Evaluation quarterly report.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-010, continued
Pass-Through Entity: Republic of the Marshall Islands
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Compact of Free Association Program, As Amended
Area: Reporting
Questioned Costs: \$0

Cause: The College lacks adequate internal controls over the timely and accurate preparation and review of required reports as stipulated in the sub-award agreements.

Effect: The College appears to be in noncompliance with applicable reporting requirements. No questioned costs are presented as the total expenditures per SEFA for the fiscal year were reconciled with the federal awards received from the RMI Government.

Recommendation: College management should strengthen controls so that required reports are timely and accurately prepared and reviewed and submitted within the specified timeframes to evidence compliance with applicable reporting requirements.

Views of Auditee and Corrective Action Plan: The College partially agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-011
 Federal Agency: U.S. Department of Education
 AL Program: 84.047A TRIO Upward Bound
 Federal Award No.: P047A171556-21
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$7,018

Criteria: Federal program expenditures should be necessary and reasonable for the performance of the Federal award in accordance with allowable costs/cost principles requirements and be adequately documented.

Conditions:

1. For seventeen (or 71%) of twenty-four items, aggregating \$17,796 of \$185,064 in payroll total expenditures, deficiencies were noted, as follows:

<u>Item #</u>	<u>Check #</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
1	42608	Social security tax	\$ 70	\$ 4
2	43480	Student wages	94	38
3	47269	Salaries	1,265	74
4	47853	Salaries	612	31
5	48180	Salaries	916	91
6	48829	Salaries	916	91
7	47547	Salaries	1,265	74
8	46722	Salaries	612	612
9	44751	Student wages	200	200
10	44725	Social security tax	16	16
11	18106	Student wages	440	440
12	48281	Student wages	330	330
13	45361	Salaries	1,300	650
14	46553	Salaries	1,300	650
15	48175	Social security tax	56	16
16	45529	Salaries	650	325
17	17978	Salaries	<u>1,191</u>	<u>1,191</u>
			<u>\$11,233</u>	<u>\$ 4,833</u>

For item #s 1 through 8, employees were paid at a higher rate with no approved revised employee contract or pay increment memorandum on file to substantiate the higher rate paid to employees.

For item #s 8 through 12, there were no approved timesheet on file to substantiate the actual number of hours worked. Further, for item # 12, there was no approved employment contract on file.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-011, continued
Federal Agency: U.S. Department of Education
AL Program: 84.047A TRIO Upward Bound
Federal Award No.: P047A171556-21
Area: Allowable Costs/Cost Principles
Questioned Costs: \$7,018

Conditions, continued:

For item #s 13 through 16, we noted discrepancy in the number of credits paid which is based on employment contract against the number of equivalent credits assigned to instructors per approved memorandum.

Item # 17 pertains to salary advance for which there was inadequate documentation as to approval of advance made.

2. For one (or 6%) of sixteen items, aggregating \$50,464 of \$128,947 in total non-payroll expenditures, the item amounting to \$2,185 (Check # 1033875) pertains to the purchase of office equipment for which no vendor invoice and receiving report was on file.

Cause: The College lacks adequate internal controls over compliance with applicable federal regulations relating to allowable costs/cost principles, specifically, obtaining and retaining sufficient documentation to support all transactions.

Effect: The College is in noncompliance with applicable allowable costs/cost principles requirements. Accordingly, questioned costs of \$7,018 result because the projected questioned costs exceed the \$25,000 threshold. For Condition # 1, item #s 1 through 7, only \$403 is included in the total questioned costs, which relates to the difference between the unsupported higher rate paid and the approved rate. Further, for Condition # 1, item #s 13 through 16, only \$1,641 is included in the total questioned costs, which relates to the dollar amount of difference in the number of credits paid between employment contract and approved memorandum.

Recommendation: College management should improve internal control policies and strengthen controls requiring obtaining and retaining sufficient documentation to support all transactions.

Views of Auditee and Corrective Action Plan: The College partially agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-012
Federal Agency: U.S. Department of Education
AL Program: 84.047A TRIO Upward Bound
Federal Award No.: P047A171556-21
Area: Eligibility
Questioned Costs: \$24,646

Criteria: Per OMB Compliance Supplement July 2021, an individual is eligible to participate in a Regular UB project if the individual meets all of the following requirements:

- (a) is a citizen, national, or permanent resident of the United States, or is in the United States for other than a temporary purpose;
- (b) is a potential first-generation college student, a low-income individual, or an individual who has a high risk for academic failure;
- (c) has a need for academic support in order to pursue successfully a program of education beyond high school; and
- (d) at the time of initial selection has completed the 8th grade but has not entered the 12th grade and is at least 13 years old but not older than 19. A veteran, regardless of age, who meets all other criteria is eligible to participate.

A citizen, national, or permanent resident of the United States, includes a permanent resident of Guam, the Northern Mariana Islands, the Trust Territory of the Pacific Islands (Palau), or resident of one of the Freely Associated States - the Federated States of Micronesia or the Republic of the Marshall Islands.

Moreover, 34 CFR Part 645.6(b) defines “Individual who has a high risk for academic failure” as an individual who:

- (a) Has not achieved at the proficient level on State assessments in reading or language arts;
- (b) Has not achieved at the proficient level on State assessments in math;
- (c) Has not successfully completed pre-algebra or algebra by the beginning of the tenth grade; or
- (d) Has a grade point average of 2.5 or less (on a 4.0 scale) for the most recent school year for which grade point averages are available.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-012, continued
Federal Agency: U.S. Department of Education
AL Program: 84.047A TRIO Upward Bound
Federal Award No.: P047A171556-21
Area: Eligibility
Questioned Costs: \$24,646

Criteria, continued:

Furthermore, to be eligible for a stipend, participants must show evidence of satisfactory participation in project activities, including regular attendance and performance in accordance with the number of sessions in which a student participated. Stipends for regular projects may not exceed \$40 per month from September to May of the academic year and \$60 for each of the summer months (June, July, and August).

Moreover, 34 CFR Part 645.43(c) states that for each participant, a grantee must maintain a record of the basis for the grantee's determination that the participant is eligible to participate in the project and the basis for the grantee's determination that the participant has a need for academic support in order to pursue successfully a program of education beyond secondary school.

Condition: Of 9 students tested, aggregating \$24,646 of \$239,524 in total participant benefits, we noted noncompliance, as follows:

1. For 4 students listed below, no documentation was on file to support whether the individual is a citizen, national, or permanent resident of the United States (including a permanent resident of Guam, the Northern Mariana Islands, the Trust Territory of the Pacific Islands (Palau), or resident of one of the Freely Associated States - the Federated States of Micronesia or the Republic of the Marshall Islands), or is in the United States for other than a temporary purpose.

<u>Item #</u>	<u>Student Case Number</u>
1	C000303207
2	C000421734
3	C000303250
4	C000303255

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-012, continued
Federal Agency: U.S. Department of Education
AL Program: 84.047A TRIO Upward Bound
Federal Award No.: P047A171556-21
Area: Eligibility
Questioned Costs: \$24,646

Condition, continued:

2. For 6 students listed below, it does not appear that the student has a need for academic support to successfully pursue a program of education beyond high school. Specifically, we noted that the student has either a) achieved at the proficient level on State assessments in reading or language arts; b) achieved at the proficient level on State assessments in math; c) successfully completed pre-algebra or algebra by the beginning of the tenth grade; or d) has a grade point average of higher than 2.5 (on a 4.0 scale) for the most recent school year. Further, we determined that the student does not have a high risk for academic failure, which is inconsistent with the College’s determined student eligibility status (“At high risk for academic failure”) reflected in the Annual Performance Report.

<u>Item #</u>	<u>Student Case Number</u>
1	C000303207
2	C000303250
3	C000401852
4	C000374302
5	C000303255
6	C000374310

3. For 1 student (Student Case Number C000421734), it does not appear that the student has a need for academic support to successfully pursue a program of education beyond high school. Specifically, based on our examination of UB Program Recommendation Form accomplished by the student’s English and Math teachers, we noted that both teachers assigned the student a “B” grade (equivalent to 3.00 - 3.40 point in a 4.0 scale). Further, transcripts of records and/or State Assessments are not on file to support the College’s determined student eligibility status (“At high risk for academic failure”) reflected in the Annual Performance Report.
4. For 1 student (Student Case Number C000374322), no documentation was on file to support whether the individual has a need for academic support, to successfully pursue a program of education beyond high school. Further, transcripts of records and/or State Assessments are not on file to support the College’s determined student eligibility status (“At high risk for academic failure”) reflected in the Annual Performance Report.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-012, continued
Federal Agency: U.S. Department of Education
AL Program: 84.047A TRIO Upward Bound
Federal Award No.: P047A171556-21
Area: Eligibility
Questioned Costs: \$24,646

Condition, continued:

5. For 3 students listed below, no documentation was on file to support whether the individual at the time of initial selection has completed the 8th grade but has not entered the 12th grade and is at least 13 years old but not older than 19.

<u>Item #</u>	<u>Student Case Number</u>
1	C000421734
2	C000374322
3	C000374309

Cause: The College lacks adequate internal control policies and procedures over eligibility determinations, including obtaining required documentation and verification to support the College's determination that the participant is eligible to participate in the project.

Effect: The College is in noncompliance with applicable eligibility requirements. Accordingly, questioned costs of \$24,646 result because the projected questioned costs exceed the \$25,000 threshold.

Recommendation: College management should improve internal control policies and strengthen controls so that eligibility determinations, including obtaining required documentation and verification, are performed in accordance with applicable eligibility requirements.

Views of Auditee and Corrective Action Plan: The College agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-013
Federal Agency: U.S. Department of Education
AL Program: 84.047A TRIO Upward Bound
Federal Award No.: P047A171556-21
Area: Special Tests and Provisions - Minimizing Duplication of Services under the TS and UB Programs
Questioned Costs: \$ Undeterminable

Criteria: Per OMB Compliance Supplement July 2021, to minimize the duplication of services and promote collaborations so that more students can be served, TS and UB projects are required to collaborate with other TRIO projects, Gaining Early Awareness and Readiness for Undergraduate programs (GEAR UP) projects (Assistance Listing 84.334), or projects from other programs serving similar populations that are serving the same target schools or target area (34 CFR sections 643.11(b) and 645.21(a)(4)).

In addition, the recipients of TS and UB grants are required to keep records, to the extent practicable, of any services TS or UB participants receive during the project year from another TRIO program or another federally funded program that serves populations similar to those served under the TS and UB programs (34 CFR sections 643.32(c)(5) and 645.43(c)(5)).

Condition: No supporting documentation (e.g., email correspondence, advertisements, etc.) was provided to demonstrate that specified plans in the UB Grant Application Form were implemented and/or other collaboration efforts were in place during FY2021.

Cause: The College lacks adequate internal control policies and procedures over compliance with applicable special tests and provisions requirements for minimizing duplication of services under the TS and UB Programs.

Effect: The College is in noncompliance with applicable special tests and provisions requirements for minimizing duplication of services under the TS and UB Programs requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation: College management should improve internal control policies and strengthen controls over compliance with applicable special tests and provisions requirements for minimizing duplication of services under the TS and UB Programs requirements.

Views of Auditee and Corrective Action Plan: The College agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-014
 Federal Agency: U.S. Department of Education
 AL Program: 84.425 Education Stabilization Fund
 AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
 Federal Award No.: COVID-19 P425E204126
 AL Sub-Program: 84.425F HEERF - Institutional Portion
 Federal Award No.: COVID-19 P425F202732
 AL Sub-Program: 84.425L HEERF - Minority Serving Institution
 Federal Award No.: COVID-19 P425L200219
 Area: Activities Allowed or Unallowed
 Questioned Costs: \$45,752

Criteria: In accordance with applicable activities allowed or unallowed requirements, institutions must demonstrate that costs incurred are allowable under the relevant statutory provisions and consistent with the purpose of the ESF “to prevent, prepare for, and respond to coronavirus”. Allowable expenditures incurred and liquidated prior to December 27, 2020 must have been “to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus”. Further, beginning December 27, 2020, any unused HEERF I Institutional Portion funds, new HEERF II Institutional Portion funds and HEERF III Institutional Portion Funds, may be used to defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll).

Conditions:

1. For eleven (or 100%) of eleven items, aggregating \$33,038 of \$619,494 in total payroll expenditures, deficiencies were noted, as follows:

<u>Item #</u>	<u>Check #</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
1	42496	Salaries and Wages - Overload	\$ 1,625	\$ 1,625
2	43536	Salaries and Wages - Adjunct	2,275	2,275
3	43593	Salaries and Wages - Overload	3,575	3,575
4	43677	Salaries and Wages - Adjunct	900	900
5	45737	Salaries and Wages - Overload	1,950	1,950
6	47435	Salaries and Wages - Adjunct	2,250	2,250
7	48057	Salaries and Wages - Adjunct	5,250	5,250
8	47440	Salaries and Wages - Adjunct	3,188	3,188
9	46906	Salaries and Wages - Overload	2,275	2,275
10	47443	Salaries and Wages - Adjunct	3,375	3,375
11	48061	Salaries and Wages - Adjunct	6,375	6,375
			<u>\$33,038</u>	<u>\$33,038</u>

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-014, continued
 Federal Agency: U.S. Department of Education
 AL Program: 84.425 Education Stabilization Fund
 AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
 Federal Award No.: COVID-19 P425E204126
 AL Sub-Program: 84.425F HEERF - Institutional Portion
 Federal Award No.: COVID-19 P425F202732
 AL Sub-Program: 84.425L HEERF - Minority Serving Institution
 Federal Award No.: COVID-19 P425L200219
 Area: Activities Allowed or Unallowed
 Questioned Costs: \$45,752

Conditions, continued:

The above salaries and wages were standard recurring costs and not an additional cost to the College. Specifically, for item #s 1 through 4, they are not directly associated with significant changes to the delivery of instructions due to the coronavirus (i.e. online teaching or expansion). Moreover, for item #s 5 through 11, they are not associated with coronavirus. Furthermore, there is no evidence of communication or consultation with the grantor agency that above expenditures are allowable.

2. For two (or 7%) of twenty-nine items, aggregating \$1,716,073 of \$2,490,000 in total non-payroll expenditures, deficiencies were noted, as follows:

<u>Item #</u>	<u>Check #</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
12	1028308	Small Tools	\$ 7,941	\$ 7,941
13	1028308	Small Tools	<u>4,773</u>	<u>4,773</u>
			<u>\$12,714</u>	<u>\$12,714</u>

Item #s 12 and 13 are not associated with coronavirus. Specifically, expenditure relates to purchase of drone cameras and related accessories for the College's graduation media operation. There is no evidence of communication or consultation with the grantor agency that above expenditures are allowable.

Cause: The College lacks adequate internal controls over compliance with applicable activities allowed or unallowed requirements.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-014, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
Federal Award No.: COVID-19 P425E204126
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
AL Sub-Program: 84.425L HEERF - Minority Serving Institution
Federal Award No.: COVID-19 P425L200219
Area: Activities Allowed or Unallowed
Questioned Costs: \$45,752

Effect: The College is in noncompliance with applicable activities allowed or unallowed requirements. The total questioned cost is \$45,752.

Identified as a Repeat Finding: 2020-009

Recommendation: College management should improve internal control policies and strengthen controls and procedures over compliance with applicable federal regulations on activities allowed or unallowed.

Views of Auditee and Corrective Action Plan: The College partially agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2012-015
 Federal Agency: U.S. Department of Education
 AL Program: 84.425 Education Stabilization Fund
 AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
 Federal Award No.: COVID-19 P425E204126
 AL Sub-Program: 84.425F HEERF - Institutional Portion
 Federal Award No.: COVID-19 P425F202732
 AL Sub-Program: 84.425L HEERF - Minority Serving Institution
 Federal Award No.: COVID-19 P425L200219
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$109,757

Criteria: Federal program expenditures should be necessary and reasonable for the performance of the Federal award in accordance with allowable costs/cost principles requirements and be adequately documented.

Conditions:

1. For nine (or 82%) of eleven items, aggregating \$33,038 of \$619,494 in total payroll expenditures, deficiencies were noted, as follows:

<u>Item #</u>	<u>Check #</u>	<u>Description</u>	<u>Expense Amount</u>
1	43536	Salaries and Wages - Adjunct	\$ 2,275
2	43593	Salaries and Wages - Overload	3,575
3	43677	Salaries and Wages - Adjunct	900
4	45737	Salaries and Wages - Overload	1,950
5	48057	Salaries and Wages - Adjunct	5,250
6	47440	Salaries and Wages - Adjunct	3,188
7	46906	Salaries and Wages - Overload	2,275
8	47443	Salaries and Wages - Adjunct	3,375
9	48061	Salaries and Wages - Adjunct	<u>6,375</u>
			<u>\$29,163</u>

For item #s 1 through 2, and item #s 4 through 9, we noted discrepancy in the number of credits paid which is based on employment contract against the number of equivalent credits assigned to instructors per Semester Section Offering or Instructor's Schedule.

Moreover, for item # 1, the employee was paid total amount of \$2,275 that pertains to two separate contracts (\$1,300 and \$975), however, there was no approved additional contract or revision to the initial contract to substantiate the payment relating to \$975.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2012-015, continued
 Federal Agency: U.S. Department of Education
 AL Program: 84.425 Education Stabilization Fund
 AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
 Federal Award No.: COVID-19 P425E204126
 AL Sub-Program: 84.425F HEERF - Institutional Portion
 Federal Award No.: COVID-19 P425F202732
 AL Sub-Program: 84.425L HEERF - Minority Serving Institution
 Federal Award No.: COVID-19 P425L200219
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$109,757

Conditions, continued:

For item #s 3 and 7, there was no approved employment contract on file.

No questioned costs are reported at this finding as questioned costs are reported at finding # 2021-014.

2. For two (or 7%) of twenty-nine items, aggregating \$1,716,073 of \$2,490,000 in total non-payroll expenditures, deficiencies were noted, as follows:

<u>Item #</u>	<u>Check #/Wire Transfer #</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
10	4884890	Subscriptions/Periodicals	\$ 58,455	\$ 58,455
11	1034163	Subscriptions/Periodicals	<u>51,302</u>	<u>51,302</u>
			<u>\$109,757</u>	<u>\$109,757</u>

Item #s 10 and 11 were not supported by adequate documentation (i.e. vendor invoices and receiving reports) to ascertain whether such expenditures were allowable costs of the underlying grants.

Cause: The College lacks adequate internal controls over compliance with applicable federal regulations relating to allowable costs/cost principles, specifically, obtaining and retaining sufficient documentation to support all transactions.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2012-015, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
Federal Award No.: COVID-19 P425E204126
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
AL Sub-Program: 84.425L HEERF - Minority Serving Institution
Federal Award No.: COVID-19 P425L200219
Area: Allowable Costs/Cost Principles
Questioned Costs: \$109,757

Effect: The College is in noncompliance with applicable allowable costs/cost principles requirements. The total questioned cost is \$138,920, of which \$29,163 is reported at finding # 2021-014.

Recommendation: College management should improve internal control policies and strengthen controls requiring obtaining and retaining sufficient documentation to support all transactions.

Views of Auditee and Corrective Action Plan: The College partially agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2012-016
Federal Agency: U.S. Department of Education
Federal Award No.: COVID-19 P425E204126
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
AL Sub-Program: 84.425L HEERF - Minority Serving Institution
Federal Award No.: COVID-19 P425L200219
Area: Procurement and Suspension and Debarment
Questioned Costs: \$192,795

Criteria: Under the terms of the sub-awards administered by RepMar under the Compact of Free Association grant awards, RepMar authorizes the College to use its own procedures for procurement provided they meet the RepMar Procurement Code.

RepMar's Procurement Code states the following:

- (a) Section 126.7 - Award shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the Government taking into consideration price and the evaluation factors set forth in the Request for Proposals. No other factors or criteria shall be used in the evaluation. The contract file shall contain the basis on which the award is made.
- (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 an adequate number of qualified sources.
- (c) Section 128 - a contract may be awarded for 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.
- (d) Section 129 - Notwithstanding any other provision of this Chapter, the Chief Procurement Officer, the head of a Purchasing Agency, or a designee of either officer may make or authorize others to make emergency procurement when there exists a threat to public health, welfare, or safety under emergency conditions as defined in regulations promulgated by the Policy Office; provided, that such emergency procurement shall be made with such competition as is practicable under the circumstances.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2012-016, continued
 Federal Agency: U.S. Department of Education
 Federal Award No.: COVID-19 P425E204126
 AL Sub-Program: 84.425F HEERF - Institutional Portion
 Federal Award No.: COVID-19 P425F202732
 AL Sub-Program: 84.425L HEERF - Minority Serving Institution
 Federal Award No.: COVID-19 P425L200219
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$192,795

Condition: Of eight items, aggregating \$268,560 of \$700,377 in total non-payroll expenditures, deficiencies were noted, as follows:

1. For 4 items (or 50%), procurement was not supported by competitive sealed bid or another appropriate procurement methodology; thus, the following purchases either appear to have been sole sourced without written justification or sole sourced with written justification but does not appear to be justified:

<u>Item #</u>	<u>PO #</u>	<u>PO Amount</u>	<u>Description</u>	<u>FY 2021 Expenditures</u>	<u>Questioned Cost</u>
1	21-2040	\$3,186	Consultancy/Professional Fees	\$ 3,186	\$ 3,186
2	21-897	\$101,663	Subscriptions/Periodicals	113,638	113,638
3	21-898	\$23,895	Subscriptions/Periodicals	23,895	23,895
4	21-1320	\$58,455	Subscriptions/Periodicals	<u>58,455</u>	<u>---</u>
				<u>\$199,174</u>	<u>\$140,719</u>

No questioned cost is reported at this finding for item # 4 as questioned cost is reported at finding # 2021-015.

2. For 3 items (or 38%), supporting procurement documentation was not sufficient to substantiate compliance with small purchase procedures:

<u>Item #</u>	<u>PO #</u>	<u>PO Amount</u>	<u>Description</u>	<u>FY 2021 Expenditures</u>	<u>Questioned Cost</u>
5	21-1660	\$17,752	Small tools	\$17,752	\$17,752
6	21-1257	\$18,553	Small tools	18,553	18,553
7	21-1273	\$15,771	Small tools	<u>15,771</u>	<u>15,771</u>
				<u>\$52,076</u>	<u>\$52,076</u>

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2012-016, continued
Federal Agency: U.S. Department of Education
Federal Award No.: COVID-19 P425E204126
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
AL Sub-Program: 84.425L HEERF - Minority Serving Institution
Federal Award No.: COVID-19 P425L200219
Area: Procurement and Suspension and Debarment
Questioned Costs: \$192,795

Condition, continued:

For item # 6, there were no vendor quotations on file. Moreover, for item #s 5 and 7, selected vendor is not the lowest bidder and no justification of vendor selection was on file.

Cause: The College did not follow internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements.

Effect: The College is in noncompliance with applicable procurement requirements. The total questioned cost is \$251,250, of which \$58,455 is reported at finding # 2021-015.

Recommendation: Responsible personnel should ensure that documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the solicitation process and rationale for contractors or vendor selection.

Views of Auditee and Corrective Action Plan: The College partially agrees with the finding and provides details in its Corrective Action Plan.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-017
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
Federal Award No.: COVID-19 P425E204126
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
AL Sub-Program: 84.425L HEERF - Minority Serving Institution
Federal Award No.: COVID-19 P425L200219
Area: Reporting
Questioned Costs: \$0

Criteria: Annual Reporting - Per OMB Compliance Supplement Addendum July 2021, the HEERF Data Collection Form (OMB Control Number 1840-0850) must be submitted to ED via the Annual Report Data Collection System on February 8, 2021 (for reporting period from March 13, 2020 through December 31, 2020). Furthermore, amounts and data reported in the report should be accurate.

Quarterly Public Reporting for (a)(1) Student Aid Portion - Per OMB Compliance Supplement Addendum July 2021, institutions that received a HEERF 18004(a)(1) Student Aid Portion award are required to publicly post certain information on their website no later than 30 days after award and update that information every 45 days thereafter. On August 31, 2020, the frequency of reporting after the initial 30-day period was decreased from every 45 days thereafter to every calendar quarter. On May 13, 2021, ED published an additional notice for student aid public reporting under CRRSAA and ARP, which requires that institution publicly post certain information on their website. Institutions must publicly post their report as soon as possible, but no later than 30 days after the publication of the notice or 30 days after the date ED first obligated funds under HEERF I, II, or III to the institution for Emergency Financial Aid Grants to Students, whichever comes later. The report must be updated no later than 10 days after the end of each calendar quarter.

Quarterly Public Reporting for (a)(1) Institutional Portion and (a)(2), and (a)(3) funds - Per OMB Compliance Supplement Addendum July 2021, Quarterly Budget and Expenditure form must be conspicuously posted on the institution's primary website on the same page the reports of the IHE's activities as to the emergency financial aid grants to students (Student Aid Portion) are posted. The form must be posted covering each quarterly reporting period no later than 10 days after the end of each calendar quarter.

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-017, continued
 Federal Agency: U.S. Department of Education
 AL Program: 84.425 Education Stabilization Fund
 AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
 Federal Award No.: COVID-19 P425E204126
 AL Sub-Program: 84.425F HEERF - Institutional Portion
 Federal Award No.: COVID-19 P425F202732
 AL Sub-Program: 84.425L HEERF - Minority Serving Institution
 Federal Award No.: COVID-19 P425L200219
 Area: Reporting
 Questioned Costs: \$0

Condition:

1. Total annual expenditures per the Annual Report Data Collection System differ from cumulative expenditures from the date of award through 12/31/20 per underlying accounting records, as follows:

	Annual Expenditures - Student Portion
Annual Data Collection System	\$954,776
Underlying accounting records	<u>371,388</u>
Overreporting	<u>\$583,388</u>

2. ALN 84.425E COVID-19 HEERF-Student Aid Portion

- A. For both quarterly reports tested, the required quarterly updates were done on an annual basis.

Required Date	Posting Date
12/31/2020	August 9, 2022
09/30/2021	August 9, 2022

- B. Total amount of Emergency Financial Aid Grants distributed to students for the year ended 12/31/2020 per the publicly posted Student Emergency Financial Aid Reporting differ from the annual student aid portion expenditures per underlying accounting records, as follows:

	Expenditures
Student Emergency Financial Aid Reporting	\$954,776
Underlying accounting records	<u>371,388</u>
Overreporting	<u>\$583,388</u>

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-017, continued
 Federal Agency: U.S. Department of Education
 AL Program: 84.425 Education Stabilization Fund
 AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
 Federal Award No.: COVID-19 P425E204126
 AL Sub-Program: 84.425F HEERF - Institutional Portion
 Federal Award No.: COVID-19 P425F202732
 AL Sub-Program: 84.425L HEERF - Minority Serving Institution
 Federal Award No.: COVID-19 P425L200219
 Area: Reporting
 Questioned Costs: \$0

Condition, continued:

- C. Total amount of Emergency Financial Aid Grants distributed to students for the year ended 12/31/2021 per the publicly posted Student Emergency Financial Aid Reporting differ from the annual student aid portion expenditures per underlying accounting records, as follows:

	Expenditures
Student Emergency Financial Aid Reporting	\$2,628,200
Underlying accounting records	<u>2,554,416</u>
Overreporting	\$ <u>73,784</u>

**3. 84.425F COVID-19 HEERF-Institutional Portion
84.425L COVID-19 HEERF-Minority Serving Institution**

- A. Quarterly Budget and Expenditure reports were publicly posted beyond the 10-day posting requirement after the end of each calendar quarters as follow:

Quarter Ended	Posting Date
03/31/2021	February 2, 2022
06/30/2021	February 2, 2022; Revised on August 22, 2022

- B. Total quarterly expenditures for the quarter ended 06/30/2021 per the publicly posted Quarterly Budget and Expenditure Reporting differ from the quarterly expenditures per underlying accounting records, as follows:

	Expenditures
Quarterly Budget and Expenditure Reporting	\$447,249
Underlying accounting records	<u>478,942</u>
Underreporting	\$(<u>31,693</u>)

College of the Marshall Islands
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2021-017, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425E Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
Federal Award No.: COVID-19 P425E204126
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
AL Sub-Program: 84.425L HEERF - Minority Serving Institution
Federal Award No.: COVID-19 P425L200219
Area: Reporting
Questioned Costs: \$0

Cause: The College lacks adequate internal controls over the timely and accurate preparation and review of required reports as stipulated in the Compliance Supplement.

Effect: The College is in noncompliance with applicable reporting requirements. No questioned costs are presented as the identified reporting differences do not represent overpayments, and we are unable to quantify the impact of late reporting on the program.

Identified as a Repeat Finding: 2020-008

Recommendation: College management should strengthen controls so that required reports are timely and accurately prepared and reviewed and submitted within the specified timeframes to evidence compliance with applicable reporting requirements.

Views of Auditee and Corrective Action Plan: The College agrees with the finding and provides details in its Corrective Action Plan.



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2021-001	<p><u>Schedule of Expenditures of Federal Awards Preparation:</u></p> <p>The College agrees with the finding. The College adopted a new Grant Manual, which provides guidelines on grant management and reporting, including monthly reconciliation of each grant to be conducted by each grant's manager. As part of the College's corrective action plan, the College has started implementing the Grant Manual and instituted quarterly report meetings with all grant managers to ensure grant reporting and reconciliations are strictly enforced. Additional personnel have been added to the Grants office to support these efforts.</p>	September 30, 2022	<p>Stevenson Kotton VPBAA</p> <p>Hatty Kabua Grant Coordinator</p>
2021-002	<p><u>Timely Financial Reporting:</u></p> <p>The College agrees with the finding. During the Fiscal Year 2021 and FY2022 the College instituted a series of organizational changes from recruiting of new professional personnel to upgrading and migrating the accounting system into cloud based system. The College revised its accounting policies and procedures to ensure proper internal controls are in place to prevent this issue from repeating. The College undertakes an annual review of its accounting policy and procedure. It has already started reviewing and revising the policies and procedures to ensure proper internal controls are in place and are properly implemented. Additionally, the College's Finance Wapepe, currently under development, will include strategies to ensure proper monthly reconciliation and monitoring of financial reports and compliance.</p>	September 30, 2022	Stevenson Kotton VPBAA



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2021-003	<p><u>Receivable:</u></p> <p>The College agrees with the finding and proposed recommendation. Most of the issues with the receivables noted in this finding, which pertains to Federal Grants, are aged over 6 years or more. The College noted the finding and started establishing new strategies to properly reconcile the ledgers identified in the finding. The College is now doing monthly reconciliation of all its major ledgers. Additionally, the College has hired a new Assistant Internal Auditor and is currently seeking a new qualified Internal Auditor. The Office of the Internal Auditor will ensure all CMI major ledgers are properly reconciled and reported on a monthly basis. As stated in Finding 2021-001, the College will include strategies in the Finance Wapepe that will ensure proper reconciliation, reporting and monitoring of the receivables are done in accordance with written procedures identified in the revised Grant Manual approved by the Board of Regents 2021.</p>	September 30, 2022	Stevenson Kotton VPBAA
2021-004	<p><u>Capital Assets:</u></p> <p>For deficiencies 1 and 2 that were noted in the finding, the College agrees and has already taken the steps for corrective measures to correct these deficiencies and also to ensure these deficiencies are not repeated moving forward.</p> <p>For deficiency 3, the College agrees with the finding and has made the adjustments in the Fixed Asset Register. Moving forward, the College is reviewing the whole register to ensure repeated issues are not repeated.</p>	September 30, 2022	Stevenson Kotton VPBAA



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2021-005	<p><u>Revenue Recognition:</u></p> <p>The College partially agrees with the finding and has already made the necessary changes to ensure proper reconciliation and monitoring of funds are timely recorded. The College already had the policies and procedures in place however they were not being followed.</p>	September 30, 2022	Stevenson Kotton VPBAA
2021-006	<p><u>Allowable Costs/Cost Principle:</u></p> <p>The College partially agreed with the finding as stated. The College was not able to provide the documents to the external auditor in a timely manner; however, when the files were located the CMI missed the deadline to produce the documents.</p> <ul style="list-style-type: none"> - Condition 1.1 - For item #s 1 and 2, CMI was not able to locate the documents requested by the external auditors in a timely manner during the audit fieldwork. For item #3, the College was not able to provide the documents to substantiate the number of credits being paid. <i>Note: The College discovered all the documents relating to item #s 1,2 and 3 but were not available during the audit fieldwork.</i> - Condition 1.2 - For one item amounting to \$1,250 (21-PO-2096) the College was not able to locate the supporting documents during the audit fieldwork. <i>Note: The College discovered the supporting documents but it was after the audit fieldwork was completed.</i> 	September 30, 2022	Stevenson Kotton VPBAA Boni Sanchez IT Director



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
	<p>- Condition 1.3 - One duplicate expenditure amounting to \$2,119 (21-PO-1018) was charged to the program.</p>		
2021-007	<p><u>Equipment and Real Property Management:</u></p> <p>The College agrees with the finding.</p> <p>As part of the College's ongoing improvement plans on continuous improvement of Capital Asset management, the CMI board of regents approved new revised policies on Capital Asset management during its FY21 4th quarter meeting.</p>	September 30, 2022	Stevenson Kotton VPBAA
2021-008	<p><u>Period of Performance:</u></p> <p>The College partially agrees with the finding. During the audit fieldwork, the College was not able to provide the supporting documents to substantiate the allowability of the charges for the grant.</p>	September 30, 2022	Stevenson Kotton VPBAA Valyn Chonggum FABS Interim Director
2021-009	<p><u>Procurement and Suspension and Debarment:</u></p> <p>The College agrees and has already taken the steps for corrective measures to correct issues in documenting procurement services.</p> <p>The College noted the finding and started establishing new strategies to properly document purchases, specifically the history of procurement including solicitation process and rationale for contractors or vendor selections.</p>	September 30, 2022	Stevenson Kotton VPBAA Valyn Chonggum FABS Interim Director



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2021-010	<p><u>Reporting:</u></p> <p>The College partially agrees with the finding. The College submitted the Budget Portfolio for the initial request as agreed with MOF that it covers the purpose of the required SG1 report.</p> <p>The College has taken the steps and will continue to implement its corrective action plans to ensure proper internal controls are in place to avoid repetition. With the approved Grant Award Manual, The College will continue to strengthen its monitoring, reporting and reconciling of expenditures for grant funded awards.</p>	September 30, 2022	<p>Stevenson Kotton VPBAA</p> <p>Valyn Chonggum FABS Interim Director</p>
2021-011	<p><u>Allowable Costs/Cost Principles:</u></p> <p>The College partially agrees with the findings.</p> <ul style="list-style-type: none"> - Condition 1.1 - During the audit field work, the College was not able to provide the necessary documents requested by the external auditors. - Condition 1.2 - The College did not provide the necessary documents in a timely manner to the external auditors during the audit fieldwork. <p><i>Important Note: The College was able to locate the required documents BUT it was after the due date the external auditors requested for review and clarifications.</i></p>	September 30, 2022	<p>Stevenson Kotton VPBAA</p> <p>Pam Kaios UB Director</p>



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
	<p>The College recognizes the need to improve internal control policies and strengthen controls to ensure proper management and filing of all necessary documentation to support transactions. To fully utilize its document management system and all other College systems, regular training will be conducted to ensure proper and accurate use of its systems.</p>		
2021-012	<p><u>Eligibility:</u></p> <p>The college noted the finding, and the program is working to gather all required documents from current and previous Upward Bound students. The program will use the college's electronic filing system and the standards described in the Upward Bound grant application moving forward.</p>	September 30, 2022	<p>Stevenson Kotton VPBAA</p> <p>Pam Kaios UB Director</p>
2021-013	<p><u>Special Tests and Provisions - Minimizing Duplication of Services under TS and UB Programs:</u></p> <p>Currently, the CMI Upward Bound program is the only TRIO program in the Republic of the Marshall Islands. Noting the need to formally document that there is no duplication, however, the college will add a question regarding whether a student is participating in any other TRIO program to its Upward Bound application form moving forward.</p>	September 30, 2022	<p>Stevenson Kotton VPBAA</p> <p>Pam Kaios UB Director</p>



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2021-014	<p><u>Activities Allowed or Unallowed:</u></p> <p>The College partially agrees with the finding. In general, the American Rescue Plan Act allows the College to “Defray expenses associated with coronavirus including lost revenue, reimbursements for expenses already incurred, technology costs associated with a transition to distant education, faculty and staff training, and payroll.”</p> <ul style="list-style-type: none"> ● Condition 1.1- As per ARP Act 2021, HEERF III funds may be used to pay for certain payroll costs such as additional/overtime work if repurposed staff’s work is associated with coronavirus. ● Condition 1.2- The expenditures stated in the finding condition are directly associated with the College’s continued efforts to keep up with the effect of the current widespread community transmission by taking additional safety and security measures of the campus, its students and employees. <p>The College recognizes the importance of improving internal control policies and the importance to strengthen controls and procedures to ensure compliance with federal regulations. The College will continue to provide training on the monitoring, reporting and compliance of grant funded awards. Furthermore, the College will continue to hold monthly grant meetings to ensure accurate and timely reporting of all grant funded activities. These initiatives have already been implemented.</p>	September 30, 2022	Stevenson Kotton VPBAA Hatty Kabua Grant Coordinator



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2021-015	<p><u>Allowable Costs/Cost Principles:</u></p> <p>The College partially agrees with the finding.</p> <ul style="list-style-type: none"> - Condition 1.1 - During the audit field work, the College was not able to provide the necessary documents requested by the external auditors. - Condition 1.2 - The College did not provide the necessary documents in a timely manner to the external auditors during the audit fieldwork. <p><i>Important Note: The College was able to locate the required documents BUT it was after the due date the external auditors requested for review and clarifications.</i></p> <p>The College recognizes the need to improve internal control policies and strengthen controls to ensure proper management and filing of all necessary documentation to support transactions. To fully utilize its document management system and all other College systems, regular training will be conducted to ensure proper and accurate use of its systems.</p>	September 30, 2022	<p>Stevenson Kotton VPBAA</p> <p>Hatty Kabua Grant Coordinator</p>



Corrective Action Plan Year Ended September 30, 2021

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2021-016	<p><u>Procurement and Suspension and Debarment:</u></p> <p>The College partially agrees with the audit finding pointed out by the external auditors.</p> <p>Condition 1.1 - During the audit fieldwork, the College was not able to provide all the documents requested.</p> <p>Condition 1.2 - The College was not able to provide the document via Microix accounting system when the external auditors have full access to the system.</p> <p><i>Note: The College was able to locate the documents but it was after the audit fieldwork was completed.</i></p> <p>To ensure adequate documentation to comply with procurement requirements, the College will continue to conduct adequate training in regards to its procurement requirements, focusing on the College’s solicitation process.</p>	September 30, 2022	<p>Stevenson Kotton VPBAA</p> <p>Hatty Kabua Grant Coordinator</p>
2021-017	<p><u>Reporting:</u></p> <p>The College agrees with the finding and has taken necessary action to address this finding.</p> <p>To ensure timely and accurate reporting are reviewed and submitted on time, the College has taken the steps and will continue to implement its corrective action plans to ensure proper internal controls are in place to avoid repetition. With the approved Grant Award Manual, The College will continue to strengthen its monitoring, reporting and reconciling of expenditures for grant funded awards.</p>	September 30, 2022	<p>Stevenson Kotton VPBAA</p> <p>Hatty Kabua Grant Coordinator</p>



**Summary Schedule of Prior Audit Findings
 Year Ended September 30, 2021**

Finding Number	ALN	Area	Questioned Cost	Status and Corrective Action Plan
2016-001	84.063	Special Tests and Provisions - Return of Title IV Funds	\$0.00	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2017-001.
2016-002	84.063	Special Tests and Provisions - Disbursements To or On Behalf of Students	\$0.00	Not resolved as per the grantor's final determination letter dated December 7, 2017. CMI continues to review and revise as necessary, its internal policies and procedures to ensure that student credit balances are issued, and returned according to the Federal regulations.
2017-001	84.063	Special Tests and Provisions - Return of Title IV Funds	\$0.00	The grantor was satisfied with CMI's corrective action plans and the actions the College had already implemented to resolve the finding as stated in the grantor's final determination letter dated January 17, 2019. Further, grantor requested CMI to continue to review and revise as necessary, its internal policies and procedures to ensure that student credit balances are issued, and returned according to the Federal regulations. The College had already done all the recommendations provided by the grantor including but not limited to establishing new Federal Guidelines specifically for Title IV.
2018-001	N/A	Timely Financial and Compliance Reporting	\$0.00	Corrective action plans were implemented – still ongoing.



Summary Schedule of Prior Audit Findings, continued
Year Ended September 30, 2021

2019-001	N/A	Timely Financial and Compliance Reporting	\$0.00	Corrective action plans were implemented – still ongoing.
2019-002	N/A	Receivables	\$0.00	Corrective action plans were implemented – still ongoing.
2020-001	N/A	Schedule of Expenditures of Federal Awards Preparation	\$0.00	The College has implemented the Corrective Action Plan as provided.
2020-002	N/A	Timely Financial Reporting	\$0.00	The issues and challenges were identified and the College had already made the recruitments and established new offices to help with the new reporting challenges.
2020-003	N/A	Receivables	\$0.00	The issues and challenges were identified and the College had already made the recruitments and established new offices to help with the new reporting challenges.
2020-004	N/A	Capital Assets	\$0.00	The issues and challenges were identified and the College had already made the recruitments and established new offices to help with the new reporting challenges.
2020-005	84.063	Cash Management	\$0.00	The College discussed the finding with the grantor and it was resolved and closed per FY20 audit determination letter from DOE.
2020-006	84.063	Special Tests and Provisions - Disbursements To or On Behalf of Students	\$0.00	The College discussed the finding with the grantor and it was resolved and closed per FY20 audit determination letter from DOE.



Summary Schedule of Prior Audit Findings, continued
Year Ended September 30, 2021

2020-007	84.063	Special Tests and Provisions - Enrollment Reporting	\$0.00	The College discussed the finding with the grantor and it was resolved and closed per FY20 audit determination letter from DOE.
2020-008	84.425E & 84.425F	Reporting	\$0.00	The College discussed the finding with the grantor and it was resolved and closed per FY20 audit determination letter from DOE.
2020-009	84.425F	Activities Allowed or Unallowed	\$50,696.00	The College discussed the finding with the grantor and it was resolved and closed per FY20 audit determination letter from DOE. The questioned costs were also resolved.
2020-010	84.425F	Period of Performance	\$13,500.00	The College discussed the finding with the grantor and it was resolved and closed per FY20 audit determination letter from DOE. The questioned costs were also resolved.