



REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF THE AUDITOR GENERAL
POST OFFICE BOX 245
MAJURO, MARSHALL ISLANDS 96960

Telephone: .
Auditor General: 625-3192
Staff: 625-3390
Facsimile: 625-5135

July 21, 2005

CONFIDENTIAL

Mr. John Bungitak
Manager
National Environmental Protection Authority

Dear Mr. Bungitak:

In planning our audit of the financial statements of the National Environmental Protection Authority (EPA) as of and for the year ended September 30, 2003, on which we have issued our report dated July 21, 2005, we developed the following recommendations concerning certain matters related to EPA's internal control. Our principal recommendations are summarized below:

(1) Undelivered check

During our review of the bank reconciliation, we noted Check #1919 dated February 6, 2003 for \$129.00 has been outstanding for over a year. The check was found in a file folder as it was never delivered or picked up by payee. The check was subsequently voided. We recommend that EPA notify payees to pick up their checks or deliver the checks as soon as checks are being signed by authorized signatories.

(2) Purchases/Disbursements

Of thirty (30) non-payroll expenditures tested, all supporting invoices were not stamped paid. We recommend that supporting invoices be stamped paid to prevent duplicate payments.

(3) Per Diems

During our review of the accounting system, we found two instances where calculation of per diem advanced were incorrect, and one instance where calculation of a travel claims was also incorrect, resulting in underpayment to the travelers. We recommend that verification of per diems calculated be made to ensure correct amount is paid.

(4) Local Noncompliance

Sections 131 and 18 of the RepMar Social Security Act of 1990 and the Marshall Islands Health Fund Act of 2002, respectively, state that no later than the tenth day after the end of each quarter, every employer shall submit to the Social Security Administrator, a report of the wages and salaries paid, and the contributions due, under Sections 129 and 130, and 16 and 17, respectively, and pay into the Fund the contributions due. At September 30, 2003 EPA owed MISSA \$5,307 in employee contributions. Assessments of penalties and interests could not be determined and are not included in the amount owed. We recommend that EPA comply with the Social Security Act of 1990 and the Marshall Islands Health Fund Act of 2002.

(5) Local Noncompliance

Section 5 of the RepMar Income Tax Act of 1989, as amended, states that the employer shall, once every four weeks or thirteen times per year, pay taxes withheld under Section 4 of the Act. At September 30, 2003, EPA owed RepMar \$4,911 in income tax withholdings from employee wages. Assessments of penalties and interests could not be determined and are not included in the amount owed. We recommend that EPA comply with the Income Tax Act of 1989, as amended.

* * * * *

We have also communicated certain matters noted during our audit of the financial statements of EPA for the year ended September 30, 2003, which we considered to be reportable conditions in our report dated July 21, 2005.

This report is intended solely for the information and use of the Board of Directors and management 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 engagement. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Sincerely,


Jean M. Tonyokwe
Auditor-General