



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

August 14, 2015

Daniel Fitzgerald
Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913

Dear Mr. Fitzgerald:

The Office of Inspector General is committed to improving the quality of non-Federal audits. In accordance with our responsibilities for audit work performed by non-Federal auditors on Federal programs, we have reviewed the single audit reporting packages and related audit documentation of the Republic of the Marshall Islands (RepMar) and the Federated States of Micronesia (FSM) for the fiscal year ended September 30, 2013. We initiated our review to ensure the audits were conducted in accordance with the requirements of the Single Audit Act, as amended.

Based on our review of the reporting packages and related audit documentation, we believe the audits for the fiscal year ended September 30, 2013, to be acceptable with deficiencies, meaning the documentation contains quality deficiencies that should be brought to the attention of the auditor for correction in future audits, but do not require corrective action for the audit under review. With the exception of the following deficiencies, which we found in both the RepMar and FSM audits, the audit documentation we reviewed contained sufficient information to enable an experienced auditor who has no previous connection with the audits to support the auditors' significant judgments and conclusions.

Deficiency 1: Consideration of Management's Ability to Oversee a Nonaudit Service

Audit documentation did not include an identification of a designated auditee individual who possessed suitable skill, knowledge, or experience, and who understood the services that the auditor was providing in preparing the financial statements.

Criteria

Before an auditor agrees to provide a nonaudit service to an audited entity, the auditor should determine whether providing such a service would create a threat to independence ... A critical component of this determination is consideration of management's ability to effectively oversee the nonaudit service to be performed. The auditor should determine that the audited entity has designated an individual who possesses suitable skill, knowledge, or experience, and that the individual understands the services to be performed sufficiently to oversee them ... The auditor should document consideration of management's ability to effectively oversee nonaudit services to be performed. (GAGAS 3.34)

Deficiency 2: Identification and Evaluation of Deficiencies in Internal Control

Audit documentation did not include an evaluation of the control deficiencies that were ultimately reported as material weaknesses and significant deficiencies in the auditors' reports.

Criteria

If the auditor has identified one or more deficiencies in internal control, the auditor should evaluate each deficiency to determine, on the basis of the audit work performed, whether, individually or in combination, they constitute significant deficiencies or material weaknesses. (AU-C 265.09)

Please review the identified deficiencies and note for future audits. No further action is required. If you have any questions or concerns regarding our review and conclusions, please contact me at morgan_aronson@doioig.gov or 703-487-8058.

Sincerely,

A handwritten signature in dark ink, appearing to read "Morgan Aronson", with a long horizontal flourish extending to the right.

Ms. Morgan Aronson, CPA, CGFM
National Single Audit Coordinator