

*Financial Statements and Reports on Internal Control
and Compliance*

College of the Marshall Islands

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

*Years ended September 30, 2023 and 2022
with Report of Independent Auditors*



**Shape the future
with confidence**

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

Financial Statements and Reports on Internal Control and Compliance

Years ended September 30, 2023 and 2022

Contents

Report of Independent Auditors.....	1
Audited Basic Financial Statements	
Statements of Net Position.....	4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7
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.....	31
Notes to Schedule of Expenditures of Federal Awards	32
Schedule of Findings and Questioned Costs.....	33

Report of Independent Auditors

Board of Regents
College of the Marshall Islands

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit 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 years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

We do not express an opinion on the accompanying financial statements of the College. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The College was unable to provide adequate accounting records supporting the amounts for student accounts receivable (stated at \$2,601,809 and \$2,653,627, respectively), federal grants receivable (stated at \$1,598,822 and \$1,215,487, respectively), federal grants payable (stated at \$3,384,740), and accounts payable (stated at \$2,818,624 and \$995,744, respectively) in the accompanying statements of net position at September 30, 2023 and 2022. As a result of these matters, we were unable to obtain sufficient appropriate audit evidence to support the completeness, existence, accuracy and classification of these balances and whether any adjustments to these balances or related financial statement items were necessary.

In addition, as of September 30, 2023 and 2022, the College has not implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The amount by which this matter would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities of the College is not reasonably determinable.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the College's financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the College and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

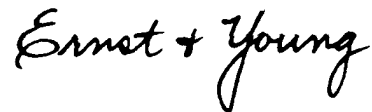
Other Matters

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 part of the basic financial statements, is required by the GASB 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 May 27, 2026, 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 engagement to conduct an audit in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

The logo for Ernst + Young, featuring the company name in a stylized, handwritten-style script.

May 27, 2026

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

Statements of Net Position

	September 30,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 106,789	\$ 347,834
Time certificates of deposit	3,501,421	3,375,845
Student accounts receivable, net of allowance for doubtful accounts of \$3,096,816	2,601,809	2,653,627
Other receivables, net	479,254	582,557
Federal grants receivable	1,598,822	1,215,487
Prepaid expenses	129,244	183,232
Inventory	602,479	606,583
Total current assets	<u>9,019,818</u>	<u>8,965,165</u>
Noncurrent assets:		
Investments	2,187,265	1,940,624
Deposits for capital asset acquisitions	1,321,491	1,321,491
Capital assets:		
Nondepreciable capital assets	402,153	402,153
Capital assets, net of accumulated depreciation	7,110,375	8,449,785
	<u>7,512,528</u>	<u>8,851,938</u>
Total noncurrent assets	<u>11,021,284</u>	<u>12,114,053</u>
Total assets	<u>\$ 20,041,102</u>	<u>\$ 21,079,218</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 2,818,624	\$ 995,744
Withholding taxes payable	21,655	13,126
Social security taxes payable	350,586	410,224
Student refunds payable	253,377	253,377
Federal grants payable	3,384,740	3,384,740
Payable to United Nations Foundation, Inc.	1,300,746	---
Accrued liabilities	472,248	489,182
Unearned revenue	1,399,655	2,091,416
Total current liabilities	<u>10,001,631</u>	<u>7,637,809</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	7,512,528	8,851,938
Restricted:		
Endowment - nonexpendable	2,187,265	1,940,624
Unrestricted	339,678	2,648,847
Total net position	<u>10,039,471</u>	<u>13,441,409</u>
Total liabilities and net position	<u>\$ 20,041,102</u>	<u>\$ 21,079,218</u>

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	2023	2022
Operating revenues:		
Student tuition and other fees	\$ 7,143,263	\$ 7,617,797
Less: Scholarship discounts and allowances	(7,120,887)	(7,504,155)
	22,376	113,642
Quarantine facilities fee	162,920	285,473
Private gifts, grants and donations - restricted	307,319	382,831
Other	361,792	217,075
Net operating revenues	854,407	999,021
Operating expenses:		
Salaries and employee benefits	8,593,299	8,039,692
Books and school supplies	1,576,074	804,587
Depreciation	1,339,410	1,431,094
Small tools and equipment	1,149,563	511,402
Contractual services	1,046,026	379,385
Travel, representation and entertainment	853,652	631,349
Subscriptions and membership dues	777,398	900,285
Utilities	641,833	600,506
Communication	523,490	463,185
Supplies	483,295	526,997
Repairs and maintenance	217,334	141,065
Student grants	214,055	4,404,901
Student housing, meal and other related	159,093	1,449,342
Graduation and Christmas related	156,225	58,984
Land lease	121,624	81,774
Insurance	100,387	82,116
Stipends	98,474	254,685
Fuel	90,704	86,979
Credit card replenishment	60,000	---
Postage and shipping	57,639	25,913
Import tax	32,761	120,939
Endowment fundraising grand prize	26,500	---
COVID-19 vaccine drive related	13,350	70,444
Student aid	---	622,424
Miscellaneous	428,699	98,228
Total operating expenses	18,760,885	21,786,276
Operating loss	(17,906,478)	(20,787,255)
Nonoperating revenues (expenses):		
U.S. federal grants	8,769,591	16,817,025
RepMar contributions	3,822,857	3,722,857
Contributions from United Nations Foundation, Inc.	1,354,698	---
Other grants	184,801	185,960
Investment earnings (loss)	372,593	(337,257)
Total nonoperating revenues, net	14,504,540	20,388,585
Change in net position	(3,401,938)	(398,670)
Net position at beginning of the year	13,441,409	13,840,079
Net position at end of the year	\$ 10,039,471	\$ 13,441,409

See accompanying notes.

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

Statements of Cash Flows

	Year ended September 30,	
	2023	2022
Cash flows from operating activities:		
Cash received from student tuition and fees	\$ 6,503,320	\$ 7,458,113
Other receipts	951,719	869,766
Cash payments to suppliers for goods and services	(6,998,313)	(12,340,947)
Student scholarships paid	(7,120,887)	(7,498,810)
Cash payments to employees for services	(8,626,618)	(8,041,899)
Net cash used in operating activities	(15,290,779)	(19,553,777)
Cash flows from noncapital financing activities:		
Cash received from U.S. federal grants	8,386,256	17,939,026
Cash received from other grants	2,840,245	185,960
RepMar contributions received	3,822,857	3,722,857
Cash provided by noncapital financing activities	15,049,358	21,847,843
Cash flows from capital and related financing activities:		
Acquisition of capital assets	---	(2,353,656)
Cash flows from investing activities:		
Additions to time certificates of deposit	---	(350,000)
Reduction in (purchase of) investments	376	(504)
Cash provided by (used in) investing activities	376	(350,504)
Net change in cash and cash equivalents	(241,045)	(410,094)
Cash and cash equivalents at beginning of year	347,834	757,928
Cash and cash equivalents at end of year	\$ 106,789	\$ 347,834
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$(17,906,478)	\$(20,787,255)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,339,410	1,431,094
Changes in assets and liabilities:		
Student accounts receivable	51,818	(527,866)
Other receivables	103,303	(10,845)
Prepaid expenses	53,988	(10,365)
Inventory	4,104	(67,563)
Accounts payable	1,822,880	29,701
Withholding taxes payable	8,529	(62,287)
Social security taxes payable	(59,638)	85,057
Student refunds payable	---	5,345
Accrued liabilities	(16,934)	(6,975)
Unearned revenue	(691,761)	368,182
Net cash used in operating activities	\$(15,290,779)	\$(19,553,777)

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2023 and 2022

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, 2023 and 2022, 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 the 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 an 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. The College reports as a business-type activity. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

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 statements 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

Receivables

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

The allowance for uncollectible accounts is established through a provision charged to income. Accounts are charged against the allowance when management believes that the collection of the balance is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing balances that may be uncollectible, based on evaluations of collectability and prior loss experience.

Federal Grants Receivable

Reimbursements due to the College for expenditures on federally funded reimbursement and grant programs are reported as federal grants receivable, which are recorded net of estimated allowance for uncollectible amounts.

Prepaid Expenses

Certain payments made to vendors 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.

Deposits for Capital Asset Acquisitions

Deposits for capital asset acquisitions represent downpayments to vendors for IT related equipment to be placed into service upon receipt.

Capital Assets

Capital assets with a cost that equals or exceeds \$5,000 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, 2023 and 2022, the College recorded \$143,504 and \$245,002, respectively, 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 statements 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 non-operating 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

During the year ended September 30, 2023, the College implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides 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.

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

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves 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.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which 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.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement provides clarification of provisions in:
 - 1) GASB Statement No. 87, *Leases*, 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.
 - 2) 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.
 - 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

The implementation of these Statements did not have a material effect on the accompanying 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

In April 2022, GASB issued Statement No. 99. This Statement contains guidance whose effective dates are in future periods. GASB Statement No. 99:

- 1) 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.
- 2) 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.

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. 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. GASB Statement No. 101 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 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 to 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. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

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. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

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

A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. GASB Statement No. 105 will be effective for the fiscal year ending September 30, 2027.

Management is evaluating the effect that these Statements, upon implementation, will have on the financial statements.

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 in the ratio of global equities (60%) and fixed income (40%).

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

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.

As of September 30, 2023 and 2022, the amounts of the College's total deposits were \$3,608,210 and \$3,723,679, respectively, and the corresponding bank balances were \$3,621,094 and \$3,871,816, respectively. Of the bank balance amounts, \$112,113 and \$438,779, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2023 and 2022, bank deposits in the amount of \$112,113 and \$250,000, respectively, were FDIC insured. Bank deposits of \$3,508,981 and \$3,433,037, respectively, are maintained in financial institutions that are not subject to depository insurance.

The College does not require collateralization of its deposits; therefore, deposit levels more than 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, 2023 and 2022, investments are as follows:

	<u>2023</u>	<u>2022</u>
Exchange-traded funds	\$1,366,294	\$1,209,749
Mutual funds	811,958	719,080
Money market funds	<u>9,013</u>	<u>11,795</u>
	<u>\$2,187,265</u>	<u>\$1,940,624</u>

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Except for 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, 2023 and 2022, 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.

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, 2023:

		Fair Value Measurements Using		
	September 30, 2023	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 funds	\$1,366,294	\$1,366,294	\$ ---	\$ ---
Mutual funds	<u>811,958</u>	<u>811,958</u>	<u>---</u>	<u>---</u>
Total investments by fair value level	2,178,252	<u>\$2,178,252</u>	<u>\$ ---</u>	<u>\$ ---</u>
Investments measured at amortized cost:				
Money market funds	<u>9,013</u>			
	<u>\$2,187,265</u>			

The College has the following recurring fair value measurements as of September 30, 2022:

		Fair Value Measurements Using		
	September 30, 2022	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 funds	\$1,209,749	\$1,209,749	\$ ---	\$ ---
Mutual funds	<u>719,080</u>	<u>719,080</u>	<u>---</u>	<u>---</u>
Total investments by fair value level	1,928,829	<u>\$1,928,829</u>	<u>\$ ---</u>	<u>\$ ---</u>
Investments measured at amortized cost:				
Money market funds	<u>11,795</u>			
	<u>\$1,940,624</u>			

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

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

Notes to Financial Statements, continued

5. Other Receivables

Summarized below are the College's other receivables as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Advance to Marshall Islands National Telecommunications Authority	\$ ---	\$144,331
Employees and officers	113,333	96,948
Other	<u>491,049</u>	<u>438,214</u>
	604,382	679,493
Less allowance for uncollectible accounts	<u>(125,128)</u>	<u>(96,936)</u>
	<u>\$479,254</u>	<u>\$582,557</u>

6. Capital Assets

Summarized below are the College's investment in capital assets and changes for the years ended September 30, 2023 and 2022:

	Estimated Useful Lives	Balance at October 1, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2023</u>
Nondepreciable capital assets:					
Construction in progress		\$ <u>402,153</u>	\$ ---	\$ ---	\$ <u>402,153</u>
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	1,508,254	---	---	1,508,254
Buildings and improvements	20 years	<u>21,757,753</u>	<u>---</u>	<u>---</u>	<u>21,757,753</u>
		23,266,007	---	---	23,266,007
Less accumulated depreciation		<u>(14,816,222)</u>	<u>(1,339,410)</u>	<u>---</u>	<u>(16,155,632)</u>
		<u>8,449,785</u>	<u>(1,339,410)</u>	<u>---</u>	<u>7,110,375</u>
Net investment in capital assets		<u>\$ 8,851,938</u>	<u>\$(1,339,410)</u>	<u>\$ ---</u>	<u>\$ 7,512,528</u>

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

Notes to Financial Statements, continued

6. Capital Assets, continued

	Estimated Useful Lives	Balance at October 1, 2021	Additions	Deletions	Balance at September 30, 2022
Nondepreciable capital assets:					
Construction in progress		\$ <u>---</u>	\$ <u>402,153</u>	\$ <u>---</u>	\$ <u>402,153</u>
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	1,136,397	479,857	(108,000)	1,508,254
Buildings and improvements	20 years	<u>21,607,598</u>	<u>150,155</u>	<u>---</u>	<u>21,757,753</u>
		22,743,995	630,012	(108,000)	23,266,007
Less accumulated depreciation		<u>(13,493,128)</u>	<u>(1,431,094)</u>	<u>108,000</u>	<u>(14,816,222)</u>
		<u>9,250,867</u>	<u>(801,082)</u>	<u>---</u>	<u>8,449,785</u>
Net investment in capital assets		\$ <u>9,250,867</u>	\$ <u>(398,929)</u>	\$ <u>---</u>	\$ <u>8,851,938</u>

7. Payable to United Nations Foundation, Inc.

On September 22, 2022, the College entered into a grant agreement with the United Nations Foundation, Inc. in the amount of \$2,682,000 to support the work of key Pacific Island States (including the Marshall Islands, Kiribati, Solomon Islands, Fiji, Tonga, and Tuvalu) to enable decarbonization of international shipping that is both aligned with the 1.5 degrees Celsius goal and equitable through the International Maritime Organization.

During the year ended September 30, 2023, the College received grant proceeds of \$2,655,444 under the grant agreement and incurred related expenditures of \$1,354,698 associated with this grant. As of September 30, 2023, unexpended grant proceeds in the amount of \$1,300,746 are presented as a payable to United Nations Foundation, Inc. in the accompanying financial statements.

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

Notes to Financial Statements, continued

8. RepMar Contributions

The College is dependent upon RepMar to provide annual appropriations in an amount sufficient to provide stable financial backing to meet the educational and vocational needs of the community. During the years ended September 30, 2023 and 2022, the College received \$3,822,857 and \$3,722,857, respectively, from RepMar to administer various postsecondary functions and to improve facilities as follows:

	<u>2023</u>	<u>2022</u>
General Fund	\$1,822,529	\$1,822,529
Compact Sector Funds:		
Education Sector Grant	987,003	987,003
Public Infrastructure Development Sector Grant	500,000	500,000
Ebeye Special Needs Sector Grant	125,000	125,000
Supplemental Education Grant	<u>388,325</u>	<u>288,325</u>
	<u>\$3,822,857</u>	<u>\$3,722,857</u>

For the year ended September 30, 2024, the Nitijela of RepMar appropriated \$3,254,784 to fund operations of the College, \$500,000 to fund preventive maintenance of capital assets, and \$82,770 for the College's endowment fund.

9. 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.

10. Related Party Transactions

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 occurred during the year ended September 30, 2023.

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

Notes to Financial Statements, continued

11. Commitments

In 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.

In 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.

In 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.

Future minimum lease payments under these leases are as follows:

Year ending September 30.

2024	\$ 97,684
2025	97,684
2026	100,884
2027	100,884
2028	100,884
2029 - 2033	244,418
2034 - 2038	96,293
2039 - 2043	79,418
2044	<u>7,942</u>
	<u>\$ 926,091</u>

In 2022, the College executed a land use agreement for a portion of land at Ledrikdrik Weto in Arrak Island. The lease commenced on October 25, 2021, for a term of twenty years, ending on October 24, 2041. The term of the lease calls for rent to be received in equal quarterly installments, with increases totaling \$150 in the quarterly installments, every five years starting in 2025.

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

Notes to Financial Statements, continued

11. Commitments, continued

Future minimum lease income for the subsequent years ending September 30 is as follows:

Year ending September 30,

2024	\$ 11,840
2025	12,440
2026	12,440
2027	12,440
2028	12,440
2029 - 2033	64,600
2034 - 2038	67,600
2039 - 2042	<u>43,307</u>
	<u>\$237,107</u>

12. 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, 2023 and 2022 was \$142,224 and \$117,192, respectively.

Accreditation

The College is accredited by the Accrediting Commission for Community and Junior Colleges (ACCJC). Based on the comprehensive evaluation during June 2021, ACCJC reaffirmed accreditation of the College 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.

13. Subsequent Event

On June 27, 2025, the ACCJC determined that the College was out of compliance with eligibility requirements over financial accountability. Accordingly, the ACCJC placed the College on Warning status requiring a Special Report to address the deficiencies within 18 months.

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 were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, which comprise the statement of net position as of September 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated May 27, 2026.

Report on Internal Control Over Financial Reporting

In planning the engagement to audit 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 through 2023-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

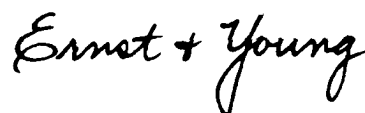
As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

The College's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to conduct an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for Ernst + Young, featuring the company name in a stylized, handwritten-style script.

May 27, 2026

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 of Independent Auditors on Compliance for Each Major Federal Program

Adverse and Qualified Opinions

We have audited the College of the Marshall Islands' (the College's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2023. 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.

Adverse Opinion on ALN 84.425 Education Stabilization Fund

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Qualified Opinions section of our report, the College did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN 84.425 Education Stabilization Fund Higher Education Emergency Relief Fund for the year ended September 30, 2023.

Qualified Opinion on ALN 15.875 Economic, Social, and Political Development of the Territories; and ALN 84.063 Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Adverse and Qualified Opinions section of our report, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN 15.875 Economic, Social, and Political Development of the Territories; and ALN 84.063 Student Financial Assistance Cluster for the year ended September 30, 2023.

Basis for Adverse and Qualified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on ALN 84.425 Education Stabilization Fund

As described in Findings 2023-009 through 2023-012 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>
2023-009	84.425	Education Stabilization Fund	Activities Allowed or Unallowed Allowable Costs/Cost Principles
2023-010	84.425	Education Stabilization Fund	Cash Management
2023-011	84.425	Education Stabilization Fund	Procurement and Suspension and Debarment
2023-012	84.425	Education Stabilization Fund	Reporting

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

Matters Giving Rise to Qualified Opinion on ALN 15.875 Economic, Social, and Political Development of the Territories; and ALN 84.063 Student Financial Assistance Cluster

As described in Findings 2023-005, 2023-006, 2023-013, and 2023-014 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>
2023-005	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed Allowable Costs/Cost Principles
2023-006	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management
2023-013	84.063	Student Financial Assistance Cluster	Cash Management
2023-014	84.063	Student Financial Assistance Cluster	Reporting

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-007, 2023-008, and 2023-015 through 2023-018. Our opinion on each major federal program is not modified with respect to these matters.

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

The 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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-005, 2023-006, and 2023-009 through 2023-018 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-007 and 2023-008 to be significant deficiencies.

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

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

The 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 were engaged to audit the financial statements of the College as of and for the year ended September 30, 2023, and have issued our report thereon dated May 27, 2026, which states that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements, due to our inability to obtain sufficient appropriate audit evidence to support the completeness, existence, accuracy and classification of balances at year-end related to student accounts receivable, federal grants receivable and payable and accounts payable, and the amount by which implementation of GASB Statement No. 87 would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities of the College. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

Ernst + Young

May 27, 2026

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, 2023

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:					
National Institute of Food and Agriculture:					
Resident Instruction Grants for Insular Areas		10.308	2021-70004-35098	\$ 63,681	\$ 63,681
Total US Department of Agriculture				\$ 63,681	\$ 63,681
Direct from US Department of Commerce:					
National Institute of Standards and Technology					
Connecting Minority Communities Pilot Program		11.028	68-09-C13008	\$ 133,427	\$ ---
Total US Department of Commerce				\$ 133,427	\$ ---
Direct from US Department of Education:					
Student Financial Assistance Cluster:					
Federal Pell Grant Program		84.063		\$ 7,120,887	\$ ---
Subtotal Student Financial Assistance Cluster				7,120,887	---
TRIO Cluster:					
TRIO Upward Bound		84.047A	P047A171556	236,965	---
Subtotal TRIO Cluster				236,965	---
Education Stabilization Fund:					
COVID-19 Higher Education Emergency Relief Fund - Student Aid Portion		84.425E	P425E204126	---	---
COVID-19 Higher Education Emergency Relief Fund - Institutional Portion		84.425F	P425F202732	904,615	---
COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institution		84.425L	P425L200219	279,969	---
Subtotal Educational Stabilization Fund				1,184,584	---
Total US Department of Education				\$ 8,542,436	\$ ---
US Department of Health and Human Services:					
Pass-through from University of Hawaii:	6 U77HP08404-16-02				
Area Health Education Centers		93.107	KA1942	\$ 94,309	\$ ---
Total US Department of Health and Human Services				\$ 94,309	\$ ---
US Department of the Interior:					
Pass through from the Republic of the Marshall Islands:	9870076103				
Economic, Social and Political Development of the Territories, Compact of Free Association Program, As Amended:		15.875			
Compact Capital Fund				\$ 500,000	\$ ---
Compact Designated				987,003	---
Supplemental Education Grant				388,325	---
Ebeye Special Needs - Adult Education				125,000	---
Total Department of the Interior				\$ 2,000,328	\$ ---
National Science Foundation:					
Pass through from the University of Hawaii:					
Louis Stokes STEM Pathways and Research Alliance: Islands of Opportunity	1826864	47.076	HI1443	\$ 17,202	\$ 17,202
Partnership for Advanced Marine and Environmental Science Training for Pacific Islanders	1954994	47.076	MA1161	20,517	20,517
Total National Science Foundation				\$ 37,719	\$ 37,719
Total Federal Expenditures of Federal Awards				\$ 10,871,900	\$ 101,400

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, 2023

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, 2023. 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)

Schedule of Findings and Questioned Costs

Year ended September 30, 2023

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:

Disclaimer

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:

ALN 15.875 and ALN 84.063

Qualified

ALN 84.425

Adverse

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>Student Financial Assistance Cluster:</u>
84.063	Federal Pell Grant Program
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>
2023-001	Schedule of Expenditures of Federal Awards Preparation
2023-002	Timely Financial Reporting
2023-003	Due To/From Grantor Agencies, Receivables, Payables, and Capital Assets
2023-004	Adoption of New Accounting Standard

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>
2023-005	15.875	Activities Allowed or Unallowed Allowable Costs/Cost Principles	\$ 61,291
2023-006	15.875	Equipment and Real Property Management	--- ***
2023-007	15.875	Period of Performance	9,883
2023-008	15.875	Procurement and Suspension and Debarment	66,667
2023-009	84.425	Activities Allowed or Unallowed Allowable Costs/Cost Principles	745,189
2023-010	84.425	Cash Management	--- ***
2023-011	84.425	Procurement and Suspension and Debarment	179,015
2023-012	84.425	Reporting	0
2023-013	84.063	Cash Management	--- ***
2023-014	84.063	Reporting	0
2023-015	84.063	Special Tests and Provisions - Verification	8,619
2023-016	84.063	Special Tests and Provisions - Disbursements to or on Behalf of Students	145,861
2023-017	84.063	Special Tests and Provisions – Enrollment Reporting	0
2023-018	84.063	Special Tests and Provisions - Gramm – Leach-Bliley Act-Student Information Security	--- ***

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

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-001

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 Award amounts 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, it must also provide the total for the cluster.
- Include the total amount provided to subrecipients from each Federal program.
- For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- Include notes that describe the significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in paragraph 200.414

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-001, continued
Area: Schedule of Expenditures of Federal Awards Preparation

Condition:

The Schedule of Expenditures and Federal Awards (SEFA) was not timely reconciled and completed, resulting in multiple versions being provided during the audit. Specifically, deficiencies were noted, as follows:

- a. Expenditures for ALN 84.063 and ALN 15.875 were initially excluded.
- b. The Pass-Through Entity Identifying Number was not initially identified.
- c. SEFA initially included a non-federal program.

Cause:

The College lacks internal control policies and procedures over complete and accurate SEFA preparation and review.

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.

Identification as a Repeat Finding: 2022-001

Recommendation:

College management should establish internal control policies and procedures to facilitate thorough review process for SEFA reporting. 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. Furthermore, the College should establish a checklist or standard operating procedure for SEFA preparation to ensure that all relevant expenditures are captured and reported accurately.

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. 2023-002
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, 2023 financial information (trial balance, subsidiary and general ledgers) until August 15, 2025. 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, 2023, various accounting records did not appear to have been processed and timely updated as evidenced by the following:

1. Current year beginning net position of Restricted/Unrestricted Fund was not reconciled to the prior year audited ending net position, with a noted variance of \$588,586.
2. Depreciation expense for the period amounting to \$1,339,410 was not recorded.
3. As of September 30, 2023, the College capital assets balance of \$8,449,785 which comprises of General Ledger Account #s 1611 Building and Equipment (\$21,757,753), 1612 Accumulated Depreciation (\$14,816,222), 1621 Furniture & Equipment (\$878,393) and 1631 Vehicle/Boat (\$629,860). The capital assets register was not provided during the course of the audit.

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:

Audit adjustments were proposed related to condition #s 1 and 2 stated above.

Identification as a Repeat Finding: 2022-003

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

Schedule of Findings and Questioned Costs, continued

Finding No. 2023-002, continued
Area: Timely Financial Reporting

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. 2023-003
Area: Due To/From Grantor Agencies
Area: Receivables
Area: Payables

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework requires that entities must maintain complete and accurate financial records that are readily available for audit. Proper documentation of general ledger accounts is essential to ensure accurate and complete financial reporting. Specifically, reconciliations between subsidiary ledgers and the general ledger are a critical control to ensure reliability.

Condition #1:

As of September 30, 2023, the College recorded receivable balances of \$6,303,007 less an allowance for credit losses of \$3,221,944. Specifically, the matters below were noted:

1. General Ledger Account # 1101 AR-Students - subledger has 22,157 entries with a net debit balance of \$5,615,088. Out of which, 16,254 entries have debit balance aggregating \$12,907,535 and 5,903 entries have credit balance aggregating \$7,292,447. Furthermore, one entry (Bill Number 441-001) is under the name College of the Marshall Islands amounting to \$192,006.
2. For the following general ledger accounts, subledgers were not provided during the audit, specifically, only current year movement listing was submitted:
 - General Ledger Account # 1103 AR-Students Clearing Account to 1101 (Temporary Account) \$80,123
 - General Ledger Account # 1133 AR-Employee (Temporary Account) \$98,292
 - General Ledger Account # 1134 Travel Advances (Temporary Account) \$9,442
3. For the following general ledger accounts, subledgers were not provided during the audit:
 - General Ledger Account # 1071 Security Deposit-Housing \$77,007
 - General Ledger Account # 1121 Other Receivables \$50,011
 - General Ledger Account # 1135 A/R Employee (Prepaid Card) \$5,599
 - General Ledger Account # 1145 A/R President's Housing Project \$51,851
 - General Ledger Account # 1231 Due from Land Grant \$312,179

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

Schedule of Findings and Questioned Costs, continued

Finding No. 2023-003, continued
Area: Due To/From Grantor Agencies
Area: Receivables
Area: Payables

Condition #2:

As of September 30, 2023, the College recorded due to grantor agency balances of \$3,384,740 and due from grantor agency balances of \$1,598,822. Specifically, General Ledger Account #s 1150 A/R Federal Programs (\$1,598,822), 2211 Due To/From Federal Programs (\$3,155,535) and 2212 Due To/From Other Grants (\$229,205) subledgers were not provided during the course of the audit.

Condition #3:

As of September 30, 2023, the College recorded accounts payable balances of \$2,818,624. Specifically, for the following general ledger accounts, subledger was not provided during the audit:

- General Ledger Account # 2001 Accounts Payable (Subledger) \$849,698
- General Ledger Account # 2002 Accounts Payable (Temporary) \$1,599,036
- General Ledger Account # 2061 Other Payroll Deduct. & Allot. \$51,065
- General Ledger Account # 2071 Other Payables \$59,937
- General Ledger Account # 2075 Other Payables-Meal Charges \$131,468
- General Ledger Account # 2081 Other Payable-Federal Grants \$30,645

Cause:

Inadequate staffing or lack of training in reconciling subledgers and the lack of established internal control policies and procedures over formal month-end reconciliation procedures between account balance subledgers and the general ledger.

Effect:

The failure to maintain updated subsidiary ledgers increases the risk of misstatement of financial statements as general ledger account balances may be incomplete, overstated, or understated.

Identification as a Repeat Finding: 2022-004

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

Schedule of Findings and Questioned Costs, continued

Finding No.	2023-003, continued
Area:	Due To/From Grantor Agencies
Area:	Receivables
Area:	Payables

Recommendation:

We recommend that management implement formal policies and procedures to ensure that account balance subsidiary ledgers are properly maintained and readily accessible for audit. Furthermore, we recommend management evaluate and, if necessary, upgrade financial systems to ensure accurate and complete record-keeping. Finally, we recommend management conduct training to reinforce the importance of proper financial documentation and audit readiness.

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. 2023-004
Area: Adoption of New Accounting Standard

Criteria:

GASB Statement No. 87, *Leases*, which 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, was effective September 30, 2022.

Condition:

As of September 30, 2023, the College has not implemented GASB Statement No. 87, *Leases*.

Cause:

Lack of adequate internal control policies and procedures over the implementation of lease accounting standards.

Effect:

The amount by which these matters would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities of the College is not reasonably determinable.

Identification as a Repeat Finding: 2022-005

Recommendation:

We recommend management establish adequate internal control policies and procedures over the implementation of lease accounting standards.

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.: 2023-005
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: Activities Allowed or Unallowed
Area: Allowable Costs/Cost Principles
Questioned Costs: \$61,291

Criteria:

In accordance with the applicable activities allowed or unallowed requirements, institutions must demonstrate that costs incurred are allowable under the relevant program legislation, federal awarding agency regulations, and the terms and conditions of the award and consistent with the purpose of the grant.

2 CFR 200.403(a) states that federal program expenditures should be necessary and reasonable for the performance of the Federal award in accordance with allowable costs/cost principles requirements and 2 CFR 200.403(g) states that costs should be adequately documented.

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

Conditions:

1. For one (or 9%) of eleven items, aggregating \$74,721 of \$359,456 in total non-payroll expenditures, no supporting documentation was provided to substantiate how the allocated amount charged to the program was determined and how the expenditure (PO# 23-PO-1856 ; \$35,492) directly relates to the purpose of the underlying subgrant.
2. For thirty-one (or 63%) of forty-nine items, aggregating \$64,266 of \$1,612,427 in total payroll expenditures, we noted the following:

<u>Item #</u>	<u>Check#</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
1	60199	Salaries and wages and benefits	\$ 1,703	\$ 86
2	62953	Salaries and wages and benefits	1,432	86
3	64265	Salaries and wages and benefits	1,460	106
4	58567	Salaries and wages and benefits	96	Undeterminable
5	64979	Salaries and wages and benefits	287	Undeterminable

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-005, 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: Activities Allowed or Unallowed
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$61,291

Conditions, continued:

<u>Item #</u>	<u>Check#</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
6	65561	Salaries and wages and benefits	\$ 213	Undeterminable
7	61832	Salaries and wages and benefits	3,615	2,391
8	61847	Salaries and wages and benefits	3,326	1,983
9	63372	Salaries and wages and benefits	4,179	2,421
10	63360	Salaries and wages and benefits	4,015	2,937
11	61997	Salaries and wages and benefits	3,361	3,361
12	64831	Salaries and wages and benefits	6,736	6,736
13	61858	Salaries and wages and benefits	2,320	Undeterminable
14	63344	Salaries and wages and benefits	2,300	Undeterminable
15	61865	Salaries and wages and benefits	5,583	4,445
16	60671	Salaries and wages and benefits	234	234
17	60995	Salaries and wages and benefits	360	360
18	64823	Salaries and wages and benefits	293	293
19	65717	Salaries and wages and benefits	360	360
20	58226	Salaries and wages and benefits	237	Undeterminable
21	59277	Salaries and wages and benefits	187	Undeterminable
22	60525	Salaries and wages and benefits	150	Undeterminable
23	62259	Salaries and wages and benefits	137	Undeterminable
24	62645	Salaries and wages and benefits	105	Undeterminable
25	62676	Salaries and wages and benefits	257	Undeterminable
26	63839	Salaries and wages and benefits	187	Undeterminable
27	65247	Salaries and wages and benefits	131	Undeterminable
28	65836	Salaries and wages and benefits	130	Undeterminable
29	58211	Salaries and wages and benefits	144	Undeterminable
30	64124	Salaries and wages and benefits	197	Undeterminable
31	64993	Salaries and wages and benefits	<u>170</u>	<u>Undeterminable</u>
			<u>\$43,905</u>	<u>\$ 25,799</u>

Item #s 1 through 6 relate to employee's salaries and wages and related fringe benefits (employer contributions for social security and health insurance) allocated and charged to federal grant for which we noted either a) the hours paid is higher compared to the hours recorded on the approved timesheet or b) the rate paid is higher compared to the rate per contract.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-005, 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: Activities Allowed or Unallowed
Area: Allowable Costs/Cost Principles
Questioned Costs: \$61,291

Conditions, continued:

Item #s 7 through 14 relate to salaries – overload or adjunct that were not supported by adequate documentation (i.e. semester section offering or instructor’s schedule) to ascertain whether service was received.

For item #15, we noted that the rate paid is higher compared to the rate per contract. Furthermore, the related salaries – overload was not supported by adequate documentation (i.e. semester section offering/instructor’s schedule) to ascertain whether service was received.

For item #s 16 through 31, there were no approved timesheet on file to substantiate the actual number of hours worked. Further, for item #s 29 through 31, approval of the amount paid to employees relating to leave was not on file.

Cause:

The College lacks adequate internal controls over compliance with applicable activities allowed or unallowed and allowable costs/cost principles requirements, specifically, retaining sufficient documentation to support transactions and ensuring expenditures are necessary and reasonable for the performance of the Federal award.

Effect:

The College is in noncompliance with activities allowed or unallowed and allowable costs/cost principles requirements. The reportable questioned cost is \$61,291 based on the items identified in Conditions above. For condition #2, item #s 4 through 6, 13 through 14, and 20 through 31, questioned costs related to federal expenditures that may result from discrepancies noted or unestablished allocation are not determinable.

Identification as a Repeat Finding: 2022-008 and 2022-009

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-005, 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: Activities Allowed or Unallowed
Area: Allowable Costs/Cost Principles
Questioned Costs: \$61,291

Recommendation:

College management should improve internal control policies and strengthen controls and procedures over compliance with applicable activities allowed or unallowed and allowable costs/cost principles requirements, specifically, retaining sufficient documentation to support transactions.

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.: 2023-006
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: 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 carried out 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.

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

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-006, 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: Equipment and Real Property Management
Questioned Costs: Undeterminable

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:

1. No capital assets record was provided.
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.
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.

We are unable to assess the overall cumulative monetary value of the noncompliance. However, the table below summarizes total capital outlays over the past five years:

<u>Fiscal Year</u>	<u>Capital Outlays</u>
2023	\$170,216
2022	\$131,200
2021	\$207,400
2020	\$248,700
2019	\$249,400

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.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-006, 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: Equipment and Real Property Management
Questioned Costs: Undeterminable

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.

Identification as a Repeat Finding: 2022-010

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 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.: 2023-007
 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: Period of Performance
 Questioned Costs: \$9,883

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.

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

Conditions:

1. For one (or 4%) of twenty-three items, aggregating \$45,931 of \$75,337 in total non-payroll expenditures, the item amounting to \$1,209 (Check # 1039088; PO# 22-PO-2614) was incurred prior to the funding period stipulated in the grant awards.
2. For twenty (or 54%) of thirty-seven items, aggregating \$20,993 of \$121,401 in total payroll expenditures, the following costs 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>POP Begin Date</u>	<u>Check Date</u>	<u>Payroll Period</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
1	57799	10/01/2022	10/07/2022	09/11/2022-09/24/2022	\$ 929	\$ 929
2	57918	10/01/2022	10/07/2022	09/11/2022-09/24/2022	1,079	1,079
3	57622	10/01/2022	10/07/2022	09/11/2022-09/24/2022	719	719
4	57857	10/01/2022	10/07/2022	09/11/2022-09/24/2022	174	174
5	57860	10/01/2022	10/07/2022	09/11/2022-09/24/2022	148	148
6	57868	10/01/2022	10/07/2022	09/11/2022-09/24/2022	276	276
7	57869	10/01/2022	10/07/2022	09/11/2022-09/24/2022	382	382
8	57724	10/01/2022	10/07/2022	09/11/2022-09/24/2022	1,093	1,093
9	57731	10/01/2022	10/07/2022	09/11/2022-09/24/2022	1,628	1,628
10	58189	10/01/2022	10/21/2022	09/25/2022-10/08/2022	112	56
11	58220	10/01/2022	10/21/2022	09/25/2022-10/08/2022	626	313
12	58078	10/01/2022	10/21/2022	09/25/2022-10/08/2022	986	493
13	58193	10/01/2022	10/21/2022	09/25/2022-10/08/2022	360	180
14	58191	10/01/2022	10/21/2022	09/25/2022-10/08/2022	99	50

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-007, 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: Period of Performance
Questioned Costs: \$9,883

Conditions, continued:

<u>Item #</u>	<u>Check #</u>	<u>POP Begin Date</u>	<u>Check Date</u>	<u>Payroll Period</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
15	58192	10/01/2022	10/21/2022	09/25/2022-10/08/2022	\$ 130	\$ 65
16	58217	10/01/2022	10/21/2022	09/25/2022-10/08/2022	233	117
17	58224	10/01/2022	10/21/2022	09/25/2022-10/08/2022	148	74
18	58225	10/01/2022	10/21/2022	09/25/2022-10/08/2022	144	72
19	58081	10/01/2022	10/21/2022	09/25/2022-10/08/2022	665	333
20	58082	10/01/2022	10/21/2022	09/25/2022-10/08/2022	<u>986</u>	<u>493</u>
					<u>\$10,917</u>	<u>\$8,674</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. The reportable questioned cost is \$9,883 based on the items identified in Conditions above. For item #s 10 through 20, only \$2,246 is included in the total questioned costs, which relates to costs incurred prior to the funding period stipulated in the grant awards.

Identification as a Repeat Finding: 2022-011

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 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.: 2023-008
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: Procurement and Suspension and Debarment
Questioned Costs: \$66,667

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.

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

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

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-008, 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: \$66,667

Criteria, continued:

2 CFR 200.320(a) states that for micro-purchases, to the extent practicable, the recipient or subrecipient should distribute micro-purchases equitably among qualified suppliers.

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

Condition:

For six (or 50%) of twelve items, aggregating \$157,536 in total non-payroll expenditures, supporting procurement documentation was not sufficient to substantiate compliance with the procurement method, as follows:

<u>Item #</u>	<u>PO #</u>	<u>PO/Invoice Amount</u>	<u>Description</u>	<u>FY 2023 Expenditures</u>	<u>Questioned Costs</u>
1	No PO	\$7,240	Materials and supplies	\$ 7,240	\$ 7,240
2	23-PO-994	\$4,837	Repair – vehicles or equipment	4,837	4,837
3	No PO	\$6,915	Major renovations and repairs and maintenance	6,915	6,915
4	23-PO-617	\$4,104	Materials and supplies	4,104	4,104
5	No PO	\$11,159	Minor repairs and maintenance	11,159	11,159
6	Various	\$32,412	Contractual Services	<u>32,412</u>	<u>32,412</u>
				<u>\$66,667</u>	<u>\$66,667</u>

For item #s 1 through 3, there were no vendor quotations on file.

For item #s 4 and 6, procurement was sole sourced with written justification but does not appear to be justified.

For item # 5, there were no adequate vendor quotations 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.: 2023-008, 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: \$66,667

Condition, continued:

Additionally, the College has no formal policies and procedures over compliance with the requirement of 2 CFR 200.320 which requires that the College distribute micro-purchases equitably among qualified suppliers.

Moreover, the College has no internal control policies and procedures over verification that an entity with which the College plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

Cause:

The College did not follow internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements. Furthermore, the College lacks internal control policies and procedures over: 1) distribution of micro-purchases equitably among qualified suppliers; and 2) verification that an entity with which the College plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

Effect:

The College is in noncompliance with applicable procurement requirements. The reportable questioned cost is \$66,667 based on the items identified in Condition above.

Identification as a Repeat Finding: 2022-012

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. Furthermore, the College should establish internal control policies and procedures over: 1) distribution of micro-purchases equitably among qualified suppliers; and 2) verification that an entity with which the College plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-008, 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: \$66,667

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.: 2023-009
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
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
Area: Allowable Costs/Cost Principles
Questioned Costs: \$745,189

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) and to make additional financial grants to students. HEERF I and HEERF II funds may also have been used to carry out student support activities authorized by the Higher Education Act (HEA) that address needs related to coronavirus.

HEERF Frequently Asked Questions (FAQ) Rollup Document dated October 14, 2020 states that:

- Question #38: Institutions can use CARES Act funds under Section 18004(a)(2) to make scholarships to students. Section 18004(a)(2) of the CARES Act state that institutions may use funds specifically “for grants to students for any component of the student’s cost of attendance (as defined under section 472 of the HEA), including food, housing, course materials, technology, health care, and child care”.
- Question #47: Institution may use funds from the Institutional Portion of its section 18004(a)(1) allocation to purchase equipment or software, pay for online licensing fees, or pay for internet service to enable students to transition to distance learning as such costs are associated with a significant change in the delivery of instruction due to the coronavirus. An institution may also use Institutional Portion funds for any other costs for computer system upgrades that are reasonably related to “significant changes to the delivery of instruction due to the coronavirus.” This would not include, for example, previously planned upgrades to computer systems.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-009, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
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
Area: Allowable Costs/Cost Principles
Questioned Costs: \$745,189

Criteria, continued:

2 CFR 200.403(a) states that federal program expenditures should be necessary and reasonable for the performance of the Federal award in accordance with allowable costs/cost principles requirements and 2 CFR 200.403(g) states that costs should be adequately documented.

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

Condition:

For four items (or 33%) of twelve items, aggregating \$1,085,985 of \$1,184,585 in total non-payroll expenditures, we noted the following:

<u>Item #</u>	<u>Check/ PO#</u>	<u>Description</u>	<u>Expense Amount</u>	<u>Questioned Cost</u>
1	1038595	Small tools	\$318,679	\$318,679
2	1041761	Small tools	159,297	159,297
3	No PO	Scholarships and grants	180,431	180,431
4	23-PO-553	Subscriptions/Periodicals	<u>86,782</u>	<u>86,782</u>
			<u>\$745,189</u>	<u>\$745,189</u>

Item #s 1 and 2 were not supported by adequate documentation (i.e. justification of the purpose prior to purchase and receiving reports) to ascertain whether such expenditure is associated to distance learning due to coronavirus. There is no evidence of communication or consultation with the grantor agency that this expenditure is allowable.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-009, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
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
Area: Allowable Costs/Cost Principles
Questioned Costs: \$745,189

Condition, continued:

Item # 3 pertains to relinquishment of student's outstanding debt with the College, whereas the College directly credited student's accounts and got reimbursement from the CARES Act funds under Section 18004(a)(2). These are not associated with coronavirus. There is no evidence of communication or consultation with the grantor agency that these expenditures are allowable.

Item # 4 is standard recurring cost and not associated with coronavirus. Specifically, expenditure relates to annual software subscription of the College. There is no evidence of communication or consultation with the grantor agency that this expenditure is allowable.

Cause:

The College lacks adequate internal controls over compliance with applicable activities allowed or unallowed and allowable costs/cost principles requirements, specifically, retaining sufficient documentation to support transactions and ensuring expenditures are necessary and reasonable for the performance of the Federal award.

Effect:

The College is in noncompliance with activities allowed or unallowed and allowable costs/cost principles requirements. The reportable questioned cost is \$745,189 based on the items identified in Condition above.

Identification as a Repeat Finding: 2022-019

Recommendation:

College management should improve internal control policies and strengthen controls and procedures over compliance with applicable activities allowed or unallowed and allowable costs/cost principles requirements, specifically, retaining sufficient documentation to support 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.:	2023-009, continued
Federal Agency:	U.S. Department of Education
AL Program:	84.425 Education Stabilization Fund
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
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$745,189

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.: 2023-010
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: Cash Management
Questioned Costs: Undeterminable

Criteria:

2 CFR section 200.302(b)(6) states that the recipient must establish written procedures to implement the requirements of 2 CFR section 200.305. Specifically, 2 CFR section 200.305(b) states that for recipients other than States, payment methods must minimize the time elapsing between the transfer of funds from the Federal agency and the disbursement of funds by the recipient.

Furthermore, per OMB Compliance Supplement May 2023, Student Aid (ALN 84.425E) should be disbursed within 15 calendar days of the drawdown from ED's grant management system (G5), while Institutional Aid Portion, (a)(2), and (a)(3) funds (all other ALNs) should be disbursed within 3 calendar days of the drawdown from G5.

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

Condition:

The College does not have written procedures to implement the requirements set in the criteria above. Furthermore, monitoring of actual disbursements of the following drawdowns during the year was not performed:

<u>AL Sub-Program</u>	<u>Drawdown Date</u>	<u>Drawdown Amount</u>
84.425E	10/11/2022	\$97,578
84.425F	01/09/2023	\$135,000
84.425L	01/19/2023	\$50,000
84.425L	10/19/2022	\$100,000
84.425L	10/14/2022	\$150,000

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-010, 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: Cash Management
Questioned Costs: Undeterminable

Cause:

The College lacks written policies and procedures over cash management, including monitoring of actual disbursements of drawdowns.

Effect:

The College is in noncompliance with applicable cash management requirements. Questioned costs, if any, that may result from non-monitoring of actual disbursements are not determinable.

Identification as a Repeat Finding: 2022-021

Recommendation:

College management should establish written policies and procedures over cash management, including monitoring of actual disbursements of drawdowns.

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.: 2023-011
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
Area: Procurement and Suspension and Debarment
Questioned Costs: \$179,015

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.: 2023-011, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
Area: Procurement and Suspension and Debarment
Questioned Costs: \$179,015

Criteria, continued:

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

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

2 CFR 200.319 states that:

- (a) All procurement transactions under the Federal award must be conducted in a manner that provides full and open competition and is consistent with the standards of this section and § 200.320.

(c) (6) Examples of situations that may restrict competition include specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement.

(d) (2) The recipient or subrecipient must have written procedures for procurement transactions. These procedures must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the property, equipment, or service being procured. The description may include a statement of the qualitative nature of the property, equipment, or service to be procured. When necessary, the description must provide minimum essential characteristics and standards to which the property, equipment, or service must conform. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to clearly and accurately describe the technical requirements, a “brand name or equivalent” description of features may be used to provide procurement requirements. The specific features of the named brand must be clearly stated.

2 CFR 200.320(a) states that for micro-purchases, to the extent practicable, the recipient or subrecipient should distribute micro-purchases equitably among qualified suppliers.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-011, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
Area: Procurement and Suspension and Debarment
Questioned Costs: \$179,015

Criteria, continued:

2 CFR 200.320(c) states that there are specific circumstances in which the recipient or subrecipient may use a noncompetitive procurement method. The noncompetitive procurement method may only be used if one of the following circumstances applies:

- (1) The aggregate amount of the procurement transaction does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);
- (2) The procurement transaction can only be fulfilled by a single source;
- (3) The public exigency or emergency for the requirement will not permit a delay resulting from providing public notice of a competitive solicitation;
- (4) The recipient or subrecipient requests in writing to use a noncompetitive procurement method, and the Federal agency or pass-through entity provides written approval; or
- (5) After soliciting several sources, competition is determined inadequate.

2 CFR 200.324(a) states that the recipient or subrecipient must perform a cost or price analysis for every procurement transaction, including contract modifications, in excess of the simplified acquisition threshold. The method and degree of analysis conducted depend on the facts surrounding the particular procurement transaction. For example, the recipient or subrecipient should consider potential workforce impacts in their analysis if the procurement transaction will displace public sector employees. However, as a starting point, the recipient or subrecipient must make independent estimates before receiving bids or proposals.

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

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-011, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
Area: Procurement and Suspension and Debarment
Questioned Costs: \$179,015

Condition:

Of four items (or 100%), aggregating \$179,015 in total non-payroll expenditures, supporting procurement documentation was not sufficient to substantiate compliance with the procurement method, as follows:

<u>Item #</u>	<u>PO #</u>	<u>PO/Invoice Amount</u>	<u>Description</u>	<u>FY 2023 Expenditures</u>	<u>Questioned Cost</u>
1	No PO	No PO	Subscriptions/Periodicals	\$ 15,571	\$ 15,571
2	23-PO-1109	\$73,920	Subscriptions/Periodicals	61,250	61,250
3	23-PO-553	\$92,907	Subscriptions/Periodicals	92,817	92,817
4	23-PO-646	\$9,377	Small Tools	<u>9,377</u>	<u>9,377</u>
				<u>\$179,015</u>	<u>\$179,015</u>

For item #s 1 through 3, there were no vendor quotations on file. Further for item #s 2 and 3, there was no documentation on file to support compliance with 2 CFR 200.324(a).

For item #4, procurement did not provide full and open competition in the solicitation process. The solicitation specified particular models, including a requirement for a specific “brand name” product instead of allowing “an equal” product to be offered. Furthermore, for solicitation with brand name indicated, solicitation did not include “brand name or equivalent” description. In addition, the selected vendor was not among the vendors who provided quotations.

Additionally, the College has no formal policies and procedures over compliance with the requirement of 2 CFR 200.320 which requires that the College distribute micro-purchases equitably among qualified suppliers.

Moreover, the College has no internal control policies and procedures over verification that an entity with which the College plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-011, continued
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 84.425F HEERF - Institutional Portion
Federal Award No.: COVID-19 P425F202732
Area: Procurement and Suspension and Debarment
Questioned Costs: \$179,015

Cause:

The College did not follow internal control policies and procedures over documentation of the procurement process to satisfy compliance with applicable procurement requirements. Furthermore, the College lacks internal control policies and procedures over: 1) distribution of micro-purchases equitably among qualified suppliers; 2) verification that an entity with which the College plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded; and 3) performance of a cost or price analysis for every procurement transaction in excess of the simplified acquisition threshold.

Effect:

The College is in noncompliance with applicable procurement requirements. The reportable questioned cost is \$179,015 based on the items identified in Condition above.

Identification as a Repeat Finding: 2022-022

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. Furthermore, the College should establish internal control policies and procedures over: 1) distribution of micro-purchases equitably among qualified suppliers; 2) verification that an entity with which the College plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded; and 3) performance of a cost or price analysis for every procurement transaction in excess of the simplified acquisition threshold.

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.: 2023-012
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:

The CARES Act 18004(e) and the CRRSAA 314(e) requires an institution receiving funds under HEERF I and HEERF II to submit a report to the secretary, at such time in such a manner as the secretary may require.

In accordance with applicable reporting requirements, the College is required to submit HEERF I, II, & III Annual Performance Report Form (PRA Number 1840-0850) with the following key line items:

Question 5: Institutions were required to prioritize exceptional need in awarding emergency financial aid grants to students. Documentation must show methodology for distributing aid that prioritizes exceptional need.

Question 9b, row 13: “Implementing evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines” and row 14: “Conducting direct outreach to financial aid applicants.” Spending under these categories indicates whether an institution has spent funds under a required use of funds established under the ARP. If an institution indicates zero-dollar amount spending for either or both categories, examine earlier annual reports to determine the institution had spending at some point on these two funding categories consistent with American Rescue Plan Act (ARP) FAQ Question 21.

Additionally, the College is required to submit Quarterly Budget and Expenditure Reporting for all HEERF I, II, and III grant funds (PRA Number 1840-0849). The quarterly portion reporting requirements involve publicly posting completed forms conspicuously on the institution’s website.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-012, 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

Criteria, continued:

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

Conditions:

1. Total annual expenditures per the Annual Report Data Collection System differ from cumulative expenditures from 01/01/22 through 12/31/22 per underlying accounting records, as follows:

Annual Expenditures	Student Portion	Institution Portion	Minority Serving Institution
Annual Data Collection System	\$2,794,050	\$ 2,901,144	\$2,861,692
Underlying accounting records	<u>2,288,100</u>	<u>3,425,970</u>	<u>2,851,491</u>
Over (under) reporting	<u>\$ 505,950</u>	<u>\$ (524,826)</u>	<u>\$ 10,201</u>

2. ALN 84.425F COVID-19 HEERF-Institutional Portion
 ALN 84.425L COVID-19 HEERF-Minority Serving Institution

Quarterly Budget and Expenditure reports were publicly posted beyond the 10-day posting requirement after the end of each calendar quarter as follows:

Quarter Ended	Posting Date
12/31/2022	January 11, 2023
06/30/2023	January 14, 2024
09/30/2023	January 14, 2024

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-012, 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 criteria above.

Effect:

The College is in noncompliance with applicable reporting requirements. No questioned costs are presented as the finding relates to the reporting compliance requirement.

Identification as a Repeat Finding: 2022-023

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 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.: 2023-013
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Cash Management
Questioned Costs: Undeterminable

Criteria:

The College's Program Participation Agreement indicates that the College is placed on the Heightened Cash Monitoring (HCM) payment method. Based on U.S. Department of Education (ED)'s publication, the College is placed on HCM1 payment method for the quarters ended March 1, 2023, June 1, 2023, and September 1, 2023.

Under the HCM payment method, an institution must credit a student's account for the amount of Title IV funds the student is eligible to receive and pay the amount of any credit balance due before the institution submits a request for funds or seeks reimbursement. Under HCM1, after making a disbursement to eligible students from institutional funds and submitting disbursement records to the Common Origination and Disbursement (COD) system, the institution draws down funds to cover those disbursements through G5 the same way as an institution on the Advance Payment Method. Due to the effects of the COVID-19 pandemic, in a December 2020 Federal Register Notice, ED permitted institutions on the HCM1 payment method to submit a request for funds without first paying credit balances due, as long as the institution pays the credit balances no later than three calendar days after receiving the funds for those students.

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

Condition:

The College does not have written procedures to implement the requirements set in the criteria above. Furthermore, no detailed listing of expenditures supporting the following drawdowns during the year was on file to ascertain whether the expenditures were paid prior to the date of request for fund:

<u>Federal Award Number</u>	<u>Drawdown Date</u>	<u>Drawdown Amount</u>
P063P214572	06/07/2023	\$9,743
P063P224572	08/09/2023	\$151,685
P063P224572	08/07/2023	\$55,806
P063P224572	07/14/2023	\$485,282

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-013, continued
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Cash Management
Questioned Costs: Undeterminable

Condition, continued:

<u>Federal Award Number</u>	<u>Drawdown Date</u>	<u>Drawdown Amount</u>
P063P224572	06/28/2023	\$368,062
P063P224572	06/22/2023	\$152,559
P063P224572	05/23/2023	\$710,663
P063P224572	05/09/2023	\$99,846
P063P224572	04/18/2023	\$618,176
P063P224572	03/27/2023	\$704,975
P063P224572	03/15/2023	\$596,797
P063P224572	02/22/2023	\$186,833
P063P224572	01/24/2023	\$229,262
P063P224572	01/09/2023	\$3,448
P063P224572	12/21/2022	\$210,301
P063P224572	12/19/2022	\$481,811
P063P224572	12/05/2022	\$317,001
P063P224572	11/25/2022	\$398,046
P063P224572	10/20/2022	\$356,866
P063P224572	10/06/2022	\$364,576
P063P234572	09/15/2023	\$365,127
P063P234572	09/01/2023	\$300,000

Cause:

The College lacks written policies and procedures over cash management, including monitoring of actual disbursements of drawdowns.

Effect:

The College is in noncompliance with applicable cash management requirements. Questioned costs, if any, that may result from non-monitoring of actual disbursements are not determinable.

Recommendation:

College management should establish written policies and procedures over cash management, including monitoring of actual disbursements of drawdowns.

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.: 2023-014
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Reporting
Questioned Costs: \$0

Criteria:

The College is required to submit origination records and disbursement records to the Common Origination and Disbursement (COD) system. Key items on origination records, if applicable, are: Social Security number, award amount, enrollment date, verification status code (when the applicant is selected for verification), transaction number, cost of attendance, and the “Academic Start Date” and “Academic End Date”. Key items on disbursement records are disbursement date and amount.

Conditions:

1. For twenty-four (or 60%) of forty items tested, the cost of attendance reflected in the Origination Records is the cost of attendance for full-time students, even if the student’s enrollment status is three-quarters time, half time or less than half time.
2. For eighteen (or 45%) of forty items tested, the award amount reflected in the Origination Records do not agree with the award amount per Payment and Disbursement Schedules.

Cause:

The College lacks adequate internal controls over compliance with applicable federal regulations related to reporting, specifically the systematic review and updating of financial aid records.

Effect:

The College is in noncompliance with applicable reporting requirements. No questioned costs are presented as the finding relates to the reporting compliance requirement.

Recommendation:

College management should establish a systematic process for reviewing and updating the origination records prior to and/or after submission to COD system.

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.: 2023-015
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions - Verification
Questioned Costs: \$8,619

Criteria:

34 CFR 668.53 states that:

(a) An institution must establish and use written policies and procedures for verifying an applicant's Free Application for Federal Student Aid (FAFSA) information in accordance with the provisions of this subpart. These policies and procedures must include:

- (1) The time period within which an applicant must provide any documentation requested by the institution in accordance with 34 CFR 668.57;
- (2) The consequences of an applicant's failure to provide the requested documentation within the specified time period;
- (3) The method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's Expected Family Contribution (EFC) changes and results in a change in the amount of the applicant's assistance under the title IV, HEA programs;
- (4) The procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and
- (5) The procedures for making referrals under 34 CFR 668.16(g).

(b) An institution's procedures must provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of:

- (1) The documentation needed to satisfy the verification requirements; and
- (2) The applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing any actions required under this subpart and the consequences of failing to complete any required action.

(c) An institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under section 479A(a) of the HEA to make changes to the applicant's cost of attendance or to the values of the data items required to calculate the EFC.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-015, continued
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions - Verification
Questioned Costs: \$8,619

Criteria, continued:

34 CFR 668.54(a); FSA Handbook Application and Verification Guide, Chapter 4 requires an institution to establish written policies and procedures that incorporate the provisions of 34 CFR 668.51 through 668.61 for verifying applicant information for those applicants selected for verification by ED. Institutions shall require each applicant whose application is selected by ED to verify information required for the Verification Tracking Group to which the applicant is assigned.

Conditions:

1. The College's policies and procedures for verifying an applicant's FAFSA information do not include all of the requirements identified in the Criteria above.
2. For 2 (or 18%) of 11 participants tested, discrepancies in the information were found between the supporting documents and related verification worksheet provided against the information reflected in the student's Institutional Student Information Record (ISIR).

Cause:

The College did not effectively monitor compliance with applicable verification requirements.

Effect:

The College is in noncompliance with applicable special tests and provisions for verification requirements. The reportable questioned cost is \$8,619 based on the items identified in Conditions above.

Recommendation:

College management should establish and strengthen internal control policies and procedures over compliance with applicable federal regulations on verification 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.: 2023-016
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions – Disbursements to or on Behalf of Students
Questioned Costs: \$145,861

Criteria:

34 CFR 668.165(a)(1) states that before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed.

34 CFR 668.164(d)(1) states that an institution makes a direct payment:

- (i) To a student, for the amount of the title IV, HEA program funds that a student is eligible to receive by:
 - (A) Initiating an EFT of that amount to the student's financial account;
 - (B) Issuing a check for that amount payable to, and requiring the endorsement of, the student; or
 - (C) Dispensing cash for which the institution obtains a receipt signed by the student.

34 CFR 668.164(d)(2) states that an institution issues a check on the date that it:

- (i) Mails the check to the student or parent; or
- (ii) Notifies the student or parent that the check is available for immediate pick-up at a specified location at the institution. The institution may hold the check for no longer than 21 days after the date it notifies the student or parent. If the student or parent does not pick up the check, the institution must immediately mail the check to the student or parent, pay the student or parent directly by other means, or return the funds to the appropriate title IV, HEA program.

34 CFR 668.164(h) states that:

- (1) A title IV, HEA credit balance occurs whenever the amount of title IV, HEA program funds credited to a student's ledger account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period.
- (2) A title IV, HEA credit balance must be paid directly to the student or parent as soon as possible, but no later than:
 - (i) Fourteen (14) days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-016, continued
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions – Disbursements to or on Behalf of Students
Questioned Costs: \$145,861

Criteria, continued:

- (ii) Fourteen (14) days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

34 CFR 690.61(a)(1) states that an institution must disburse a Federal Pell Grant to an eligible student who is otherwise qualified to receive that disbursement and electronically transmit Federal Pell Grant disbursement data to the Secretary for that student if:

- (i) The student submits a valid SAR to the institution; or
- (ii) The institution obtains a valid ISIR for the student.

34 CFR 690.61(b) states that for a student to receive a Federal Pell Grant for an award year, the student must submit the relevant parts of the valid SAR to his or her institution or the institution must obtain a valid ISIR by the earlier of:

- (1) The last date that the student is still enrolled and eligible for payment at that institution; or
- (2) By the deadline date established by the Secretary through publication of a notice in the Federal Register.

Conditions:

1. For sixty (or 100%) students tested, the College provided students with an award letter for the whole academic year which is based on full time enrollment. However, prior to disbursements, students were not notified of the final amount of funds that the student or his or her parent can expect to receive under title IV, and how and when those funds will be disbursed.
2. For thirty-eight (or 63%) of sixty students tested, the College did not pay the credit balance directly to the student or parent within the 14-day timeframe.
3. For five (or 8%) of sixty students tested, the College received a valid ISIR subsequent to the earlier of a) the student's last date of enrollment; or b) the deadline date established by the Secretary through publication of a notice in the Federal Register.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-016, continued
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions – Disbursements to or on Behalf of Students
Questioned Costs: \$145,861

Cause:

The College lacks adequate internal controls over compliance with applicable special tests and provisions for disbursements to or on behalf of student requirements.

Effect:

The College is in noncompliance with applicable special tests and provisions for disbursements to or on behalf of student requirements. The reportable questioned cost is \$145,861 based on the items identified in Conditions above.

Recommendation:

College management should improve internal control policies and procedures requiring compliance with applicable special tests and provisions for disbursements to or on behalf of student requirements. Specifically, the College should implement a comprehensive communication strategy to ensure that all students receive clear and timely notifications regarding their Title IV funds. In addition, the College should establish a monitoring system to ensure that credit balances are disbursed within the 14-day timeframe to maintain compliance with federal regulations. Lastly, the College should strengthen internal control policies and procedures in obtaining students' valid ISIR on a timely manner.

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.: 2023-017
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions - Enrollment Reporting
Questioned Costs: \$0

Criteria:

The College is required to report enrollment information under the Pell grant via the National Student Loan Data System (NSLDS) (*OMB No. 1845-0035*). Per NSLDS Enrollment Reporting Guide February 2026, schools are required to report details about:

- 1) The Student – Name, Social Security Number, address, email address, and phone number.
- 2) The Campus-Level Enrollment for the student – Data related to the student’s overall enrollment at your campus, including Enrollment Status and Effective Date, Anticipated Completion Date, and Certification Date.
- 3) The Program(s) of Attendance for the student – Classification of Instructional Programs (CIP) code, CIP Year, Program Credential Level, Program Length, Program Enrollment Status, and other data about the program.

34 CFR 690.83(b)(2) states that an institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG) (*OMB No. 1845-0002*) mailboxes sent by ED via NSLDS. An institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in the data elements for the Campus Record and the Program Record identified above, and submit the changes electronically through the batch method, spreadsheet submittal, or the NSLDS website.

Condition:

The College did not report the enrollment information under the Pell grant via the NSLDS.

Cause:

The College lacked established internal control policies and procedures over notification to ED and updating NSLDS of changes in student status in a timely and accurate manner.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-017, continued
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions - Enrollment Reporting
Questioned Costs: \$0

Effect:

The College is in noncompliance with applicable special tests and provisions for enrollment reporting requirements. No questioned costs are presented as the finding relates to the reporting compliance requirement.

Recommendation:

College management should establish internal control policies and procedures requiring compliance with applicable federal regulations on notifying ED and updating NSLDS of changes in student status in a timely and accurate manner.

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.: 2023-018
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions - Gramm-Leach-Bliley Act-Student
Information Security
Questioned Costs: Undeterminable

Criteria:

16 CFR 314.1 implements sections 501 and 505(b)(2) of the Gramm-Leach-Bliley Act (GLBA), which sets forth standards for developing, implementing, and maintaining reasonable administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of customer information.

16 CFR 314.3 requires institution to develop, implement, and maintain a comprehensive information security program that is written in one or more readily accessible parts and contains administrative, technical, and physical safeguards that are appropriate to its size and complexity, the nature and scope of its activities, and the sensitivity of any customer information at issue. The information security program shall include the elements set forth in 16 CFR 314.4 and shall be reasonably designed to achieve the objectives of this part.

16 CFR 314.4 states that in order to develop, implement, and maintain institution's information security program, the institution shall:

- (a) Designate a qualified individual responsible for overseeing and implementing information security program and enforcing information security program.
- (b) Base its information security program on a risk assessment that identifies reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction, or other compromise of such information, and assesses the sufficiency of any safeguards in place to control these risks.
- (c) Design and implement safeguards to control the risks it identifies through risk assessment, including by:
 - (1) Implementing and periodically reviewing access controls;
 - (2) Identify and manage the data, personnel, devices, systems, and facilities that enable the institution to achieve business purposes in accordance with their relative importance to business objectives and risk strategy;
 - (3) Protect by encryption all customer information held or transmitted by the institution both in transit over external networks and at rest;

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-018, continued
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions - Gramm-Leach-Bliley Act-Student
Information Security
Questioned Costs: Undeterminable

Criteria, continued:

- (4) Adopt secure development practices for in-house developed applications utilized by the institution for transmitting, accessing, or storing customer information and procedures for evaluating, assessing, or testing the security of externally developed applications the institution utilizes to transmit, access, or store customer information;
 - (5) Implement multi-factor authentication for any individual accessing any information system, unless the Qualified Individual has approved in writing the use of reasonably equivalent or more secure access controls;
 - (6)
 - (i) Develop, implement, and maintain procedures for the secure disposal of customer information in any format no later than two years after the last date the information is used in connection with the provision of a product or service to the customer to which it relates, unless such information is necessary for business operations or for other legitimate business purposes, is otherwise required to be retained by law or regulation, or where targeted disposal is not reasonably feasible due to the manner in which the information is maintained; and
 - (ii) Periodically review the institution's data retention policy to minimize the unnecessary retention of data;
 - (7) Adopt procedures for change management; and
 - (8) Implement policies, procedures, and controls designed to monitor and log the activity of authorized users and detect unauthorized access or use of, or tampering with, customer information by such users.
- (d)
- (1) Regularly test or otherwise monitor the effectiveness of the safeguards' key controls, systems, and procedures, including those to detect actual and attempted attacks on, or intrusions into, information systems.
 - (2) For information systems, the monitoring and testing shall include continuous monitoring or periodic penetration testing and vulnerability assessments. Absent effective continuous monitoring or other systems to detect, on an ongoing basis, changes in information systems that may create vulnerabilities, the institution shall conduct:
 - (i) Annual penetration testing of its information systems determined each given year based on relevant identified risks in accordance with the risk assessment; and

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-018, continued
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions - Gramm-Leach-Bliley Act-Student
Information Security
Questioned Costs: Undeterminable

Criteria, continued:

- (ii) Vulnerability assessments, including any systemic scans or reviews of information systems reasonably designed to identify publicly known security vulnerabilities in its information systems based on the risk assessment, at least every six months; and whenever there are material changes to operations or business arrangements; and whenever there are circumstances the institution knows or have reason to know may have a material impact on its information security program.
- (e) Implement policies and procedures to ensure that personnel are able to enact the institution's information security program;
- (f) Oversee service providers; and
- (g) Evaluate and adjust the institution's information security program in light of the results of the testing and monitoring required by paragraph (d) of this section; any material changes to operations or business arrangements; the results of risk assessments performed under paragraph (b)(2) of this section; or any other circumstances that the institution knows or have reason to know may have a material impact on its information security program.

Condition:

The College does not have a designated a Qualified Individual responsible for implementing and monitoring the institution's information security program. Additionally, the College does not have written information security program that addresses all the required minimum elements cited in the above Criteria.

Cause:

There is a lack of awareness or understanding of the GLBA requirements.

Effect:

The College is in noncompliance with applicable special tests and provisions for Gramm-Leach-Bliley Act-Student Information Security requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2023-018, continued
Federal Agency: U.S. Department of Education
AL Program: 84.063 Federal Pell Grant Program
Federal Award No.: P063P214572, P063P224572, P063P234572
Area: Special Tests and Provisions - Gramm-Leach-Bliley Act-Student
Information Security
Questioned Costs: Undeterminable

Recommendation:

The College management should consider training responsible personnel managing federal programs to be well informed of the applicable compliance requirements. Also, the College should designate a Qualified Individual responsible for implementing and monitoring the institution's information security program. Lastly, the College should establish written information security program that addresses all the required minimum elements cited in the above Criteria.

Views of Auditee and Planned Corrective Actions:

The College agrees with the finding and provides details in its Corrective Action Plan.



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Fiscal Year 2023 Audit Corrective Action Plan

Finding Number	Planned Corrective Action Plan	Questioned Costs	Anticipated Completion Date	Responsible Contact Person(s)
2023-001	<u>Schedule of Expenditures of Federal Awards Preparation</u> The College acknowledges that this finding was reported in FY2022 and repeated in FY2023. As of FY2025, the College has taken corrective actions and made the necessary adjustments identified to address the issue and reduce the likelihood of recurrence. In support of ongoing continuous quality improvement efforts, staff received additional training to strengthen understanding of procedures and ensure assigned tasks are performed accurately and consistently.	none	September 30, 2026	Valyn Chong Gum
2023-002	<u>Timely Financial Reporting</u> The College acknowledges the condition and recognizes that delays in finalizing the FY2023 financial records and completing reconciliations contributed to the repeated finding. During FY2025-2026, the College continued implementing corrective measures to strengthen financial reporting processes and internal controls.	none	September 30, 2026	Valyn Chong Gum
2023-003	<u>Due To/From Grantor Agencies, Payables and Receivables</u> The College acknowledges the finding. During FY2025, the College continued implementation of corrective actions to strengthen the accuracy, completeness, and reconciliation of subsidiary ledgers and general ledger accounts. The Business Office reorganization and recruitment of additional accounting personnel have improved oversight and accountability within the financial reporting process. The College has continued efforts reconcile accounts receivable, accounts payable, and due to/from grantor agencies. The College is also reviewing long outstanding balances, clearing temporary accounts where appropriate, and strengthening documentation and reconciliation procedures to ensure supporting schedules are maintained and readily available for audit purposes.	none	September 30, 2026	Valyn Chong Gum
2023-004	<u>Adoption of New Accounting Standard</u> The College agrees with the finding and recognizes the importance of timely implementation of GASB Statement No. 87, Leases. The College continued efforts to review existing lease agreements and evaluate the accounting requirements under GASB Statement No. 87. The College is working to properly record applicable lease assets, liabilities,	none	September 30, 2026	Valyn Chong Gum



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	amortization, and related closures if the financial statements.			
2023-005	<u>Activities Allowed or Unallowed & Allowable Costs/Cost Principles</u> College of the Marshall Islands acknowledges the finding and agrees that certain payroll and non-payroll expenditures charged to federal programs were not adequately supported with sufficient documentation to clearly demonstrate allowability, proper allocation, and alignment with objectives. The deficiencies resulted from weaknesses in internal control procedures, incomplete supporting documentation, and prior filing and record retention practices. To address this, the College has upgraded and institutionalized a cloud-based filing system to ensure complete, accessible, and properly organized documentation for all grant-funded positions and expenditures. Internal controls have been strengthened to require signed employment and overload contracts, proper funding source verification, and supervisory review before any grant-related payroll costs are charged. With the upgraded systems and the support of newly hired skilled staff, the College is now better equipped to maintain compliance and oversight. Staff will continue to be trained twice a year on federal allowability and cost principles to prevent recurrence of similar issues in future audits.	\$61,291	September 30, 2026	Valyn Chong Gum
2023-006	<u>Equipment and Real Property Management</u> College of the Marshall Islands agrees that capital asset records and reconciliation procedures were not fully maintained in accordance with federal equipment and real property management requirements. The deficiencies were primarily due to reliance on manual recordkeeping processes, incomplete asset documentation, and delays in updating and reconciling the fixed asset records with the general ledger. To address this finding, the College is actively working to automate and strengthen its fixed asset management process through implementation of the MIP Fixed Asset Module.	Undeterminable	September 30, 2026	Valyn Chong Gum
2023-007	<u>Period of Performance</u> College of the Marshall Islands acknowledges that this finding, reported in 2022, was repeated in 2023. The college confirms that this resulted from gaps in the previous manual filing and monitoring system, which made it difficult to verify funding period dates during the audit fieldwork. The	\$9,883	September 30, 2026	Valyn Chong Gum



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	College has since upgraded and institutionalized a cloud-based filing system and strengthened internal controls to ensure all costs are properly aligned with the funding periods stipulated in the grant awards. In addition, the College has been continuously working to improve coordination between the Business Office, Human Resources, and program personnel to ensure payroll periods and expenditure dates are properly reviewed and aligned with grant award periods.			
2023-008	<u>Procurement and Suspension and Debarment</u> College of the Marshall Islands acknowledges that this finding was reported in 2022 and was repeated in FY2023. The College agrees that certain procurement transactions were not adequately supported with sufficient documentation to demonstrate compliance with procurement requirements, including vendor quotations, sole source justification, and procurement history documentation. The College has since upgraded and institutionalized a cloud-based filing system to ensure complete documentation, proper retention, and easy retrieval of procurement records. Internal control policies and procedures have been strengthened to ensure compliance with the RMI Procurement Code, including vendor selection documentation, sole source justification, quotations, and bid evaluations. In addition, newly hired Procurement and Accounts Payable staff have been assigned responsibilities for monitoring compliance, a staff training on federal procurement requirements and documentation standards will continue periodically to strengthen oversight and prevent recurrence.	\$66,667	September 30, 2026	Valyn Chong Gum
2023-009	<u>Activities Allowed or Unallowed/ Allowable Costs/Cost Principles</u> The College acknowledges the finding and recognizes earlier corrective measures were not sufficient to fully address the concern. To improve monitoring of allowable expenditures and compliance with federal cost principles, the College will incorporate routine budget-to-expenditure reviews into its recurring grant management meetings. Additional oversight and review responsibilities will also be assigned to the Grants Office to strengthen compliance monitoring, improve accountability, and ensure expenditures are properly evaluated and documented prior to approval.	\$745,189	September 30, 2026	Valyn ChongGum Hatty Kabua



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2023-010	<u>Cash Management</u> The College acknowledges the finding and will enhance its cash management practices by developing formal procedures outlining responsibilities, authorization requirements, and timelines related to federal drawdown and disbursements. In addition, the College will implement routine reconciliations of drawdown activity against recorded expenditures on a monthly or quarterly basis to improve monitoring and ensure compliance with federal requirements.	Undeterminable	September 30, 2026	Valyn ChongGum Hatty Kabua
2023-011	<u>Procurement and Suspension and Debarment</u> The College acknowledges the finding and recognizes the need for additional improvements to ensure full compliance with federal procurement regulations. Moving forward, procurement procedures will be strengthened by incorporating vendor eligibility verification requirements, including review of SAM.gov prior to contract execution or purchase approval. The college will also implement recurring training and oversight measures for employees involved in procurement activities to improve adherence to federal standards and internal procedures.	\$179,015	September 30, 2026	Valyn ChongGum Hatty Kabua
2023-012	<u>Reporting</u> The College acknowledges the finding and recognizes the need to strengthen oversight of reporting requirements. To prevent recurrence, the College will enhance its monitoring processes by developing formal reporting procedures and using the Asana Project Management system to schedule, monitor, and provide reminders for all federal and grant-related reporting deadlines and submissions.	\$0	September 30, 2026	Valyn ChongGum Hatty Kabua
2023-013	<u>Cash Management</u> The College agrees with the finding. During 2024 and continuing into FY2025-2026, the College strengthened its cash management procedures for Pell Grant drawdowns under HCM1 payment method. To address this issue, the College implemented a drawdown memorandum process, whereby supporting documentation and justification for the requested amount are reviewed and approved before funds are drawn down.	Undeterminable	September 30, 2026	Valyn Chong Gum Suemina Bohanny-Note Hatty Kabua
2023-014	<u>Reporting</u> The College partially agrees with the finding. While the College disagrees with the auditors' conclusions regarding the calculation of cost of attendance and Pell award amounts for the students tested, the College acknowledges	\$0	September 30, 2026	Valyn Chong Gum Suemina Bohanny-Note



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	the need to strengthen its review and documentation procedures over origination records and COD submissions to ensure consistency and completeness of reporting records.			
2023-015	<u>Special Tests and Provisions – Verification</u> The College agrees with the finding and acknowledges that the Financial Aid Office policies and procedures related to FAFSA verification did not fully incorporate all required federal verification provisions during the audit period and that discrepancies existed between supporting verification document, verification worksheets, and certain students' ISIR. Corrective actions have already been implemented. The College reviewed and updated the FAO verification policies and procedures to incorporate applicable federal verification requirements, including verification deadlines, required documentation, correction procedures, conflicting information resolution, applicant responsibilities, and the requirement that verification must be completed prior to professional judgement adjustments in accordance with federal regulations and FSA Handbook requirements. In addition, the College strengthened its verification review, document collection, and conflicting resolution procedures to improve the accuracy of Title IV eligibility determinations and related reporting. The implementation of Jenzabar Financial Aid (JFA) system has also improved the FAO's ability to track, organize, and monitor verification documents and related processing activities. The College will continue monitoring these procedures to ensure ongoing compliance with federal verification requirements.	\$8,619	September 30, 2026	Valyn Chong Gum Suemina Bohanny-Note
2023-016	<u>Special Tests and Provisions – Disbursements to or on Behalf of Students</u> The College agrees with the finding and acknowledges that, during the audit period, certain Title IV disbursement notification, credit balance disbursement, and ISIR review procedures were not consistently completed in accordance with federal requirements. To address this issue, the College reviewed and updated its FAO policies and procedures related to award notifications, cash management, disbursement processing, and verification procedures. The College also implemented JFA system to improve the tracking and monitoring of student awards, disbursements, verification activities, and credit balance timelines. In addition, the implementation of FAFSA priority deadline prior to each semester provides additional time for staff to review files, complete packaging, finalize verification requirements, and issue timely award	\$145,861	September 30, 2026	Valyn Chong Gum Suemina Bohanny-Note



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	notifications before processing begins. The College also amended its internal verification policy to align with the US DOE's verification requirements by verifying only students selected by US DOE as indication on the student's ISIR. The College will continue monitoring these corrective actions to support ongoing compliance with Title IV requirements.			
2023-017	<u>Special Tests and Provisions- Enrollment Reporting</u> The College agrees with the finding; however, the issues resulted from a misunderstanding regarding the type of NSLDS documentation requested during the audit process. Enrollment reporting was completed manually through the NSLDS web portal on an individual student basis rather than through batch processing; therefore, batch files were not available to provide during fieldwork. The FAO staff has since received additional guidance and training regarding NSLDS enrollment reporting documentation and audit requirements. The FAO staff will continue participating in training opportunities to strengthen compliance and documentation practices for future audits.	\$0	September 30, 2026	Valyn Chong Gum Suemina Bohanny-Note
2023-018	<u>Special Tests and Provisions- Gramm-Leach-Bliley Act-Student Information System</u> The College agrees with the finding and acknowledges the need to strengthen compliance with GLBA Safeguards Rule requirements related to student information security. Although the College already maintain Information Technology policies addressing many of the required safeguards, a formalized written Information Security Program specifically referencing GLBA requirements had not been fully established during the audit period. To address this finding, the College is developing a formalizing a comprehensive written ISP under the College Information Technology policies and procedures, with applicable student information confidentiality provisions also incorporated into the FAO policies and procedures. The College continues to provide training and guidance to staff regarding student information security and data protection to support ongoing compliance with federal requirements.	Undeterminable	September 30, 2026	Valyn Chong Gum Suemina Bohanny- Note



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Summary Schedule of Prior Audit Findings FY2023

Finding No.	ALN	Program Area	Status	Corrective Action	Questioned Cost
2016-001	84.063	Federal Pell Grant Program	Not Resolved	CMI hired two Title IV consultants to address systemic Title IV compliance issues. Institutional controls were reviewed and revised. Training was provided to key personnel and the Pell Module in SONIS was launched to assist with regulatory and data reconciliation tasks.	-
2016-002	84.063	Federal Pell Grant Program	Not Resolved	CMI is continuing to reconcile historical disbursement and enrollment records from FY2016. Internal review findings have been documented and compiled with support from external Title IV consultants. The Pell Module in SONIS will be used to finalize outstanding corrections.	-
2017-001	84.063	Federal Pell Grant Program	Not Resolved	CAP implemented; new revised policy approved.	-
2018-001	N/A	Timely Financial and Compliance Reporting	Ongoing	Staffing adjustments made; reporting functions improved via new office support.	-
2019-001	N/A	Timely Financial and Compliance Reporting	Ongoing	Staffing adjustments made; reporting functions improved via new office support.	-



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2019-002	N/A	Receivables	Ongoing	CAP Implemented: new staff and procedures established.	
2020-001	N/A	SEFA Preparation	Ongoing	CAP implemented; reporting templates standardized and reconciliations ongoing.	-
2020-002	N/A	Timely Financial Reporting	Ongoing	Staffing adjustments made; reporting functions improved via new office support.	-
2020-003	N/A	Receivables	Ongoing	CAP implemented; new staff and procedures established.	-
2020-004	N/A	Capital Assets	Ongoing	Improved inventory tracking procedures established through new office infrastructure.	-
2021-001	15.875	SEFA Preparation	Ongoing	Reconciliation tasks completed quarterly; reviewed at executive level.	-
2021-002	N/A	Timely Financial Reporting	Ongoing	Calendar tracking and shared assignments automated via ASANA.	-
2021-003	N/A	Receivables	Ongoing	Staff assigned to maintain updated logs; verified each quarter.	-
2021-004	N/A	Capital Assets	Ongoing	Tagging and reconciliation assignments documented in ASANA with periodic reviews.	-
2021-005	N/A	Revenue Recognition	Ongoing	Adjustments tracked in ASANA with reference to GAAP standards.	-



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2021-014	84.425	HEERF – Allowable Activities	Ongoing	Activities reviewed quarterly via ASANA; compliance log maintained. CMI has not yet received a formal response from the grantors but continues to follow up and actively engage with them to resolve the findings and questioned costs.	\$45,752
2021-015	84.425	HEERF – Allowable Costs	Ongoing	ASANA task board used to track costs and reporting of HEERF usage. Communication with the grantors remains ongoing, with no final determination received to date. Engagement continues to ensure resolution.	\$109,757
2021-016	84.425	HEERF – Procurement	Ongoing	Vendor screening and contract reviews centralized and tracked in ASANA. CMI is still awaiting final feedback from the grantors and remains engaged in active follow-up efforts.	\$192,795
2021-017	84.425	HEERF – Reporting	Ongoing	Reporting log embedded in ASANA; submitted reports monitored. CMI continues to seek resolution from the grantors and has not yet received final determination.	-



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2021-006	15.875	Allowable Costs	Ongoing	CAP active; ongoing ASANA tracking of cost documentation and review logs.	\$4,597
2021-007	15.875	Equipment & Property Management	Ongoing	Inventory controls fully documented and reviewed via ASANA task lists.	-
2021-008	15.875	Period of Performance	Ongoing	Milestone calendar for each grant monitored through ASANA updates.	\$2,107
2021-009	15.875	Procurement & Suspension	Ongoing	Procurement reviews embedded into ASANA project structure; Microix integration tracked.	\$68,090
2021-010	15.875	Reporting	Ongoing	Reporting deadlines and documentation assigned within ASANA, status reviewed monthly.	-
2021-011	84.047 A	TRIO – Allowable Costs	Ongoing	Expense reviews structured into ASANA compliance calendar. CMI has drafted new TRIO-specific operational guidelines and conducted staff training to prevent recurrence of findings.	\$7,018
2021-012	84.047 A	TRIO – Eligibility	Ongoing	Eligibility workflows are monitored within ASANA. Staff have been trained on new TRIO guidelines developed to ensure consistent compliance.	\$24,646
2021-013	84.047 A	TRIO – Duplication of Services	Ongoing	Oversight strengthened; ASANA tasks help track service boundaries. Training on the new TRIO program guidelines has been completed to eliminate service overlap.	-



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2022-001	N/A	Schedule of Expenditure of Federal Awards Preparation	Ongoing	The College accepts the finding. As of FY2025, the College has taken the steps to make the necessary adjustments that were identified to ensure this is not repeated. As part of ongoing continuous quality improvements, staff were trained to ensure they can properly do the tasks.	-
2022-002	N/A	Summary Schedule of Prior Audit Findings	Ongoing	The College accepts the finding. Proper training has been provided to the key staff to ensure this is not repeated. The prior year summary schedule for prior year findings has been prepared and will be revised for the FY2023 audit fieldworks.	-
2022-003	N/A	Timely Financial Reporting	Ongoing	College of the Marshall Islands acknowledges the finding and confirms that substantial corrective measures have been implemented during FY2025. A new Director of Financial Affairs and Business Services has been hired, the office has been reorganized to strengthen oversight, and targeted training has been provided to newly recruited staff. Internal controls have been reinforced, a year-end closing calendar established, and comprehensive reconciliations and asset recordings are actively underway and scheduled for full completion by December 2025 to ensure timely and accurate financial reporting going forward.	-



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2022-004	N/A	Due To/From Grantor Agencies, Receivable, Payables	Ongoing	College of the Marshall Islands acknowledges the finding and confirms that the reorganization of the Business Office and the recruitment of skilled accounting staff have already addressed this matter. The new team began resolving the issues during the audit fieldwork by updating and reconciling subsidiary ledgers with the general ledger, clearing old balances, and strengthening internal reconciliation processes. The reconciliation of both accounts payable and accounts receivable general ledgers is actively ongoing and scheduled for full completion by September 30, 2025. These efforts, along with upgraded systems and institutionalized reconciliation procedures, will ensure accurate and complete record-keeping and prevent recurrence of similar issues in future audits.	--
2022-005	N/A	Adoption of New Accounting Standard	Ongoing	College of the Marshall Islands acknowledges the finding and will address the implementation of GASB Statement No. 87 (Leases) in the subsequent years. The College has established internal control procedures to guide the adoption of new accounting standards and has tasked the Financial Affairs and Business Services team to lead the effort. Key staff have begun receiving training, and all lease agreements are being reviewed, classified, and prepared for proper recording. Full implementation and recognition of lease assets and liabilities under GASB 87 will be completed in the coming years to ensure full compliance with applicable accounting standards.	



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2022-006	N/A	House Renovation Cost	Ongoing	College of the Marshall Islands acknowledges the finding and is currently gathering all related documentation and engaging all parties involved to review the matter thoroughly. The original intent of the project was to acquire the property for the College, and discussions on this matter were still ongoing during the audit fieldwork. The College will complete its internal review and determine the appropriate course of action, ensuring compliance with procurement requirements, proper documentation, and Board of Regents approval for any future capital projects.	-
2022-007	N/A	RMI Procurement Code	Ongoing	College of the Marshall Islands acknowledges the finding and confirms that during the audit fieldwork, the College was unable to locate the required procurement documents due to the limitations of its previous manual filing system. Since then, the College has upgraded and institutionalized a cloud-based filing system to ensure proper record retention, easy retrieval, and full compliance with the RMI Procurement Code. Internal control procedures have been strengthened, and proper training has been provided to staff and will continue to be conducted twice a year to reinforce compliance requirements and best practices. With the improved filing system, enhanced controls, and ongoing training, this issue is not expected to recur in the future.	



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2022-008	15.875	Activities Allowed or Unallowed/Allowable Costs/Cost Principles	Ongoing	College of the Marshall Islands acknowledges the finding and agrees that certain payroll expenditures were not adequately supported by employment or overload contracts, and some salaries and related benefits charged were not clearly aligned with the purpose of the related subgrants. These gaps occurred because of inadequate internal controls and the limitations of the previous manual filing system, which made it difficult to locate and verify supporting documents during the audit fieldwork. To address this, the College has upgraded and institutionalized a cloud-based filing system to ensure complete, accessible, and properly organized documentation for all grant-funded positions and expenditures. Internal controls have been strengthened to require signed employment and overload contracts, proper funding source verification, and supervisory review before any grant-related payroll costs are charged. With the upgraded systems and the support of newly hired skilled staff, the College is now better equipped to maintain compliance and oversight. Staff have been trained and will continue to be trained twice a year on federal allowability and cost principles to prevent recurrence of similar issues in future audits.	\$8,764
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2022-009	15.875	Allowable Costs/Cost Principles	Ongoing	College of the Marshall Islands acknowledges the finding and confirms that during the audit fieldwork, the required supporting documents could not be located due to the limitations of the previous manual filing system. The College has since upgraded and institutionalized a cloud-based filing system to ensure accurate recordkeeping, easy retrieval, and compliance with federal documentation requirements. Internal control procedures have been strengthened, and staff have received proper training, which will continue to be conducted twice a year on compliance with federal allowable cost principles and documentation standards. These measures will prevent recurrence of similar issues and ensure that all federal expenditures are adequately supported and fully compliant going forward.	\$7,277
2022-010	15.875	Equipment and Real Property Management	Ongoing	College of the Marshall Islands acknowledges the finding and confirms that a new system has been put in place to transition from manual to automated processes for improved recordkeeping and monitoring. The College has implemented the MIP Fixed Asset Module to maintain complete and accurate capital asset records, conduct timely reconciliations, and strengthen asset safeguarding controls. Internal procedures have been enhanced to ensure periodic physical inventory, prompt updates, and independent reviews of capital asset records. The full reconciliation and migration of all capital asset data into the new system is actively ongoing and scheduled to be completed by December 2025. These measures will ensure compliance with federal property management requirements and prevent recurrence of similar issues in the future.	



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2022-011	15.875	Period of Performance	Ongoing	College of the Marshall Islands acknowledges the finding and confirms that this resulted from gaps in the previous manual filing and monitoring system, which made it difficult to verify funding period dates during the audit fieldwork. The College has since upgraded and institutionalized a cloud-based filing system and strengthened internal controls to ensure all costs are properly aligned with the funding periods stipulated in the grant awards. With the upgraded systems and the support of newly hired skilled staff, the College is now better equipped to maintain accurate documentation and monitoring. Staff have been trained—and will continue to be trained twice a year—on compliance with federal grant requirements, including period of performance rules. These measures will ensure timely verification and prevent similar issues from recurring in future audits.	\$6,443\$
2022-012	15.875	Procurement and Suspension and Debarment	Ongoing	College of the Marshall Islands acknowledges the finding and confirms that the gaps noted resulted mainly from the previous manual filing system and limited internal procurement controls. The College has since upgraded and institutionalized a cloud-based filing system to ensure complete documentation, proper retention, and easy retrieval of procurement records. Internal control policies and procedures have been strengthened to ensure compliance with the RMI Procurement Code, including vendor selection documentation, verification of suspension and debarment status, and equitable distribution of micro-purchases. In addition, newly hired staff dedicated to Procurement and Accounts Payable have been onboarded	\$112,538



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				to improve oversight and compliance. With these new systems, strengthened controls, and added staffing capacity, the College is now better positioned to maintain full compliance. Staff have been trained—and will continue to be trained twice a year—on procurement requirements and federal regulations to prevent recurrence of similar issues in future audits.	
2022-013	15.875	Reporting	Ongoing	College of the Marshall Islands acknowledges the finding and agrees that there were deficiencies in the submission and reconciliation of required reports—including missing Form SG1 expenditure budget breakdowns, missing and delayed Form SG2 performance and financial evaluation reports, and variances between the reported expenditures and the SEFA amounts. These issues primarily resulted from the limitations of the previous manual filing and reporting system, which hindered timely retrieval and review of supporting documents during the audit fieldwork. To address this, the College has upgraded and institutionalized a cloud-based filing and reporting system to ensure all supporting documents and reports are systematically organized, accessible, and securely retained. Internal controls have been strengthened to enforce timely preparation, review, and submission of required Form SG1 and SG2 reports, and to ensure accurate reconciliation of reported expenditures against SEFA. With the upgraded systems and the support of newly hired skilled staff, the College is now better	



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				equipped to maintain proper documentation and meet federal reporting requirements. In addition, staff have been trained and will continue to be trained twice a year on federal reporting standards and sub-award requirements to prevent similar issues from recurring in future audits.	
2022-014	84.047	Activities Allowed or Unallowed/Allowable Costs/Cost Principles	Ongoing	College of the Marshall Islands acknowledges the finding and agrees that the noted questioned costs arose from missing supporting documentation and employment contracts due to limitations in the previous manual filing system, which made timely retrieval difficult during the audit fieldwork. The College has since upgraded and institutionalized a cloud-based filing system to improve recordkeeping, accessibility, and documentation retention for all program expenditures. Internal controls have been strengthened to ensure that all stipends, salaries, and benefits charged to the TRIO Upward Bound program are fully supported by proper documentation, verified, and reviewed before payment and reporting. With the upgraded systems and the support of newly hired skilled staff, the College is now better equipped to ensure compliance. Staff have been trained—and will continue to be trained twice a year—on federal grant cost principles and documentation requirements to prevent recurrence of similar issues in future audits.	\$440



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2022-015	84.047	Allowable Costs/Cost Principles	Ongoing	The College of the Marshall Islands acknowledges the finding and agrees that some payroll and non-payroll expenditures charged to the TRIO Upward Bound program lacked sufficient supporting documentation, including missing employment contracts, timesheets, and student meal listings, as well as discrepancies between paid hours/rates and approved documentation. These gaps arose primarily from inadequate internal controls and the limitations of the previous manual filing system, which hindered timely verification during the audit fieldwork. To address this, the College has upgraded and institutionalized a cloud-based filing system to ensure complete, organized, and easily accessible documentation for all program expenditures. Internal controls have been strengthened to require proper supporting documents including signed employment contracts, verified timesheets, approval for incentive and leave payments, and student listings—before any program costs are processed or reported. With the upgraded systems and the support of newly hired skilled staff, the College is now better equipped to ensure accuracy and compliance. Staff have been trained—and will continue to be trained twice a year—on federal cost principles and documentation standards to prevent recurrence of similar issues in future audits.	\$8,842
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2022-016	84.047	Cash Management	Ongoing	College of the Marshall Islands acknowledges the finding and agrees that the absence of written cash management procedures and the lack of supporting expenditure listings for drawdowns created gaps in compliance with federal requirements. These issues stemmed from inadequate internal controls and the limitations of the previous manual filing system, which made it difficult to verify that drawdowns were fully supported by incurred expenditures during the audit fieldwork. To address this, the College has drafted new cash management policies and procedures in accordance with 2 CFR 200.305, which are now being circulated for review and approval. These policies will require maintaining detailed expenditure listings to support every reimbursement request and ensuring that funds are drawn only after related costs have been incurred. The College has also upgraded and institutionalized a cloud-based filing system to ensure complete documentation and easy retrieval of drawdown support records. With the upgraded systems and the support of newly hired skilled staff, the College is now better equipped to comply with cash management requirements. Staff have been trained and will continue to be trained twice a year on federal cash management and documentation standards to prevent recurrence of similar issues in future audits.
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2022-017	84.047	Eligibility	Ongoing	College of the Marshall Islands acknowledges the finding and agrees that several participant files lacked the required eligibility documentation, including proof of citizenship/residency, verification of academic support needed, documentation of age and grade level at initial selection, and confirmation of first-generation or low-income status. These gaps resulted from weak internal controls and the limitations of the previous manual filing system, which hindered proper tracking and retention of eligibility records during the audit fieldwork. To address these deficiencies, the College has upgraded and institutionalized a cloud-based filing system to ensure complete, organized, and easily retrievable participant eligibility documentation. Internal control policies and procedures have been strengthened to require that all eligibility documents including citizenship/residency proof, age and grade verification, academic support need assessments, and first-generation/low-income eligibility forms—are obtained, reviewed, and approved before a student is enrolled and receives any program benefits or stipends. The TRIO Office has implemented a new eligibility checklist and supervisory review process to verify completeness and compliance for every participant file.	\$54,380
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				With the upgraded systems and the support of newly hired skilled staff, the College is now better positioned to maintain accurate eligibility records. Staff have been trained and will continue to be trained twice a year on federal eligibility requirements and documentation standards to prevent recurrence of similar issues in future audits.	
2022-018	84.047	Reporting	Ongoing	College of the Marshall Islands acknowledges the finding and agrees that both the Section II source data file of the Annual Performance Report (APR) and the required Final Performance Report could not be provided during the audit. This occurred due to inadequate internal controls and the limitations of the previous manual filing system, which led to incomplete retention and difficulty retrieving submitted reports during the audit fieldwork. To correct this, the College has upgraded and institutionalized a cloud-based filing system to ensure all source data files, APR submissions, and Final Performance Reports are properly stored, organized, and easily accessible. Internal control policies and procedures have been strengthened to require that all performance reports are submitted on time, with verified source data and confirmation of successful submission retained in the system. The TRIO Office has established a reporting calendar, supervisory review process, and digital archive protocol to ensure all APR and final reports are prepared, submitted, and properly retained.	



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				With the upgraded systems and the support of newly hired skilled staff, the College is now better equipped to meet federal reporting requirements. Staff have been trained—and will continue to be trained twice a year—on performance reporting procedures and federal reporting standards to prevent recurrence of similar issues in future audits.	
2022-019	84.425	Activities Allowed or Unallowed/ Allowable Costs/Cost Principles	Ongoing	The College agrees with the finding. We take note previous corrective actions did not fully resolve the issue. The College will implement monthly/quarterly budget-to-actual reconciliations as a new agenda item during its monthly grant meetings. The College will enforce stricter oversight by the grants office to ensure compliance with allowable cost principles.	\$1,138,362
2022-020	84.425	Allowable Costs/Cost Principles	Ongoing	The College agrees with the finding. To address the repeat finding, the College will evaluate and strengthen internal controls by updating its policies/procedures addressing activities allowed or unallowed requirements. The College will conduct regular refresher training to ensure proper and full use and utilization of its document management system and all other College systems.	
2022-021	84.425	Cash Management	Ongoing	The College agrees with the finding. To strengthen internal controls over cash management, the College will establish written guidelines that will clearly define timelines, responsibilities, and approval processes for drawdown and disbursements. The College will reconcile drawdowns to expenditures on a monthly/quarterly basis.	-



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2022-022	84.425	Procurement and Suspension and Debarment	Ongoing	The College agrees with the finding and takes note of the previous corrective actions that did not fully resolve the issue. The College will update its Purchasing and Accounts Payable Policy to require SAM.gov verification prior to awarding contracts. The College will conduct mandatory procurement training to strengthen compliance with federal requirements.	\$3,318,665
2022-023	84.425	Reporting	Ongoing	The College agrees with the finding. To address the repeat finding, the College will implement a standardized reporting check list and a calendar utilizing its Asana Project Management tool to track and monitor all required federal and grant deadlines.	-