

September 30, 2002

CONFIDENTIAL

Board of Regents
College of the Marshall Islands:

Dear Members of the Board of Regents:

In planning and performing our audit of the financial statements of the College of the Marshall Islands (the College) for the year ended September 30, 2000, on which we have issued our report dated September 30, 2002, which was qualified due to our inability to determine the propriety of tuition and fees receivable, the College of Micronesia receivable and prepaid items, we developed the following recommendations concerning certain matters related to the College's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Revenue/Receipts

During the year ended September 30, 2000, the College received grants from the Australian and Canadian governments in the amounts of \$10,369 and \$25,741, respectively. No supporting validated bank deposit slips were made available to verify the amounts deposited. Furthermore, for one auxiliary enterprise revenue item (receipt # 8607) tested, the validated bank deposit slip was not made available. In addition, we noted that the sales report was submitted to the Business Office after six business days. We recommend that management ensure that validated bank deposit slips are retained and that auxiliary enterprise sales are submitted to the Business Office in a timely manner. This matter was discussed in our previous letter dated September 30, 2002.

(2) Purchases/Disbursements

Of thirty-seven non-payroll expenditures of the Restricted Current Fund tested, the following exceptions were noted:

- One item (check # 27744 for \$7,148) pertaining to fiscal year 1999 was recorded in fiscal year 2000. Of the check amount, \$1,915 related to the Restricted Current Fund. As this amount was not considered material to the financial statements, no adjustment was proposed.
- One item (check # 27652 for \$2,550) was for three months' rent paid by the College for one employee. We noted that the rent paid exceeded the maximum \$750 allowed for single renters per the College's Personnel Manual Section 9.5.1.3.

(2) Purchases/Disbursements, Continued

- The supporting invoices for three items (check #s 29230, 29900 and 30020 for \$827, \$366 and \$12,783, respectively) were not made available. For check # 30020, \$2,777 of the amount related to the Restricted Current Fund.
- The trip reports from two items (check #s 29902 and 31075, dated 04/04/00 and 08/30/00, respectively) were submitted more than fifteen days after the travelers' return. Furthermore, the supporting calculation for the per diem amounts paid for these two items and the supporting car rental agreement for check # 31075 were not made available. We noted that the per diem paid per check # 31075 covered thirteen days for a four-day conference.

We recommend that management ensure that all expenditures are supported by appropriate documentation, recorded in the proper period, and that all trip reports are filed within fifteen days of the traveler's return in accordance with the College's travel policy. Furthermore, we recommend that management ensure adherence with the College's employee benefits policy. This matter was discussed in our previous letters dated September 30, 2002 and March 24, 2000.

(3) Payroll

Of forty-two payroll expenditures of the Unrestricted and Restricted Current Funds tested, the following exceptions were noted:

- The payroll registers for pay periods ended September 25, 1999, October 9, 1999, November 20, 1999, January 1, 2000, January 29, 2000, February 26, 2000, March 11, 2000, April 22, 2000, June 17, 2000, July 1, 2000, July 15, 2000, July 29, 2000, August 26, 2000 and September 9, 2000 did not evidence approval by the Controller prior to recording in the general ledger.
- For pay period ended December 4, 1999, one employee (employee # RAKALU) was paid retroactively for a salary increase effective September 14, 1999. We noted that the employee was overpaid by \$282.
- For pay period ended October 9, 1999, two employees (employee #s RAKALU and BINJIM) were paid eighty-eight regular hours instead of eighty regular hours worked and approved. Furthermore, employee # LOMJON was paid eighty-eight regular hours instead of seventy-seven regular hours worked. We also noted that employee # LOMJON's timesheet was not approved, and that no supporting calculation was made available for this employee's retroactive pay of \$1,285.
- For pay period ended April 22, 2000, one employee (employee # MYAJAM) was paid 227 annual leave hours. Per the College's Personnel Manual Section 8.3.4, a maximum of 4 weeks of annual leave (160 hours) may be carried over to a succeeding year. Per review of the employee's personnel file, 107 annual leave hours were noted to have been carried over from 1999. Accordingly, the employee would have earned a maximum of 155 annual leave hours as of April 22, 2000.
- For pay period ended October 9, 1999, the social security contributions for five employees (employee #s BINJIM, COLSKY, LOMJON, RAKALU and RELKAR) were incorrectly calculated.
- For pay period ended October 9, 1999, the authorized annual leave forms for two employees (employee #s LOMJON and SENPAU) were not made available.

(3) Payroll, Continued

- Authorized Personnel Action Forms were not made available to support the hourly pay rates for the following employees:

<u>Employee #</u>	<u>PPE</u>	<u>Rate Paid</u>
SENPAU	09/25/99 and 10/09/99	\$ 12.05
PROANT	09/25/99	\$ 9.91
BECMAX	09/25/99	\$ 13.03
BINJIM	10/09/99	\$ 7.15
LOMJON	10/09/99	\$ 5.24
HENJOS	01/01/00	\$ 8.80
CHUEMI	01/29/00	\$ 6.84
EMMJOA	02/26/00	\$ 11.14
PELMIC	06/17/00	\$ 10.12

- Approved timesheets were not made available for pay period ended September 25, 1999 for two employees (employee #s BECMAX and SENPAU), for pay period ended October 9, 1999 for one employee (employee # SENPAU), for pay period ended February 26, 2000 for one employee (employee # EMMJOA), and for pay period ended April 22, 2000 for one employee (employee # MYAJAM). In addition, we noted that employee #s PELMIC, HUNJOH and PROANT approved their own timecards for pay periods ended June 17, 2000, August 26, 2000 and September 9, 2000, respectively. We also noted that employee # PROANT was paid eighty-eight regular and forty overtime hours instead of eighty regular and eleven overtime hours worked.
- Authorized allotment deduction forms were not made available for pay period ended September 25, 1999 for two employees (employee #s CAPALF and PROANT), for pay period ended October 9, 1999 for one employee (employee # RAKALU), for pay period ended January 1, 2000 for one employee (employee # HENJOS), for pay period ended July 15, 2000 for one employee (employee # BINJIM) and for pay period ended July 29, 2000 for one employee (employee # PATTHO). For pay period ended October 9, 1999, the allotment deduction for employee # BINJIM was effected before the deduction request dated November 5, 1999.
- For pay period ended July 15, 2000, one employee (employee # BINJIM) was advanced 240 annual leave hours; however, we noted that this employee was also subsequently paid regular hours for the advanced pay periods.

We recommend that management ensure that payrolls are accurately calculated, paid and supported by an approved payroll register, that authorized personnel action forms are retained to support established hourly rates, and that timesheets and annual leave forms are retained to support all hours paid. Furthermore, we recommend that management ensure that College policies are adhered to relating to the accrual and payment of annual leave hours. This matter was discussed in our previous letter dated September 30, 2002.

(4) Stale-Dated Checks

At September 30, 2000, the bank reconciliations for the General Account (A/c # 1001), the Payroll Account (A/c # 1005), and the Kwajalein Account (A/c # 1007) indicated outstanding checks issued prior to April 2000, totaling \$77,361, \$13,561 and \$2,042, respectively. Management has not reviewed these checks to determine whether they are still valid. We recommend that management periodically review all stale-dated checks to determine their validity. This matter was discussed in our previous letters dated September 30, 2002 and March 24, 2000.

(5) Cash

The Bank of Hawaii general account bank reconciliation at September 30, 2000 included two outstanding checks (#s 30541 and 30929, for \$6,550 and \$12,500, respectively) as reconciling items. The subsequently paid checks and the associated bank statements were not made available. Additionally, the Bank of Guam Kwajalein Campus bank account bank reconciliation at September 30, 2000 included a deposit in transit reconciling item amounting to \$16,240. The supporting documentation for this reconciling item was not made available for our review. We recommend that management ensure that bank statements, paid checks and appropriate documentation supporting all reconciling items are retained.

(6) Travel Advances

At September 30, 2000, the College recorded travel advances (A/c # 1131, totaling \$9,938) that included amounts, totaling \$5,790, outstanding for a period in excess of one year. The College's travel policy requires travelers to liquidate travel advances within fifteen days of return. We recommend that management ensure adherence to the College's travel advance policy and follow up on outstanding travel advances. This matter was discussed in our previous letter dated September 30, 2002.

(7) Other Receivables

At September 30, 2000, the College recorded other receivables (A/c # 1121, totaling \$65,415) that included accounts, totaling \$21,701, which have been outstanding for a period in excess of one year. We recommend that management follow up on collection of these accounts. This matter was discussed in our previous letter dated September 30, 2002.

(8) Employee Receivables

At September 30, 2000, the College recorded receivables due from employees (A/c # 1132) totaling \$7,778. We noted that the supporting subsidiary ledger included credit balances totaling \$21,801. We were informed that certain of these credit balances represented employee payments for which no receivable amounts were recorded. We recommend that management ensure that employee receivables are properly recorded.

(9) College of Micronesia (COM) Receivable

At September 30, 2000, the College recorded a receivable due from COM (A/c # 1301, totaling \$29,037) that has been outstanding for a period in excess of one year. We recommend that management follow up on collection of this account. This matter was discussed in our previous letter dated September 30, 2002.

(10) Republic of the Marshall Islands Private Industry Council (PIC) Receivable

At September 30, 2000, the College has a receivable due from PIC (A/c # 1311, totaling \$36,938) that has been outstanding since fiscal year 1997. We recommend that management follow up on collection of this account. This matter was discussed in our previous letter dated September 30, 2002.

(11) Payables

During our testing of disbursements made subsequent to September 30, 2000, we noted four payments (check #s 17461, 28668, 31937 and 31968, totaling \$20,796, \$10,682, \$47,692 and \$16,610, respectively) for which no supporting documentation was made available. The disbursement for \$20,796 pertained to a payment for the College's credit card. In addition, we noted one subsequent payment (check # 32053 totaling \$14,100) for which the supporting documentation made available amounted to \$9,777. We recommend that management ensure that invoices or other source documentation support all disbursements. This matter was discussed in our previous letter dated September 30, 2002.

(12) Compensated Absences

At September 30, 2000, the College recorded accrued annual leave for Unrestricted and Restricted Current Funds in the amounts of \$103,943 and \$17,031, respectively. Of four accrued annual leave balances tested, two accruals were for instructors (employee #s KORROS and SMIGER). Instructors are not eligible for annual leave pay. In addition, we noted that annual leave was accrued at September 30, 2002 for one employee (employee # MATJOA) who resigned in July 1998. Audit adjustments were proposed for the Unrestricted and Restricted Current Funds in the amounts of \$51,222 and \$5,487, respectively, to remove the accruals for instructors. We recommend that management ensure that accrued annual leave be recorded for only eligible employees.

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We have communicated certain matters noted during our audit of the financial statements of the College for the year ended September 30, 2000, which we considered to be reportable conditions, in our report dated September 30, 2002.

This report is intended solely for the information and use of management, the Board of Regents and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

Deloitte & Touche