

LAND REGISTRATION AUTHORITY
(A COMPONENT UNIT OF THE REPUBLIC
OF THE MARSHALL ISLANDS)

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2006



REPUBLIC OF THE MARSHALL ISLANDS
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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, 2006, and have issued our report thereon dated July 11, 2008. 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 5) as item 2006-1.

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 condition described above to be material weakness.

Compliance and Other Matters

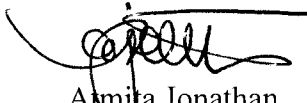
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 item 2006-2.

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 July 11, 2008.

Pursuant to the Auditor-General Act of 1986, we provided LRA with a draft of this report so that LRA could respond to our findings in writing. We appreciated LRA's response and have included it in the body of this report as Appendix "B".

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.

July 11, 2008

A handwritten signature in black ink, appearing to read 'Amifa Jonathan', is written over a horizontal line.

Amifa Jonathan
Acting Auditor-General

LAND REGISTRATION AUTHORITY

Schedule of Findings
Year Ended September 30, 2006

Fixed Assets

Finding No. 2006-1

Criteria:

Capital assets do not represent financial resources available for expenditures but are items for which financial resources have been used and for which accountability should be maintained through the use of unique asset identification numbers.

Condition:

The Authority has established a fixed asset register containing assets acquired; however, these assets are not tagged with government identification numbers to indicate ownership and the fixed assets register is not reconciled to the general ledger.

Cause:

The cause of the above condition is the lack of adequate internal control policies and procedures requiring fixed assets be tagged and the fixed assets register be reconciled to the general ledger.

Effect:

The effect of the above condition is the potential for losses of properties to occur and remain undetected and the possibility of incorrect balances in the general ledger.

Prior Year Status:

Lack of adherence to 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 and that all fixed assets be allocated a unique government identification number was reported as a finding in the audit of the Authority for fiscal year 2005.

Recommendation:

We recommend that the Authority ensure all assets, whether donated or purchased with government funds, are tagged with identification number to indicate ownership and ensure the fixed assets register is reconciled to the general ledger.

Auditee Response and Corrective Action Plan:

We will ensure that all assets donated or purchased with RMI government funds are tagged with identification numbers that indicated ownership and ensure that the fixed assets are registered and reconciled to the general ledger.

LAND REGISTRATION AUTHORITY

Schedule of Findings, Continued
Year Ended September 30, 2006

Procurement and Suspension and Debarment

Finding No. 2006-2

Questioned Costs: \$7,200

Criteria:

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 \$16,450 in non-payroll expenditures tested, we noted four payments made on check #s 1099, 1105, 1129, and 1145 for \$1,800 each (or \$7,200 in the aggregate) where documentation was inadequate to evidence the procurement process. Documentation supporting the procurement process was limited to price quotations from three vendors; however there was only one price quotation 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 RepMar procurement code.

Effect:

The effect of the above condition is noncompliance with RepMar procurement code.

Prior Year Status:

Lack of adherence to establish RepMar's procurement standard was reported as a finding in the audit of the Authority for fiscal year 2005.

LAND REGISTRATION AUTHORITY

Schedule of Findings, Continued
Year Ended September 30, 2006

Procurement and Suspension and Debarment

Finding No. 2006-2, Continued

Questioned Costs: \$7,200

Recommendation:

We recommend the Authority ensure supporting documentation is adequate to comply with RepMar procurement code. 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:

We will follow the procurement process and obtain three price quotations from three vendors to comply with RMI's procurement code.

LAND REGISTRATION AUTHORITY

Unresolved Prior Year Findings

The status of unresolved prior year findings is disclosed within the Schedule of Findings section of this report (page 3 to 5).



Land Registration Authority
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28 August 2008

To: Atmita Jonathan
 Acting Auditor – General
 Office of the Auditor – General
 Majuro, MH 96960

From: Helkena Anni
 Registrar
 LRA office
 Majuro, MH 96960

Subject: Required actions for LRA's audit reports

Dear Auditor:

We noticed the findings and we will follow the Auditor's recommendations. We will ensure that all assets donated or purchased with RMI government funds are tagged with identification numbers that indicated ownership and ensure that the fix assets are registered and reconciled to the general ledger. We will follow the procurement process and obtain three price quotations from three vendors to comply with RMI's procurement code. We will also recorded revenues in a proper period, as required. Today, we have followed the recommendations stated above and did recorded and tagged all the equipment in the office, with a staff from the supply office.

Please find the attached Management Discussion and Analysis, dated 30 September 2006. Please contact LRA's office if you have any questions. Komol tata.

Ilo Kautaj,

Helkena Anni

OFFICE OF THE
 AUDITOR - GENERAL
RECEIVED 4:10
 AUG 29, 2008
 REPUBLIC OF THE
 MARSHALL ISLANDS