

**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, 2007



REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor General
Post Office Box 245
Majuro, Republic of the Marshall Islands 96960

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

**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, 2007, and have issued our report thereon dated August 10, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses (pages 3 through 7) as items 2007-1, 2007-2 and 2007-4 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2007-3.

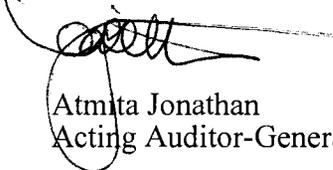
We also noted certain matters that we reported to management of the Authority in a separate letter dated August 10, 2009.

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

Pursuant to the Auditor-General Act of 1986, we provided LRA, with a draft of this report so that LRA could respond to our finding in writing. We appreciate 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 others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

August 10, 2009



Atmita Jonathan
Acting Auditor-General

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses Year Ended September 30, 2007

External Financial Reporting

Finding No. 2007-1

Criteria:

Board minutes are primary means by which regulatory agencies and independent auditors can evaluate the administration of the Authority's operations.

Condition:

During the year ended September 30, 2007, quarterly meetings of the Board of Directors were held; however, Board minutes for the third and fourth quarters were not available. In addition, subsequent Board minutes for the first and second quarters of fiscal year 2008 were also not available.

Cause:

The cause of the above condition is the lack of policies and procedures over documentation of Board minutes.

Effect:

The effect of the above condition is the possibility that directives of the Board are not properly disclosed or recorded in the financial statements.

Recommendation:

We recommend that the Board of Directors ensure all minutes of meetings are properly maintained and filed.

Auditee Response and Corrective Action Plan:

The LRA's Board and the Registrar has addressed this finding and taken steps to make sure that this does not happen again. All the notice for meetings and minutes will be properly maintained and filed in a separate folder, also in the folders for the Board Member. There will be a quarterly report to the Chairman of the Board and to the Office of the President.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2007

Fixed Assets

Finding 2007-2

Criteria:

Capital assets do not represent financial resources available for expenditures but are items for which financial resources have been used.

Condition:

As of September 30, 2007, the fixed asset register was not reconciled to the general ledger; however, such was rectified through proposed audit adjustments.

Cause:

The cause of the above condition is the lack of recording of prior year audit adjustments in conjunction with current year depreciation expense and fixed asset disposals.

Effect:

The effect of the above condition is the misstatement of fixed asset balances.

Recommendation:

We recommend that the Authority ensure the fixed assets register is reconciled to the general ledger.

Prior Year Status:

Lack of adequate internal control policies and procedures requiring the fixed assets register to be reconciled to the general ledger was reported as a finding in the audit of the Authority for fiscal years 2005 and 2006.

Auditee Response and Corrective Action Plan:

LRA will follow the internal control and procedures that required the fixed assets register to be reconciled to the general ledger. LRA will work closely with the Office of the procurement and supplies to prevent this from occurring.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2007

Procurement and Suspension and Debarment

Finding No. 2007-3

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 purchase 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 quotation 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 \$11,607 in non-payroll expenses tested, we noted four items made on check #s 1185, 1193, 1506, and 1519 for \$1,800 each (or \$7,200.00 in the aggregate) where documentation was inadequate to evidence the procurement process. Documentation supporting the procurement process was limited to price quotation 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.

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.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2007

Procurement and Suspension and Debarment

Finding No. 2007-3, Continued

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 years 2005 and 2006.

Auditee Response and Corrective Action Plan:

LRA obtained service from MIDB for rental space for the office based on RepMar's Procurement Code (c) Section 128 which stated that "a contract may be awarded for a supply, service or construction item without competition when it is determine in writing that there is only one source for required supply, service, or construction item". LRA will follow the Auditor-General recommendation.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2007

Accounting System Backup

Finding No.2007-4

Criteria:

Backup of accounting data should occur on a periodic basis with backup tapes being stored at an off-site location.

Condition:

During the audit, we noted that the accounting system was updated and changed after the financial statements were provided for audit. However, no updated financial statements were provided for the changes made as all accounting data in the accounting system was inadvertently deleted. No backups were available to facilitate the timely recovery of accounting data.

Cause:

The cause of the above condition is lack of internal control over financial reporting requiring the periodic backup of accounting data.

Effect:

The effect of the above condition is the inability to retrieve data due to the lack of data backup.

Recommendation:

We recommend that the Authority establish backup policies and procedures ensuring that accounting data is backed up on a periodic basis and stored at an off-site location.

Auditee Response and Corrective Action Plan:

LRA will address this condition by establishing a not only internal control over financial reporting but equally important is the periodic backup accounting data by accurately maintain and file the data regularly. LRA will report quarterly to the Chairman of the Board, Office of the President, Auditor-General.

LRA already approved hiring of an accountant to train the staff at LRA to update their accounting skills to better serve the people of the RMI and to meet the financial requirements of the office and the Auditor General.

LAND REGISTRATION AUTHORITY

Unresolved Prior Year Findings
Year Ended September 30, 2007

The status of unresolved prior year findings is disclosed within the Schedule of Findings and Responses section of this report (pages 3 through 7).

Land Registration Authority
Independent Auditors' Report on Internal Control and on Compliance
September 30, 2007

Responses Required to Clear Audit
From OAG Follow-Up System

In order for this audit to be cleared from the OAG follow-up system, written confirmation and/or documentation indicating action has been taken, as detailed below should be submitted no later than December 31, 2009.

Recommendation

Action to be taken

No. 1

Provide copy of missing board minutes.

No. 2

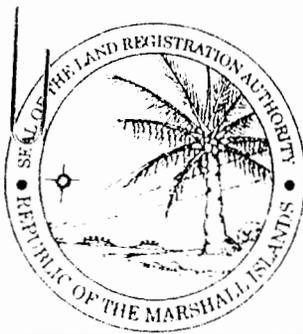
Provide copy of complete register for all fixed assets that ties in with the general ledger fixed assets accounts.

No. 3

Provide LRA's determination in writing to sole source the service of the office lease rental.

No. 4

Provide copy of policies and procedures relating to periodic backup of accounting data.



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Majuro, MH 96960
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Ph: 625 -7171 Fax: 625 – 7171 Email: landregister@ntamar.net

Appendix "B"

10 August 2009

To: Atmita Johnathan
Acting Auditor Office of the Auditor General
P.O. Box 245
Majuro, MH 96960

From: Helkena Anni
Registrar

Subject: Responses to the your findings in respect to LRA in 2007 Audit Report

OFFICE OF THE
AUDITOR - GENERAL
RECEIVED
AUG 14 2009
REPUBLIC OF THE
MARSHALL ISLANDS

Dear Acting Auditor General:

I met with the Chairman of the Board and discussed the findings in your draft financial statements report for the years ended 30 September 2007 and 2006. The following three pages are the responses to the findings.

Finding No. 1 Outstanding Check:

LRA will analyze outstanding checks for their validity and make the necessary and required adjustment.

Finding No. 2 Revenues / Receipts:

LRA will follow the policies and procedures that require timely deposit of cash and receipts and ensuring revenues are recorded in the correct fiscal year.

Finding No. 3 Travel Advances:

LRA will ensure that travel advances are making in accordance with RMI travel policies and procedures and that liquidation of travel are supported by appropriate travel documents.

Finding No. 4 Travel Advances:

LRA will make sure that travel advances are recorded initially as receivables and be liquidated and recorded as travel expenditures upon completion and submission of all appropriate travel liquidation documents.



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Appendix "B"

OFFICE OF THE
AUDITOR - GENERAL
RECEIVED
AUG 14, 2007
REPUBLIC OF THE
MARSHALL ISLANDS

Finding No. 5 Journal Entries:

LRA will ensure that all journal entries are independently studied and approved before recorded in the general ledger and sufficiently maintained in the journal voucher file. Furthermore, LRA will also ensure that all journal entries are adequately supported.

Finding No. 6:

LRA will ensure that that the bank reconciliation is reconciled with the general ledger.

Finding No 7 Segregation.

There was a long period of time in which there was only one staff at LRA. The Registrar took a leave of for her campaign for the Nitijela. This is the reason the Office Assistant has access to LRA assets and access to the accounting records supporting those assets. LRA agreed with Auditor General's recommendation will construct a more structured control environment.



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Appendix "B"

RECEIVED
AUG 14, 2009
REPUBLIC OF THE
MARSHALL ISLANDS

Dear Acting Auditor General:

This page is the responses to the findings in your 30 September 2007 and 2006 draft report to the Chairman of the Board:

Finding No. 1 unavailability of Board minutes:

The LRA's Board and the Registrar has addressed this finding and taken steps to make sure that this does not happen again. All the notice for meetings and minutes will be properly maintained and filed in a separate folder, also in the folders for the Board Members. There will be a quarterly report to the Chairman of the Board and to the Office of the President.

Finding No.2 fixed asset register was not reconciled to the general ledger:

LRA will follow the internal control and procedures that required the fixed assets register to be reconciled to the general ledger. LRA will work closely with the office of the procurement and supplies to prevent this from occurring.

Finding No. 3 Non payroll expenses – inadequate documentation per procurement process.

LRA obtained service from MIDB for rental space for the office based on RepMar's Procurement Code (c) Section 128 which stated that " a contract may be awarded for a supply, service or construction item without competition when it is determine in writing that there is only one source for the required supply, service, or construction item". LRA will follow the Auditor General recommendation.

Finding No. 4 Lack of internal control over financial reporting /periodic backup of accounting data.

LRA will address this condition by establishing a not only internal control over financial reporting but equally important is the periodic backup accounting data by accurately maintain and file the data regularly. LRA will report quarterly to the Chairman of the Board, Office of the President, Auditor General.

LRA already approved hiring of an accountant to train the staff at LRA to update their accounting skills to better serve the people of the RMI and to meet the financial requirements of the office and the Auditor General. Komol tata.

Sincerely,

Helkena Anni