

April 21, 2008

## CONFIDENTIAL

Mayor James Matayoshi  
Rongelap Atoll Local Government  
Republic of the Marshall Islands

Dear Mayor Matayoshi:

In planning and performing our audit of the general purpose financial statements of the Rongelap Atoll Local Government (RALGOV) for the year ended September 30, 2003, on which we have issued our report dated April 21, 2008, we developed the following recommendations concerning certain matters related to RALGOV's internal control and certain observations and recommendations on other accounting, administrative, and operating matters. Our principal recommendations are summarized below:

### (1) Purchases/Disbursements

Of eleven General Fund purchases/disbursements tested, two vehicle rental disbursements (check #s 23398 and 23526) were recorded as freight and handling and repairs and maintenance expenditures, respectively. An audit adjustment was proposed to record the amounts in the correct accounts. We recommend that management ensure that disbursements are recorded in the appropriate accounts.

### (2) Purchases/Disbursements

Of twenty-five Capital Projects Fund purchases/disbursements tested, the vendor invoice or other supporting documentation was not available for one disbursement (check # 3035). We recommend that management ensure that all disbursements are adequately supported.

### (3) Purchases/Disbursements

The check vouchers and supporting vendor invoices or other supporting documentation for two subsequent disbursements (check #s 26572 and 35566) were not available. We recommend that management ensure that all disbursements are adequately supported.

### (4) Revenues

Of three General Fund revenue items tested, we noted the following:

- One item (JV # T00203-02), amounting to \$32,500, represented revenue earned by the Capital Projects Fund. Audit adjustments were proposed to record this revenue.
- The supporting invoices or billings for two items (JV # T00203-02) amounting to \$19,800 and \$16,719, respectively, were not available.

(4) Revenues, Continued

Additionally, payments totaling \$32,677 pertained to fiscal year 2003 but were received and recorded in fiscal year 2004. Although the amount is not considered material to the financial statements, we recommend that management ensure that revenues are recorded in the proper period.

(5) Social Security Taxes Payable

RALGOV's social security contributions for pay period ended November 29, 2002, quarter ended March 31, 2003, and quarter ended June 30, 2003, amounting to \$5,053, \$1,939 and \$1,603, respectively, were not reported nor paid during the year. We recommend that management ensure that social security contributions are reported and paid when due.

(6) Capitalization Policy

RALGOV currently does not have a formal capitalization policy for fixed assets. We recommend that management establish a formal capitalization policy for fixed assets.

(7) Purchases/Disbursements

Prepayment totaling \$75,000 from the Resettlement Trust Fund for professional services were expensed during the year. An audit adjustment was proposed to correct this error. We recommend that management ensure that disbursements are properly recorded in the general ledger.

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We have previously communicated certain matters noted during our audit of the general purpose financial statements of RALGOV for the year ended September 30, 2003, which we considered to be reportable conditions, in our report dated April 21, 2008.

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,

