



March 21, 2003

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, 2001, on which we have issued our report dated March 21, 2003, which was qualified due to our inability to determine the propriety of tuition and fees receivable, prepaid items and due to grantor agencies, 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) Purchases/Disbursements

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

- One item (check # 28752 for \$3,569) pertaining to fiscal year 1999 was recorded in fiscal year 2001. As this amount was not considered material to the financial statements, no adjustment was proposed.
- One item (check # 28749 for \$1,825) included an overpayment of \$195.
- For two items (check #s 33011 and 33877 for \$2,803 and \$11,160, respectively) expenses were misclassified between two federal programs.

We recommend that management ensure that all expenditures are recorded in the proper period and in the proper general ledger account and that they agree with the supporting documentation. This matter was discussed in our previous letters dated September 30, 2002 and March 24, 2000.

(2) Payroll

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

- The payroll registers for pay periods ended October 7, 2000, April 7, 2001, April 21, 2001, May 5, 2001, May 19, 2001, June 2, 2001, June 16, 2001, June 30, 2001, July 14, 2001, July 28, 2001 and August 25, 2001 did not evidence approval by the Controller prior to recording in the general ledger.
- For pay period ended June 16, 2001, one employee (employee # OLSKEM) was overpaid by \$355.
- For pay period ended April 7, 2001, one employee (employee # SMIGER) was paid retroactively for a salary increase. We noted that no payroll taxes were withheld from the employee's retroactive pay.
- For pay period ended August 25, 2001, the authorized annual leave form supporting six annual leave hours paid for one employee (employee # CHOSUS) was not made available.
- For pay period ended July 28, 2001, two employees (employee #s HENJOS and HUNJOH) were paid 240 annual leave hours. We were informed that the hours paid were in accordance with the College's Personnel Manual, however, we did not note such policy in the personnel manual.
- Approved timesheets were not made available for pay period ended October 7, 2000 for one employee (employee # RAKALU), pay period ended April 7, 2001 for six employees (employee #s BRIDEB, DONERI, HARLEL, ITTJOB, RATTIM and SAVUVA), for pay period ended May 5, 2001 for one employee (employee # JALRIC), for pay period ended May 19, 2001 for one employee (employee # PRENIE), for pay period ended June 30, 2001 for two employees (employee #s BOUPOT and BOURAY), and for pay period ended July 28, 2001 for one employee (employee # HUNJOH). In addition, we noted that employee # JALRIC was paid incentive pay for contract renewal for pay period ended May 5, 2001, however, no authorized support was provided for the amount paid.
- Authorized allotment deduction forms were not made available for pay period ended October 7, 2000 for one employee (employee # RAKALU) and for pay period ended June 2, 2001 for one employee (employee # MCSSTA). For pay periods ended May 5, 2001 and August 25, 2001, the allotment deductions for employee #s JALRIC and CHOSUS, respectively, were effected before the deduction requests.

We recommend that management ensures that the payroll is accurately calculated and paid, that it is supported by an approved payroll register, and that timesheets and annual leave forms are retained to support all hours paid. Furthermore, we recommend that management ensures that the College's established policies are adhered to relating to the accrual and payment of annual leave hours. This matter was discussed in our previous letters dated September 30, 2002.

(3) Stale-Dated Checks

At September 30, 2001, 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 2001, totaling \$97,351, \$20,475 and \$6,963, 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.

(4) Cash

Three subsequently paid checks (#s 32065, 32526 and 34279) from the Bank of Hawaii general account October 2001 statement were not made available. We recommend that management ensure that paid checks are retained.

(5) Travel Advances

At September 30, 2001, the College recorded travel advances (A/c # 1131A) totaling \$12,591. We noted that the supporting subsidiary ledger included credit balances totaling \$28,971. An audit adjustment was proposed to properly record the credit balances. Furthermore, \$5,790 of the balance at September 30, 2001 has been outstanding for a period in excess of one year. The College's travel policy requires travelers to liquidate their travel advances within fifteen days of their return. We recommend that management ensure that travel advances are properly recorded and ensure adherence to the College's travel advance policy and follow-up on outstanding travel advances. This matter was discussed in our previous letters dated September 30, 2002.

(6) Other Receivables

At September 30, 2001, the College recorded other receivables (A/c # 1121, totaling \$40,511) that included accounts, totaling \$27,511, 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 letters dated September 30, 2002.

(7) Employee Receivables

At September 30, 2001, the College recorded receivables due from employees (A/c # 1132A) totaling \$11,175. No reconciled supporting subsidiary ledger was made available to support the recorded amount. We recommend that management ensures that receivables due from employees are reconciled to a supporting subsidiary ledger on a monthly basis. This matter was discussed in our previous letters dated September 30, 2002.

(8) College of Micronesia (COM) Receivable

At September 30, 2001, the College recorded a receivable due from COM (A/c # 1321, totaling \$246,897). No supporting subsidiary ledger was made available to support the recorded amount, however, the amount was compared to COM's records with a remaining immaterial variance of \$6,815. We recommend that management ensures that receivable balances due from COM are reconciled on a monthly basis.

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

At September 30, 2001, the College recorded 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 letters dated September 30, 2002.

(10) Payables

During our testing of disbursements made subsequent to September 30, 2001, we noted one payment (check # 34554, totaling \$12,528) for which no supporting documentation was made available. We recommend that management ensures that invoices or other source documentation support all disbursements. This matter was discussed in our previous letters dated September 30, 2002.

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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, 2001, which we considered to be reportable conditions, in our report dated March 21, 2003.

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