

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, 2008



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, 2008, and have issued our report thereon dated March 24, 2011. 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 2008-1, 2008-2, and 2008-4 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 2008-3.

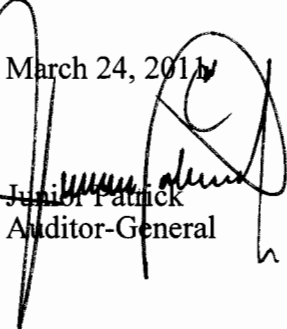
We also noted certain matters that we reported to management of the Authority in a separate letter dated March 24, 2011.

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 findings in writing. We appreciated LRA's prompt response, which we have incorporated into the body of this report.

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.

March 24, 2011


Junior Patrick
Auditor-General

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses Year Ended September 30, 2008

Finding No. 2008-1

External Financial Reporting

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, 2008, quarterly meetings of the Board of Directors were held; however, Board minutes for the first and second quarters were not available. In addition, subsequent Board minutes for the fourth quarter of fiscal year 2009, were 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 that all minutes of meetings are properly maintained and filed.

Prior Year Status:

Lack of adequate policies and procedures over the documentation of Board minutes was reported as a finding in the audit of the Authority for fiscal year 2007.

Auditee Response and Corrective Action Plan:

- a. The policy and procedure for procedure for maintaining the Minutes of the meetings of Board is to scan the minutes into PDF forms and also filed them in an audit folder for the FY to be audited.
- b. The Board will conduct meeting for last quarter of each year in September and the first quarter meeting will be in November so that all minutes for the FY will be signed and ready for audit.
- c. The Board minutes for the fourth quarter of FY 2009 were signed after the audit was completed, due to the fact that the minutes have to be signed when the Board meet.
- d. The Authority already scans the Board's minutes in the PDF form and filed them in an Audit folder for FY 2010 to be audited.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2008

Finding 2008-2

Fixed Assets

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, 2008, 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 policies and procedures requiring the fixed assets register to be reconciled to the general ledger.

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 audits of the Authority for fiscal years 2005 through 2007.

Auditee Response and Corrective Action Plan:

- a. The Authority always follows RMI's fixed assets policies and procedures. However, we purchased our office supplies in an order that reflected in larger amount paid, in turns reflected as fixed assets, but are not.
- b. The Authority already reconciled the fixed assets to the general ledger as reflected in our FY 2010 financial statements submission to Auditor-General Office.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2008

Finding No. 2008-3

Procurement and Suspension and Debarment

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 \$34,464 in non-payroll expenditures, thirty-nine expenditures totaling \$30,717 were tested. We noted the following expenditures where documentation was inadequate to evidence the procurement process.

<u>Check #</u>	<u>G/L Account Name</u>	<u>Amount</u>
1535	Office supplies	1,863.00
1537	Repairs & maintenance	185.00
1540	Office rent	1,800.00
1545	Fuel	421.15
1548	Fuel	486.30
1556	Fuel	384.18
1558	Fuel	613.30
1560	Fuel	504.69
1562	Office rent	1,500.00
1564	Fuel	470.94
1573	Office supplies	179.14
1576	Repairs & Maintenance	175.00
1581	Computer training/software	2,000.00
1585	Office equipment	327.95
1588	Office equipment	668.00
1591	Fuel	404.87
1592	Repairs & maintenance	168.00
1593	Office rent	1,800.00
1596	Repairs & maintenance	250.00
1599	Fuel	483.05
1603	Office equipment	265.00
1605	Fuel	399.60

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2008

Finding No. 2008-3, Continued

Procurement and Suspension and Debarment

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 the RepMar procurement code.

Recommendation:

We recommend that 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.

Prior Year Status:

Lack of adherence to established RepMar procurement standard was reported as a finding in the audits of the Authority for fiscal years 2005 through 2007.

Auditee Response and Corrective Action Plan:

- a. We will follow the RMI's procurement code and the recommendation by the Auditor.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2008

Finding No.2008-4

External Financial Reporting

Criteria:

General journal entries should be supported by independently reviewed and approved journal vouchers with appropriate supporting documentation.

Condition:

General journal entries were directly recorded to the general ledger without independent review. Furthermore, general journal entries were not supported by appropriate supporting documentation. In addition, physical journal voucher forms are not maintained on file for reference.

Cause:

The cause of the above condition is lack of adequate internal control policies and procedures regarding general journal entries.

Effect:

The effect of the above condition is the possibility of unauthorized and unsupported transactions being recorded in the general ledgers.

Recommendation:

We recommend that management establish policies and procedures requiring general journal entries to be independently reviewed and approved prior to being recorded in the general ledger. Furthermore, we recommend that general journal voucher forms be maintained and kept on file and should be supported by appropriate supporting documentation.

Auditee Response and Corrective Action Plan:

- a. The Board will receive and approved the journal entries prior to being recorded in the general ledger. The Authority will make sure that the journal voucher forms be maintained kept on file and be supported by required supporting documents.

LAND REGISTRATION AUTHORITY

Unresolved Prior Year Findings
Year Ended September 30, 2008

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