

LAND REGISTRATION AUTHORITY
INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2005



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS
BASED UPON THE AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Land Registration Authority:

We have audited the financial statements of the Land Registration Authority (the Authority) as of and for the year ended September 30, 2005, and have issued our report thereon dated October 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings (pages 3 through 7) as items 2005-1 and 2005-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable conditions described above to be material weaknesses.

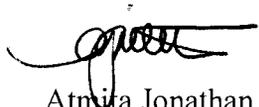
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2005-2 and 2005-4.

We noted certain other matters involving the internal control over financial reporting, which we have reported to management of the Authority in a separate letter dated October 11, 2007.

This report is intended solely for the information and use of the Board of Directors, management, and the Republic of the Marshall Islands and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which, upon acceptance, is a matter of public record.

October 11, 2007



Atmita Jonathan
Acting Auditor-General

LAND REGISTRATION AUTHORITY

Schedule of Findings
Year Ended September 30, 2005

Fixed Assets

Finding No. 2005-1

Criteria:

Accounting principles generally accepted in the United States of America require that government entities maintain control of and accountability for their fixed assets.

Condition:

As of September 30, 2005, the Authority did not account for its fixed assets. A fixed asset register was subsequently provided by the Authority for examination. In addition, the fixed assets were not tagged with government identification numbers.

Cause:

The cause of the above condition is the lack of established policies and procedures to ensuring proper control of and accountability for fixed assets.

Effect:

The effect of the above condition is the possibility of misappropriation of fixed assets.

Recommendation:

We recommend the Authority establish policies and procedures requiring that a periodic count of fixed assets be performed to ensure proper accountability of fixed assets through a fixed asset register. Furthermore, we recommend that all fixed assets be allocated a unique government identification number.

Auditee Response and Corrective Action Plan:

The Authority realizes the importance of establishing policies and procedures that will ensure a periodic count of all fixed assets. The Authority has already established a register to record all fixed assets, and will ensure that all assets are assigned a government identification number.

LAND REGISTRATION AUTHORITY

Schedule of Findings, Continued
Year Ended September 30, 2005

Procurement and Suspension and Debarment

Finding No. 2005-2

Questioned Costs: \$11,878

Criteria:

Article VI, Section 1(j) (1) of the Fiscal Procedures Agreement (FPA) states that RepMar may use its own procedures for procurement, whether done by government or its Sub-Grantees, provided that they meet the standards identified in the FPA.

RepMar's Procurement Code states the following:

- (a). Section 124 – unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.
- (b). Section 127 – procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures. Small purchases procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.
- (c) Section 128 – a contract may be awarded for a supply, service or construction item without competition when it is determined in writing that there is only one source for the required supply, service, or construction item.

Condition:

Of \$33,002 in non-payroll expenditures, eighteen non-payroll expenditures, totaling \$22,734, were tested. We noted the following expenditures where documentation was inadequate to evidence the procurement process:

| <u>Item #</u> | <u>Check #</u> | <u>G/L Account Name</u> | <u>Amount</u> |
|---------------|----------------|-------------------------|---------------|
| 1 | 1002/04/08/09 | Contractor | \$ 5,578 |
| 2 | 1069/1079 | Office Lease | \$ 6,300 |

For item #1, it was indicated that two contractors provided their bids; however, no documents were available on file for the other contractor.

For item #2, documentation supporting the procurement process was limited to price quotations from three vendors; however, there was only one price quotation for one vendor on file.

Cause:

The cause of the above condition is the lack of adequate internal control policies and procedures requiring the documentation of procurement procedures to ensure compliance with federal procurement requirements.

LAND REGISTRATION AUTHORITY

Schedule of Findings, Continued
Year Ended September 30, 2005

Procurement and Suspension and Debarment

Finding No. 2005-2, Continued

Questioned Costs: \$11,878

Effect:

The effect of the above condition is noncompliance with procurement standards.

Recommendation:

We recommend the Authority ensure supporting documentation is adequate to comply with federal procurement requirements as stipulated in the FPA. Specifically, supporting documentation should indicate the history of procurement, including the rationale for and method of procurement, the contractor selection or rejection, and the basis for the contract price.

Auditee Response and Corrective Action Plan:

Item #1. The Authority realizes its failure to follow the requirements of Section 124, 127 and 128 of the RMI Procurement Code, due to being misinformed, however, will do its utmost to comply with the requirement in any and all future contracts that will involve this office. The Authority will ensure that supporting documentation is adequate with federal procurement requirements as stipulated in the FPA.

Item #2. The Authority realizes its failure to follow proper procedures as also stated above, but also wants to point out that leasing of the office space at the MIDB Bldg., offered the most suitable space for the Authority's requirement.

LAND REGISTRATION AUTHORITY

Schedule of Findings, Continued
Year Ended September 30, 2005

Travel Expenditures

Finding No. 2005-3

Criteria:

Travel advances should be valid and issued in accordance with RepMar's prescribed policies and procedures and, upon liquidation, be supported by appropriate travel-related documentation, including trip report.

Condition:

Of twenty-five (25) non-payroll expenditures tested, the following exceptions were noted:

1. One payment for \$3,044 (Check # 1068) was not supported by an airline ticket, training fee receipt, and car rental receipts.
2. One traveler was advanced in the amount of \$750 (Check #1018), representing 100% of the per diem.
3. Two payments in the amounts of \$312.50 and \$559.00, respectively, (Check #s10 and 14) were not supported by travel authorizations.
4. One payment in the amount of \$397 (Check # 1082) represented per diem advance for which the travel did not occur. The traveler was not required to reimburse the per diem advance amount.

Cause:

The cause of the above condition is the lack of adherence to RepMar's prescribed policies and procedures regarding travel.

Effect:

The effect of the above condition is the lack of compliance with RepMar's prescribed policies and procedures regarding travel and the possibility of unauthorized and invalid travel expenditures.

Recommendation:

We recommend that travel advances be made in accordance with RepMar's prescribed travel policies and procedures and that the liquidation of travel advances be supported by appropriate travel-related documentation.

Auditee Response and Corrective Action Plan:

As of FY06, the Authority has been complying with the RepMar's prescribed policies and procedures regarding travel.

As for condition #1. The traveler did submit all supporting documents for airline ticket, training fee receipt and car rental receipts. All these receipts were forwarded to the Asian Development Bank for reimbursement, as the travel was on reimbursable basis from the ADB, as stated in the travel authorization.

The travel expenses have since been reimbursed by the ADB as evidenced by a fund deposit at the Bank of Marshall Islands in amount of \$5,269.86 (see attached). We have also located the receipt for the training fee (see attached), however, the receipt for airline ticket and car rental have been lost. The Authority realizes the importance of keeping complete records of all travel documents and will ensure that all future travels are well documented.

Condition #2 & 3. As of FY06, the Authority has been complying with the RepMar's prescribed policies and procedures regarding travel, and no longer authorized 100% per diem advances.

Condition #4. The Authority will make effort to require the traveler to reimburse the per diem advance amount.

Auditor-General's Response:

For condition no. 2, the audit for FY 2006 disclosed that travelers were also advanced 100% of the per diems. As such, this matter will be reported again in the FY 2007 audit report.

LAND REGISTRATION AUTHORITY

Schedule of Findings, Continued
Year Ended September 30, 2005

Reporting

Finding No. 2005-4

Criteria:

The grant agreement between the Land Registration Authority (the Authority) and the Government of the Republic of the Marshall Islands through the Ministry of Finance requires that the Authority provide quarterly and final SF-269 (Financial Status Reports) and SF-272 (Federal Cash Transaction Reports) reports within 15 days after the end of the quarter to which it applies.

Condition:

Our examination disclosed that the Authority did not submit the SF-269 (Financial Status Reports) and SF-272 (Federal Cash Transaction Reports) reports within the prescribed deadline periods.

Cause:

The cause of the above condition is the lack of adherence to reporting requirements within the grant agreement.

Effect:

The effect of the above condition is the lack of compliance with prescribed reporting requirements.

Recommendation:

We recommend that the Authority comply with prescribed reporting requirements.

Auditee Response and Corrective Action Plan:

The Authority realizes its failure to submit the required report on time and will make every effort to ensure compliance with prescribed reporting requirements.