



REPUBLIC OF THE MARSHALL ISLANDS
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November 8, 2005

CONFIDENTIAL

Mr. John Bungitak
General 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, 2004, on which we have issued our report dated November 8, 2005, we developed the following recommendations concerning certain matters related to EPA's internal control. Our principal recommendations are summarized below:

(1) Local Noncompliance

Section 131 of the Republic of the Marshall Islands (RepMar) Social Security Act of 1990 states that no later than the tenth day after the end of each quarter, every employer shall submit to the Social Security Administration, a report of the wages and salaries paid and the contributions due, under Sections 129 and 130, and pay into the Fund the contributions due. At September 30, 2004, EPA owed MISSA \$4,131 in employee contributions. Assessments of penalties and interest could not be determined and are not included in the amount owed. We recommend that EPA comply with the Social Security Act of 1990.

(2) Local Noncompliance

Section 18 of the RepMar Health Fund Act of 2002 states that no later than the tenth day after the end of each quarter, every employer shall submit to the Board, a report of the wages and salaries paid and the contributions due, under Sections 16 and 17, and pay into the Fund the contributions due. At September 30, 2004, EPA owed the Fund \$1,760 in employee contributions. Assessments of penalties and interest could not be determined and are not included in the amount owed. We recommend that EPA comply with the RepMar Health Fund Act of 2002.

(3) 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, 2004, EPA owed RepMar \$4,996 in income tax withholdings from employee wages. Assessments of penalties and interest 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.

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(4) Maintenance of Records

During the course of our audit, we noted that EPA has no organized system for filing and cross referencing supporting documents. Supporting documents related to the Jaluit Conservation Project for March 2004, were missing and could not be located. Additionally, one employment contract was not made available. We recommend that EPA maintain an organized system for filing and cross referencing supporting documents and ensure all pertinent records are kept on file for future reference.

(5) Checks Returned

The cancelled checks returned with the monthly bank statements are photocopied of the front part only; therefore we were unable to verify whether all payees actually acknowledge receipt of payment by an endorsed check. We recommend that EPA require the bank to return all cancelled checks with the bank statements, or ensure that both sides of the cancelled checks are photocopied.

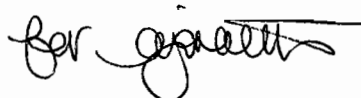
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We have also communicated certain matters noted during our audit of the financial statements of EPA for the year ended September 30, 2004, which we considered to be reportable conditions in our report dated November 8, 2005.

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