

February 24, 2006

## CONFIDENTIAL

Ms. Saane Aho  
Administrator  
Marshall Islands Social Security Administration

Dear Ms. Aho:

In planning and performing our audit of the financial statements of the Marshall Islands Social Security Administration (MISSA) as of and for the year ended September 30, 2004, on which we have issued our report dated February 24, 2006, we developed the following recommendations concerning certain matters related to MISSA's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

### (1) Contribution Receipts

Of twenty-five contribution receipts tested, we noted the following:

- Receipt #25461: The filing entity did not sign declaring that the return is true and correct to the best of his knowledge.

We recommend that MISSA ensure that all tax returns are signed in case disputes arise with filers.

### (2) Benefit Expenditures

Of twenty-five benefit expenditures tested, we noted the following:

- Check #330816, the deceased's name entered by the applicant did not match the deceased's name per the death certificate.
- Check #338070, the 'Social Element' of the underlying benefit calculation was calculated incorrectly.
- Check #332159, the applicant's name does not agree to the check recipient's name.
- Check #330592, the applicant's Social Security number per the application form has not been entered into the FoxPro system.
- Check #332359, the benefit payment entered into the FoxPro system does not agree to the amount actually paid.

We recommend that MISSA ensure that all supporting evidence provided by the applicant agrees to the application for benefits. Furthermore, we recommend that MISSA investigate the cause of the benefit calculation error. Also, the FoxPro database is a record of all claims entered and approved, and as such, should be accurate and complete.

(3) Accounts Payable

At September 30, 2004, the following general ledger liability accounts included amounts and transactions, such as outstanding checks and unidentified bank debits, which have been outstanding for greater than two years:

<u>General Ledger Account</u>	<u>Amount</u>
111-2000	\$ 7,600
111-2001	11,860
111-2004	80,332
111-2005	193,483

We recommend that MISSA investigate these outstanding balances and determine whether adjustments are necessary.

This matter was discussed in our previous letter dated February 13, 2004.

(4) Receivables

At September 30, 2004, MISSA recorded notes receivable and court judgments for overdue employer contributions (A/c #s 111-1400 and 111-1500, totaling \$4,249,204) that several employers are not paying in accordance with signed promissory notes. An allowance for these balances has been provided for in the amount of \$4,157,752.

We recommend that MISSA improve monitoring and follow-up procedures to ensure the timely collection of notes receivable pertaining to outstanding employer contributions. This matter was discussed in our previous letters dated February 18, 2002 and February 13, 2004.

(5) Receivables

At September 30, 2004, MISSA has receivables from RepMar in the Retirement Fund (A/c # 111-1308, totaling \$166,770) that include amounts that have not been reimbursed in a timely manner. An allowance has been recorded in the amount of \$119,270.

We recommend that MISSA pursue reimbursement from RepMar by establishing a repayment plan. This matter was discussed in our previous letters dated February 18, 2002 and February 13, 2004.

(6) Receivables

At September 30, 2004, MISSA has advances and other receivables in the Retirement Fund (A/c #s 111-1223 and 111-1230 totaling \$84,146 and \$40,870, respectively) due primarily from previous Board members and staff that have not been collected in a timely manner. An allowance has been recorded in the amount of \$125,016.

We recommend that MISSA improve monitoring and follow-up procedures to ensure the timely collection of advances. This matter was discussed in our previous letters dated February 18, 2002 and February 13, 2004.

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(7) Payables

At September 30, 2004, MISSA has withholding allotments recorded in various accounts, totaling \$49,147. These amounts have existed in the general ledger for many years and remain largely unchanged from year to year. As these balances are significantly aged, management cannot verify the validity of these payables.

We recommend that MISSA investigate these outstanding balances and adjust them if necessary.

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

