



REPUBLIC OF THE MARSHALL ISLANDS  
OFFICE OF THE AUDITOR GENERAL  
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June 6, 2005

CONFIDENTIAL

Mr. Cent Langidrik  
Chairman  
Marshall Islands Scholarship Grant and Loan Board

Dear Mr. Langidrik:

In planning and performing our audit of the financial statements of the Marshall Islands Scholarship Grant and Loan Board (MISGLB) for the year ended September 30, 2003, on which we have issued our report dated June 6, 2005, we developed the following recommendation concerning a certain matter related to MISGLB's internal control and certain observations and recommendations on other accounting, administrative, and operating matters. Our principal recommendation is summarized below:

Purchases/Disbursements

Of forty-three loans payable tested, we noted one item (Check # 8243 for \$9,133) disbursed to a student. However, it was noted per review of the student file that the student did not meet the established grade criteria of MISGLB and therefore, is not eligible to receive scholarship assistance during the year ended September 30, 2003. We recommend that MISGLB ensure that students meet eligibility requirements prior to being provided with scholarship assistance.

Purchases/Disbursements

Expenditures incurred should be based on and not exceed the annual fiscal budget as approved by the Board of Directors. During our tests of expenditures, we noted three expenditure line items that were not included in the annual fiscal budget approved by the Board of Directors and four expenditure line items that exceeded approved amounts. We recommend that MISGLB ensure that all expenditures be included in the annual fiscal budget. Furthermore, we recommend that MISGLB obtain budgetary approval from the Board of Directors prior to incurring expenditures in excess of approved amounts.

Cash

Outstanding checks listed in a bank reconciliation that are greater than one year old may be better presented as liabilities and should be reviewed for propriety. MISGLB's bank reconciliation for the Compact Fund contains checks that are over one year old. Audit adjustments were proposed to reclassify these outstanding checks. We recommend that MISGLB scrutinize outstanding checks over one year old to determine whether they are valid outstanding checks and make any necessary adjustments.

Loans Receivable

All disbursements should be evidenced by a check copy with supporting documents and a memo request. The memo request should be certified by the fiscal officer, evidencing availability of funds, and approved by the Board. During our tests of loan receivables, we noted one item (Check # 7948 for \$11,970) was not supported by a memo request. We recommend that all loan disbursements be supported by a memo request and be properly approved.

Fixed Assets

Properties and equipment purchased should be properly accounted for and recorded in a fixed assets register. During our review of MISGLB's fixed assets for fiscal year 2003, a cell phone was not recorded in the fixed assets register. Furthermore, it is noted that MISGLB is currently paying for the monthly phone bills of this cell phone. We recommend that MISGLB include the cell phone in the fixed assets register.

Fixed Assets

All revenue and expenditure transaction should be properly accounted for. During our review of MISGLB's fixed assets register for fiscal year 2003, we noted a cash refund of \$123.00, which management stated that supplies were exchanged in lieu of the amount, however, we were unable to find supporting documentation. The refund relates to discount on four filing cabinets purchased from local vendor. We recommend that adequate documentation be retained and filed to support all procurement of properties, equipment and services.

Local Noncompliance

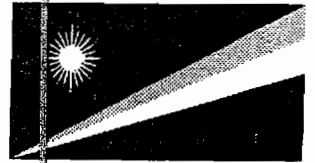
In accordance with MISGLB policies and procedures, it states in part..."student must meet the eligibility requirements"... which includes that an application from Pell Grant be submitted and, student must maintain a GPA of 2.5. During our tests of loans receivable, we noted one instance where a student was granted a scholarship award but did not maintain the 2.5 GPA. In addition, an application from Pell Grant was not submitted. We recommend that management comply with MISGLB policies and procedures.

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MARSHALL ISLANDS SCHOLARSHIP, GRANT AND LOAN BOARD  
**NATIONAL SCHOLARSHIP OFFICE**

POST OFFICE BOX 1436  
 MAJURO, MARSHALL ISLANDS • 96960



August 5, 2005

OFFICE OF THE  
 AUDITOR - GENERAL  
 RECEIVED  
 AUG 5 05  
 REPUBLIC OF THE  
 MARSHALL ISLANDS

To: Auditor General  
 From: Marshall Islands Scholarship, Grant & Loan Board  
 Subject: Responses to FY 2003 Findings

Followings are MISGLB's responses to the FY 2003 Findings and recommendations:

Finding No. 2003-1

MISGLB recognizes the importance of having its bank accounts reconciled on a timely manner and has already taken the necessary corrective steps toward this problem. As of FY 2005, all MISGLB bank accounts are being reconciled on a monthly basis and reviewed by the MISGLB chairman.

Finding No. 2003-2

MISGLB office has now taken the necessary measures to make sure all Journal entries are documented, supported and approved before any posting to the General Ledger is done. Attached please find a copy of our Journal Entries Voucher form.

Finding No. 2003-3

MISGLB realizes that this a finding that's been repeatedly cited in our previous years' audit reports. Therefore, in compliance with your recommendations and MISGLB's own policies, we have been gradually converting student loans to grants where due. As of July 2005, a total of \$1,998,208.54 student loans has been converted to grants. (See attachment).

As to the student loans repayments, the Scholarship office had already started to provide the Attorney General's office with names of students with over due loan payments. Also, we are in the process of compiling a list of all the student loans ready for collection. In

conjunction with that, the Board has set aside a legal fee with the idea of hiring someone to do the collecting. However, before doing that, MISGLB still needs to take into consideration a collection plan that would be fair and effective to all concerned.

Sincerely,

  
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Cent Langidrik, MISGLB Chairman


Mr. Cent Langidrik  
June 6, 2005  
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We have previously communicated certain matters noted during our audit of the financial statements of MISGLB for the year ended September 30, 2003, which we considered to be reportable conditions in our report dated June 6, 2005.

This report is intended solely for the information and use of management, 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,



Jean M. Tonyokwe  
Auditor-General