

**COLLEGE OF THE MARSHALL ISLANDS**

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**INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE**

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**YEAR ENDED SEPTEMBER 30, 2008**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Regents  
College of the Marshall Islands:

We have audited the financial statements of the College of the Marshall Islands (the College), as of and for the year ended September 30, 2008, and have issued our report thereon dated January 7, 2009. We conducted our 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

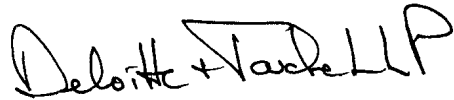
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the College in a separate letter dated January 7, 2009.

This report is intended solely for the information and use of the Board of Regents, management, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

January 7, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Regents  
College of the Marshall Islands:

### Compliance

We have audited the compliance of the College of the Marshall Islands (the College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The College's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (page 9). Compliance with the requirements of laws, regulations, contracts and grants applicable to its one major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

### Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of

internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the College's control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

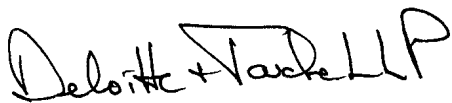
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the College as of and for the year ended September 30, 2008, and have issued our report thereon dated January 7, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 7) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Regents, management, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is stylized and appears to be written in a cursive or semi-cursive font.

January 7, 2009

## COLLEGE OF THE MARSHALL ISLANDS

Introduction to Federal Awards Funds  
Year Ended September 30, 2008

### United States Department of Education

- Student Financial Assistance Programs

The College of the Marshall Islands (the College) administers student financial aid (SFA) programs within the Republic of the Marshall Islands. During the year ended September 30, 2008, the College received directly from the U.S. Department of Education funds related to the Pell Grant Program, the Supplemental Educational Opportunity Grants Program (SEOG) and the Federal Work-Study Program (FWS). The College's institutional matching share for the SEOG and FWS was waived by the grantor agency for the award year ended June 30, 2007.

- Direct Grants

The College receives other grants directly from the U.S. Department of Education. Projects to which the individual grants relate to are as follows:

English Language Acquisition: National Professional Development Program  
TRIO-Upward Bound

- Grant Passed Through to the College

Teacher Quality Enhancement Grants is passed through the Republic of the Marshall Islands (RepMar) to the College.

### United States Department of Agriculture

- Grants Passed Through to the College

Grants passed through other non-federal entities to the College are as follows:

Initiative for Future Agriculture and Food Systems  
Integrated Programs  
Resident Instruction Grants for Insular Area Activities

### United States Department of Commerce

- Grants Passed Through to the College

Grants passed through other non-federal entities to the College are as follows:

Sea Grant Support  
Pacific Islands Integrated Oceanic Observing System  
Habitat Conservation  
Coral Reef Monitoring  
Educational Partnership Program

## COLLEGE OF THE MARSHALL ISLANDS

Introduction to Federal Awards Funds, Continued  
Year Ended September 30, 2008

### United States Department of the Interior

- Direct Grants

The College receives the following grants directly from the U.S. Department of the Interior:

- Coral Reef Grant
- Technical Assistance Grant
- Community-based Conservation Project

- Grants Passed Through to the College

The College receives grants passed through RepMar. Projects to which the individual grants relate to are as follows:

- Compact of Free Association Program, As Amended, Sector Grants:
  - Education
  - Supplemental Education Grant
  - Public Infrastructure
- Marshall Islands Story-telling Project
- Computer Instructor/Specialist
- Cycotechnology Course Instructor
- Postsecondary Vocational Program
- Midwifery Program

### United States Department of Labor

- Grants Passed Through to the College

The Workforce Investment Act is a grant passed through a non-federal entity to the College.

### United States National Science Foundation

- Grant Passed Through to the College

The Education and Human Resources and Islands Opportunity Alliance (LSAMP) grants are passed through a non-federal entity to the College.

**COLLEGE OF THE MARSHALL ISLANDS**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

Federal Grantor/ Pass-Through Grantor's Program Title	Federal CFDA Number	Program or Award Amount	Receivable From (Payable To) Grantor October 1, 2007	Cash Receipts FY08	Expenditures FY08	Receivable From (Payable To) Grantor September 30, 2008
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
Student Financial Assistance Programs:						
Federal Supplemental Educational						
Opportunity Grants	84.007	\$ 66,493	\$ 250	\$ 35,565	\$ 68,029	\$ 32,714
Federal Work-Study Program	84.033	62,844	205	13,017	35,308	22,496
Federal Pell Grant Program	84.063	2,981,727	318,966	2,628,217	2,448,814	139,563
Sub-total Student Financial Assistance Programs		3,111,064	319,421	2,676,799	2,552,151	194,773
TRIO - Upward Bound	84.047A	309,383	25,299	246,880	271,577	49,996
English Language Acquisition:						
National Professional Development Program	84.195N	117,337	27,971	110,880	116,811	33,902
<u>Pass-Through From RepMar</u>						
Teacher Quality Enhancement Grants	84.336A	574,565	(2,667)	43,071	23,083	(22,655)
Sub-total U.S. Department of Education		4,112,349	370,024	3,077,630	2,963,622	256,016
<u>U.S. Department of Agriculture Pass-Through</u>						
Initiative for Future Agriculture and Food Systems	10.302	100,000	(4,535)	54,210	54,324	(4,421)
Integrated Programs	10.303	-	5,869	20,541	9,229	(5,443)
Resident Instruction Grants for Insular Area Activities	10.308	38,750	2,496	35,553	33,357	300
Sub-total U.S. Department of Agriculture		138,750	3,830	110,304	96,910	(9,564)
<u>U.S. Department of Commerce Pass-Through</u>						
Sea Grant Support	11.417	-	(8,383)	-	-	(8,383)
Pacific Islands Oceanic Observing System	11.417	10,000	-	5,000	10,000	5,000
Habitat Conservation	11.463	20,390	(1,063)	-	-	(1,063)
Coral Reef Monitoring	11.426	25,000	-	9,052	13,135	4,083
Educational Partnership Program	11.481	112,500	(44,675)	-	3,757	(40,918)
Sub-total U.S. Department of Commerce		167,890	(54,121)	14,052	26,892	(41,281)
<u>U.S. Department of the Interior Direct Program</u>						
Coral Reef Grant	15.875	-	(375)	-	-	(375)
Technical Assistance Grant	15.875	75,000	-	-	4,476	4,476
Community-based Conservation Project	15.875	35,000	-	-	16,734	16,734
<u>Pass-Through From RepMar</u>						
Compact of Free Association Program, As Amended, Sector Grants:						
Section 211(a)(1) Education Sector	15.875	1,000,000	-	1,000,000	1,000,000	-
Supplemental Education Grant	15.875	100,000	224,166	100,000	104,687	228,853
Section 211(d)(1) Public Infrastructure Sector	15.875	5,000,000	1,286,684	5,768,785	4,848,301	366,200
Marshall Islands Story -telling Project	15.875	79,747	-	59,810	66,432	6,622
Computer Instructor/Specialist	15.875	-	(19,831)	-	-	(19,831)
Cycotechnology Course Instructor	15.875	-	53,149	-	-	53,149
Postsecondary Vocational Program	15.875	-	(39,037)	-	-	(39,037)
Midwifery Program	15.875	-	2,348	-	-	2,348
Sub-total U.S. Department of the Interior		6,289,747	1,507,104	6,928,595	6,040,630	619,139
<u>U.S. Department of Labor Pass-Through</u>						
Workforce Investment Act Adult Program	17.258	20,000	24,589	-	-	24,589
Sub-total U.S. Department of Labor		20,000	24,589	-	-	24,589
<u>U.S. National Science Foundation Pass-Through</u>						
Education and Human Resources	47.076	76,359	1,854	-	13,624	15,478
Islands Opportunity Alliance (LSAMP)	47.076	14,000	-	-	940	940
Sub-total U.S. National Science Foundation		90,359	1,854	-	14,564	16,418
Total Federal Programs		<u>\$ 10,819,095</u>	<u>\$ 1,853,280</u>	<u>\$ 10,130,581</u>	<u>\$ 9,142,618</u>	<u>\$ 865,317</u>

## COLLEGE OF THE MARSHALL ISLANDS

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

#### (1) Scope of Schedule

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

The accompanying Schedule of Expenditures of Federal Awards relates solely to those grants administered by the College, and does not incorporate any grants that may still be administered by the College of Micronesia central office. The U.S. Department of the Interior has been designated as the College's cognizant agency.

##### a. Programs Subject to OMB Circular A-133

The Schedule of Expenditures of Federal Awards presents each Federal program related to the U.S. Department of Education, U.S. Department of Agriculture, U.S. Department of Commerce, U.S. Department of the Interior and U.S. Department of Labor, which are subject to OMB Circular A-133.

#### (2) Summary of Significant Accounting Policies

##### a. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. All program award amounts represent the total allotment or grant award received. All expenses and capital outlays are reported as expenditures.

#### (3) Indirect Cost Allocation

The College has not entered into an approved indirect cost negotiation agreement covering the year ended September 30, 2008.

**COLLEGE OF THE MARSHALL ISLANDS**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2008

**A. SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report on the basic financial statements expressed an unqualified opinion.
2. No significant deficiencies in internal control over financial reporting were identified.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No significant deficiencies in internal control over compliance with requirements applicable to major federal award programs were identified.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported in accordance with section 510(a) of OMB Circular A-133.
7. The College's major program is as follows:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Economic, Social and Political Development of the Territories and the Freely Associated States: Compact of Free Association, As Amended, Sector Grants	15.875

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The College was determined to be a low-risk auditee as that term is defined in OMB Circular A-133.

**B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

No matters are reportable.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No matters are reportable.

**COLLEGE OF THE MARSHALL ISLANDS**

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2008

Questioned Costs

There are no unresolved questioned costs or matters of noncompliance from prior year Single Audits of the College.