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

August 10, 2009

Mr. Helkena Anni
Registrar
Land Registration Authority

Dear Mr. Anni:

In planning and performing our audit of the financial statements of the Land Registration Authority (the Authority) as of and for the year ended September 30, 2007 (on which we have issued our report dated August 10, 2009), 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, we considered the Authority's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the Authority's internal control over financial reporting and other matters as of September 30, 2007 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated August 10, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the Authority for their cooperation and assistance during the course of this engagement.

Very truly yours,

Atmita Jonathan
Acting Auditor-General

SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving the Authority's internal control over financial reporting as of September 30, 2007 that we wish to bring to your attention:

(1) Outstanding Check

During our examination, we noted that the Authority bank reconciliation contains a check that is over one year old outstanding. We recommend that the Authority scrutinize outstanding checks over one year old to determine whether such checks are valid outstanding and make any necessary adjustment.

(2) Revenues/Receipts

We noted that cash receipts issued in FY 2007 (CR#0078-0106) in the amount of $112 were not recorded as revenues in the correct fiscal year due to the lack of timely deposit of cash receipts. We recommend that the Authority establish policies and procedures requiring the timely deposit of cash receipts and thus ensuring revenues are recorded in the correct fiscal year. This matter was discussed in our previous letters dated July 11, 2008 and October 11, 2007.

(3) Travel Advances

We noted two (2) instances where one traveler was advanced 100% of the per diems as follows:

Check Date	Check #	Amount
11/20/06	1172	$375.00
03/13/07	1199	$343.75

In addition we also noted two payments in the amount of $527 and $352, respectively, (Check #1521 and #1529) were not supported by appropriate supporting documents such as airline tickets, boarding pass, departure fee receipt, car rental receipt, and especially the trip report. Furthermore, trip report per TA #1013/1013(a) for check #1530, was filed subsequent to our examination, which is (more than 365 days after). We recommend that travel advances be made in accordance with RepMar travel policies and procedures and that the liquidation of travel advances be supported by appropriate travel-related documentation. This matter was discussed in our previous letter dated July 11, 2008 and our previous report on internal control dated October 11, 2007.

(4) Travel Advances

We noted that travel advances are recorded directly as travel expenditures instead of initially being recorded as receivables. We recommend that travel advances be recorded initially as receivables and be liquidated and recorded as travel expenditures upon completion and submission of the appropriate travel liquidation form.

(5) Journal Entries

During the year ended September 30, 2007, journal entries were made for three (3) voided checks (#1173, 1174, &1175) as reflected on the bank reconciliation; however, such entries were not reflected in the general ledger nor were the physical journal vouchers available for scrutinization. We recommend that management ensure all journal entries are independently reviewed and approved prior to being recorded to the general ledger and that such are adequately maintained in a journal voucher file. Furthermore, we recommend that management ensure all journal entries are adequately supported.

(6) Bank Reconciliation

During our examination, we noted that the bank reconciliation does not tie in to the general ledger. We recommend that management ensure that the bank reconciliation is reconciled with the general ledger.

(7) Segregation of Duties

One of the main objectives of internal accounting control is to safeguard an entity's assets. During our examination, we noted that the Office Assistant has access to LRA assets and also has access to the accounting records supporting those assets. We recommend that close involvement of management on a continuing basis and their through review of accounting activities and financial reports as a means to maintain internal controls until a more structured control environment becomes cost effective.

SECTION II – DEFINITIONS

The definition of a deficiency that is established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, is as follows:

A *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 and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The Authority's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.