

June 20, 2008

CONFIDENTIAL

Mr. Wilson Hess
President
College of the Marshall Islands:

Dear Mr. Hess:

In planning and performing our audit of the financial statements of the College of the Marshall Islands (the College) as of and for the year ended September 30, 2007, on which we have issued our report dated June 20, 2008, 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) Accounting Policies and Procedures Manual

Section III.C of the College's Accounting Policies and Procedures Manual states that two designated members of the Board of Regents are authorized to sign checks. Furthermore, the manual states that at least one of the designated board members is required to sign checks of \$1,000 or more. In actual practice, none of the board members are authorized to sign checks. We recommend that management ensure that the manual is updated.

(2) Fixed Assets

Section IV.C of the College's Accounting Policies and Procedure Manual requires that fixed asset disposals be supported by approved disposal forms. Additionally, assets should be removed from the subsidiary fixed asset register upon disposal. Certain assets disposed of during the year are not supported by approved disposal forms and were not removed from the subsidiary register. Adjustments were subsequently provided by management for the disposals. We recommend that management ensure that fixed asset disposals are supported by an approved disposal forms and are removed from the subsidiary register.

(3) Fixed Assets

We were informed by business office staff that the fixed asset subsidiary ledger was not reconciled with the general ledger throughout the year and was only done so in preparation for the audit. We recommend that management ensure that the subsidiary ledger is reconciled with the general ledger on a periodic basis.

(4) Receiving Reports

Pre-numbered receiving report forms were not consistently used. Form numbers 11692 to 11752 were skipped and "reserved" for goods received while the procurement officer, who is responsible for preparing the forms, was on annual leave. We recommend that management ensure that receiving report forms are promptly prepared for all goods received.

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(5) Inventory

The year-end physical bookstore inventory count was conducted by the bookstore manager and was not independently verified. We recommend that management ensure that bookstore physical inventory counts are verified by an independent source.

(6) Payroll

The same individual performs all payroll functions. We recommend that management ensure that segregation of duties is in place over the payroll function.

(7) Payroll

Of forty-four payroll expenses tested, one employee was overpaid by \$16 due to an incorrect hourly pay rate. We recommend that management ensure that employees are paid correct hourly rates.

(8) Expenses

Of thirty-one non-payroll unrestricted fund expenses tested, receipts supporting \$240 in departure fees paid (check # 23423) were not available. Additionally, for one item (check # 21941), the attendant travel authorization was approved subsequent to the travel. We recommend that management ensure that all expenses are supported by adequate documentation and that travel is pre-approved.

(9) Private Donations and Grants

During the year ended September 30, 2007, the College received private donations and grants, totaling \$5,221 for deposit to the College's investment account. The funds were deposited into the general bank account (G/L A/c # 1002) and were not invested. We recommend that management ensure that donations and grants are invested when received.

(10) Bank Reconciliation

We recommend that bank reconciliation be specifically initialed to indicate review. While we understand that bank reconciliations were subjected to review, there was no specific indication that such occurred.

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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,

