

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, 2009



REPUBLIC OF THE MARSHALL ISLANDS

Office of the Auditor-General

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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, 2009, and have issued our report thereon dated June 10, 2013. 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

Management of the Authority is responsible for establishing and maintaining effective 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.

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 that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses (pages 3 through 17), we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2009-1, 2009-2, 2009-4, 2009-6, 2009-7 and 2009-9 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 and Responses as item 2009-3, 2009-5 and 2009-8.

We also noted certain matters that we reported to management of the Authority in a separate letter dated June 10, 2013.

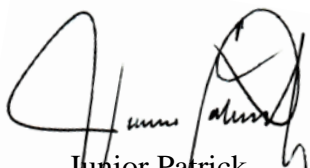
The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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

The most important outcome of any audit or review is the correction of deficiencies and an improvement in the management of the audited entity. We believe that the implementation of our recommendations is a step in that direction. This Office maintains an "audit follow-up system" and in order for this audit to be considered closed, we would expect the actions/documentation detail in Appendix "A" of this Independent Auditors' Report on Internal Control and on Compliance to be taken by your office.

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.

June 10, 2013



Junior Patrick
Auditor-General

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses Year Ended September 30, 2009

External Financial Reporting

Finding No. 2009-1

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, 2009, quarterly meetings of the Board of Directors were held; however, Board minute dated August 17, 2009 was missing and not available for review.

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 internal policies and procedures requiring all minutes of meetings be properly maintained and filed was reported as a finding in the audits of the Authority for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

This finding was corrected in FY 2010. Have both hard and electronic copies.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Fixed Assets

Finding 2009-2

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, 2009, 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 2008.

Auditee Response and Corrective Action Plan:

LRA management and the Board of Directors have established policies and procedures to address and correct the finding from occur again. Management and staff have learned how to reconcile the fixed assets to the general ledger. We will follow the recommendation by the Auditor-General Office.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Procurement and Suspension and Debarment

Finding No. 2009-3

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. RepMar's Ministry of Finance has previously declared that 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 fifty-five (55) non-payroll expenditures tested totaling \$32,696.28; 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>
1681	Office Supplies	650.00
1704	Repairs & Maintenance	650.00
1705	Office Supplies	1,089.30
1720	Labor charge (installing network)	500.00
1721	Repairs & Maintenance	659.00
1722	Office Supplies	502.95 *

*Per check #1722, the Registrar has indicated on the invoice by handwriting that item was not available at other local vendors, however, there no evidence that this is the case, as price quote from the other vendors were not provided to support his decision to purchase the item from Copy Master.

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.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Procurement and Suspension and Debarment

Finding No. 2009-3, Continued

Recommendation:

We recommend the management 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 2008.

Auditee Response and Corrective Action Plan:

LRA management and the Board of Directors have established internal control policies and procedures to address and correct the finding. LRA will comply with the RMI procurement code, ensuring that all supporting documents are included in all process.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Journal Entries

Finding No.2009-4

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 over the recording of 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 be supported by appropriate supporting documentation.

Prior Year Status:

Lack of independent review and approval of journal entries was reported as a finding in the audit of the Authority for fiscal year 2008.

Auditee Response and Corrective Action Plan:

Management will follow the recommendation by the Office of the Auditor-General and make sure that an independent review and approval by the Board occur before any transaction is recorded into general ledger. A general journal voucher form will be maintained and kept on file and be supported by supporting documentation.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Fixed Assets

Finding 2009-5

Criteria:

Government policies regarding the recordation of fixed assets stated that all items that have an acquisition cost of \$300 or more, or a useful life of more than 1 year shall be recorded as fixed asset of RepMar.

Condition:

Review of the fixed assets register and the general ledger account at September 30, 2009, disclosed items with values less than \$300 have been recorded as fixed assets.

Cause:

The cause of the above condition is the lack of adherence to established policies regarding the recordation of fixed assets.

Effect:

The effect of the above condition is non-compliance with RepMar established policies and procedures, and overstatement of fixed asset balances and understatement of expenditures.

Recommendation:

We recommend that the Authority ensure that only items that have an acquisition cost of \$300 or more be recorded as fixed assets.

Auditee Response and Corrective Action Plan:

LRA already addressed and corrected this finding.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Accounting Records

Finding 2009-6

Criteria:

Financial transactions of an entity should be recorded on a daily basis.

Condition:

During our audit of the financial statements of LRA, we noted that the accounting records were deleted from the system and had to be recreated by a consultant.

Cause:

The cause of the above condition is the lack of internal control procedures requiring the daily back-up of the accounting system to prevent loss of records.

Effect:

The effect of the above condition is that management could not monitor the financial situation of the Authority during the year.

Recommendation:

We recommend for management to ensure that accounting transactions are recorded daily through the accounting system and that a daily back-up of the system is maintained offsite.

Auditee Response and Corrective Action Plan:

LRA agreed with the recommendation by the Office of the Auditor-General. We already corrected this finding. The fee collection that are more than ten dollars (\$10.00) at the end of a working day should be deposited at bank and those that are less than this amount should be deposited next day.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2009

Travel Expense

Finding 2009-7

Criteria:

RepMar Travel Rules and Regulations per C.M. 247 (2000) state that airfare and airport tax, and local transport costs are reimbursable costs supported by receipts; however, for Majuro and Ebeye, reimbursement of car rental is not allowed. Additionally, the regulations also specify that only the Cabinet Ministers and the Speaker of the Nitijela shall be entitled to a representation allowance. The other officers may receive representation allowance only in exceptional cases that are specifically authorized in advance by the respective Minister. Exceptional cases may involve those instances when the traveler is unaccompanied and he has to represent the Government in meetings with high-ranking officials of the country visited. Reimbursements of representation expenses should be attached to a Representation Expense Report which itemizes the names of persons entertained and the reason for the entertainment. The rules and regulations also require within 15 days after the end of the travel and returning to Majuro or his home base, the traveler should submit the Travel Voucher Claims (TVC). If the traveler fails to file the TVC within the aforementioned period, the amount advanced to him, excluding the per diem, will be deducted from his pay in the next payroll period after the end of the deadline. Furthermore, the travel rules and regulations also dictate that travel extension and amendment follow the same process as the original Travel Authorization (TA). Extensions may be allowed when the reason for the trip has been extended for a period of no less than three days beyond the original schedule; and when the plane schedule has been cancelled due to reasons beyond the traveler's control like a brewing typhoon.

Condition:

Of \$32,697 in non-payroll expenditures tested, the following items related to travel expenditures were noted:

1. Check no. 1679, dated July 1, 2009 for \$1,792 was issued to the Registrar for travel advances per travel authorization (TA) no. 1020, also dated July 1, 2009. Of this amount, \$640 relates to car rental on Ebeye & \$250 relates to representation allowance. These expenditures are not allowed under RMI travel rules and regulations, except for Cabinet Ministers and the Speaker of the Nitijela and only in exceptional cases. Further review indicates that copies of the car rental receipt/invoice and representation expense report were not on file. Accordingly, questioned costs in the amount of \$890 are reported.
2. Check no. 1701, dated August 19, 2009 for \$200 was issued to the Registrar for additional car rental on Ebeye per amended TA no. 1024. Such expense is not allowed under RMI travel rules and regulations. In addition, rental rate and number of additional days were not indicated on the TA, as such, we are unable to determine how the \$200 was arrived at when the rental rate indicated on the original TA was \$80 a day. Further review indicates that car rental receipt or invoice was not on file. Accordingly, questioned costs in the amount of \$200 are reported.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2009

Travel Expense

Finding 2009-7, Continued

Condition:

3. Check no. 1688, dated August 7, 2009 for \$625 was issued to the Registrar for per diem for five (5) extra days on Ebeye per amended TA no. 1022. The amended TA was not approved by a Board member and no justification or explanation for the extra days was provided. Additionally, LRA issued the payment although the traveler did not file a travel voucher claim (TVC) as required by the travel rules and regulations. As such, questioned costs in the amount of \$625 are reported.
4. Check no. 1700, dated August 19, 2009 for \$385 was issued to the Registrar for travel claimed (20% of amount advanced), however, the Registrar did not file a travel voucher claim and the related travel document, as such we are unable to determine how LRA determined the amount due the Registrar. Based on the document obtained and reviewed, we calculated the per diem due the Registrar and noted that he owed LRA \$160.
5. Check no. 1637, dated February 13, 2009 for \$533 was issued to the Registrar for per diem advanced per a TA that was not numbered and was also dated February 13, 2009 for travel to Mejit Island. Of this amount, \$250 relates to representation allowances, however such expense is not allowed under RMI rules and regulations. Further review indicates that the required representation expense report was not on file. Accordingly, questioned costs in the amount of \$250 are reported.
6. Check no. 1638, dated February 13, 2009 for \$153 was issued to Airline of the Marshall Islands (AMI) for the Registrar's airfare to Mejit Island. Further review indicates that copy of ticket was not on file.
7. Check no. 1673, dated June 18, 2009 for \$273 was issued to the Registrar for travel claimed, per TA no. 1020(a). Of this amount, \$50 relates to per diem for 1 additional day on Mejit Island, \$153 for reimbursement of airfare from Majuro to Mejit, which was not approved in the original TA and \$70 for travel claimed. The Amended TA was not approved by a Board member and it did not include \$153 airfare from Majuro to Mejit, although the mode of transportation was changed. The original TA has approved travel by boat to Mejit and returned to Majuro by AMI. Questioned costs in the amount of \$273 are reported.

Further review indicates that the travel voucher claim was not dated, and the per diem computation worksheet was missing and not available for review. In addition, copies of airline tickets, boarding passes and departure fee receipt were not provided with the claim and were not on file.

Review of the original TA indicated that travel period was February 14 to 21, 2009 however trip report on file indicates that trip actually took place from June 4 to 14, 2009, about four (4) months after issuance of the travel advances. It was noted that the advanced payment for \$533 was not voided when the trip did not take place as scheduled instead it was cashed. Refer to item #5.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Travel Expense

Finding 2009-7, Continued

Cause:

The cause of the above condition is management overrode the established RMI Travel Rules and Regulations; and lack of proper review by Board to ensure travel authorization is in accordance with rules and regulations.

Effect:

The effect of the above condition is the possibility of improper use of public funds and violations of RMI Travel Rules and Regulations.

Recommendation:

We recommend that the Chairman of the Board of Directors of LRA duly review all travel authorization of the Registrar prior to approval and to ensure that all amended TAs are authorized. Upon liquidation, we recommend that the Chairman scrutinize all supporting documents for their validity and propriety. Additionally, as is required by RMI Travel Rules and Regulations, we recommend that the Authority require the Registrar to reimburse the following unsupported and unauthorized advances related to:

1. representation and car rental ck#1679	\$ 890
2. additional car rental per ck#1701	200
3. additional per diem per ck #1688	625
4. overpayment of advance ck# 1700	160
5. representation per ck# 1637	250
6. unauthorized TA and airfare ck# 1673	<u>273</u>
Total	<u>\$ 2,398</u>

Auditee Response and Corrective Action Plan:

I was not aware of the C.M 247 (2009). It would be very helpful if the C.M. 247 (2009) would be provided to all government ministries and agencies for future reference. All the TAs were approved and authorized by the board. All the receipts for the travel, car rental and representation were filed, at the Office. The common practice that I know for 20 years as a government employees is that the head of the Ministries and agencies do receive representation, even senator that head a delegation for off islands meetings and also for the meetings with the local communities; there are head of that received representation. I think is fair to treat all heads of ministries and agencies the same. If no representation then no one should have except those in the C.M. mentioned.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2009

Travel Expense

Finding 2009-7, Continued

Auditee Response and Corrective Action Plan, (Continued)

Condition:

1. All TA were authorized and approved by Board. All the receipts for the travel, car rental and representation were attached with the claim vouchers and filed. TA# 1020 is recorded for both for Mejit Island and Ebeye. The \$625.00 check # 1688 is for the TA #1024 for the five additional days I stayed on Ebeye that was also authorized and approved the Board.
2. All the receipts for travel, car rental and representation were filed.
3. There were two meetings conducted by the Irojlaplap Jeimata Kabua's Mojen one in July and August. During the second meeting I was asked to stay five additional days by the Iroj and Chairman of the Mojen of Irojlaplap Jeimata Kabua for the completion of the meeting. I considered that opportunity as a high level traditional meeting, very educational and informative. The Board approved and authorized both the TA. I did file all the required TA documents at the office. It is not true that the Board did approve the amended TA.
4. The travel voucher and all other required documents were also file at the office.
5. Representation expenses were filed at the office.
6. The copy of the ticket was filed at the office.
7. The original TA 1020 for Mejit Island did include an airfare round trip tickets from Majuro to Mejit and back. I was issued one ticket from Majuro to Mejit Island: I paid my ticket from Mejit to Majuro and claimed 20% plus amount I paid for my return ticket back and the additional day on Mejit. The TA was **not** aimed for me to go to Mejit from Majuro on a boat, if that was the case then there should be more money for per diem (\$50 x days on boat = \$500.00 +\$350.00 for the 7 days on Mejit for the total of \$850.00 per diem). The additional \$50.00 is for extra day that I have stayed on Mejit because Air Marhsall Islands did not come to Mejit as scheduled but a day later. I paid \$153.00 for my return ticket back to Majuro that the Board approved and authorized the reimbursement. All the original travel documents were filed at the office. I want to make it clear that the mode of transportation for the entire trip was by AMI, and not by boat, because it was not designed for me to go on a boat. I took the trip to Mejit Island in June 2009 because the original date of travel in February 2009 was cancelled. The TA did not cancel but took place months later. There was no additional fund added to the trip except the \$50.00 for the additional day on Meit Island due to the fact AMI was a day late.

Auditor-General's Response:

C.M. 247(2000) and not C.M. 247(2009) as indicated in the Auditee Response, established the Government regulations on travel. We are of the view that, as Head of the Authority, it is the responsibility of the Director to obtain copies of these regulations.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2009

Travel Expense

Finding 2009-7, Continued

Auditor-General's Response, (Continued)

With respect to the receipts for car rental, representation expenses and airline tickets, such documents were not file with the check files and were not made available as requested for our review. Director claimed that these documents are on file at the Office, however he did not provide copies of these missing documents with his response letter.

As for all TA being authorized and approved by the Board, we have cited in the above condition the travel authorizations that we found were not approved by the Board.

Our findings and recommendations remain the same.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Local Non-Compliance

Finding 2009-8

Criteria:

Annual budgets are usually adopted to ensure expenditures are properly approved prior to being incurred.

Condition:

During our review of LRA's actual expenditure to budget, we noted that approved budget was for \$30,658, however, actual expenditure amounted to \$37,820, a variance of \$7,061 is noted:

<u>Line Items</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Travel	\$ 4,630	\$ 9,359	(\$ 4,729)
Lease & rental housing	7,700	7,200	500
Training & staff development	1,500	-	1,500
Communication	4,000	3,498	501
Advertising	1,500	-	1,500
Repair	1,000	3,238	(2,238)
POL	2,828	5,009	(2,181)
Food stuff	500	396	104
Other supplies & material	5,000	4,799	201
Board allowances	2,000	3,807	(1,807)
Miscellaneous expenses	-	412	(412)
Total	<u>\$ 30,658</u>	<u>\$ 37,820</u>	<u>\$ (7,061)</u>

LRA does not have a mechanism within the accounting system to facilitate the monitoring of expense against approved budgets.

Cause:

The cause of the above condition is the lack of adequate internal control policies and procedures to monitor expenses against approved budget.

Effect:

The effect of the above condition is the possibility of unauthorized expenses.

Recommendation:

We recommend for LRA to incorporate the annual budget within the accounting system to ensure effective budgetary control and proper accountability over available funds.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2009

Local Non-Compliance

Finding 2009-8, Continued

Auditee Response and Corrective Action Plan:

LRA already incorporated an accounting system to better manage and monitor our budget. At the end of a FY LRA do the best to purchase the needed and necessary items for operation of the authority. LRA try to save money and deposit in our bank checking account at BOMI. LRA try to save money at the end of each FY. LRA don't do as ministries usually do at the end of a FY and use up their entire authorized and allocated budget before the next FY.

LAND REGISTRATION AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2009

Segregation of Duties

Finding 2009-9

Criteria:

Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions. In general, the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. When these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity. Segregation of duties is a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act.

Condition:

The Registrar is in charge of initiating, approving and recording all transactions of LRA.

Cause:

The segregation of duties cannot be achieved due to the size of LRA as there are only two employees.

Effect:

The effect of the above condition is the possibility for fraudulent activities to be perpetrated.

Recommendation:

We recommend that if segregation of duties cannot be achieved due to the small size of the entity, that the funds be returned back to be administered and accounted for within the Ministry of Finance's National Treasury.

Auditee Response and Corrective Action Plan:

LRA agreed with the recommendation to have increase the size of the entity from two to three as it was before.

Auditor-General's Response: The issue here is that there is only one individual in charge of the whole accounting process from initiation of the transactions to recording in the general ledger and reconciling of bank accounts. This has resulted in numerous findings related to lack of authorization and substantiation for disbursements. Our recommendation is that the funds be turned over to the Ministry of Finance where established internal control procedures are more stringent to better safeguard public funds.

Our recommendation remain the same.

LAND REGISTRATION AUTHORITY

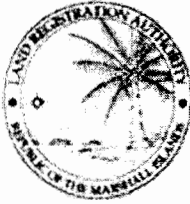
Unresolved Prior Year Findings
Year Ended September 30, 2009

The status of unresolved prior year findings is disclosed within the Schedule of Findings and Responses section of this report (pages 3 through 17).

Land Registration Authority
Protection Authority Fund
Independent Auditor's Report on
Internal Control and on Compliance
September 30, 2009

Responses Required To Clear Audit
From OAG Follow-Up System

<u>Recommendation</u>	<u>Action to be taken</u>
No. 1	Provide copy of all Board Minutes for FY 2010.
No. 2.	Provide a copy of fixed assets register for FY 2010.
No. 3	Provide a copy of the approved policies and procedures.
No. 4	Provide a copy of the approved general journal.
No. 5	Provide copy of completed fixed assets register.
No. 6	Need to inform the Auditor-General that a daily back-up of the system maintained offsite.
No. 7	Provide a copy of Board decision to require Registrar to reimburse unauthorized travel expenses.
No. 8	Provide a copy of approved budget generated from the accounting system.
No. 9	Provide a copy of Board decision on how to resolve the lack of segregation of duty of the Authority.



LAND REGISTRATION AUTH

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LRA's Responses and Corrective Action Plan for Findings for FY 2009.

Finding No. 2009 – 1

This finding was corrected in FY 2010. Have both hard and electronic copies.

Finding No.2009 – 2

LRA management and the Board of Directors have established policies and procedures to address and correct the finding from occur again. Management and staff have learned how to reconcile the fixed assets to the general ledger. We will follow the recommendation by the Auditor General office.

Finding No. 2009 – 3

LRA management and the Board of Directors have established internal control policies and procedures to address and correct the finding. LRA will compliance with the RMI procurement code, ensuring that all supporting documents are included in all process.

Finding No. 2009 – 4

Management will follow the recommendation by the Office of the Auditor General and make sure that an independent review and approval by the Board occur before any transaction is recorded into general ledger. A general journal voucher form will be maintained and kept on file and be supported by supporting documentation.

Finding No. 2009 – 5

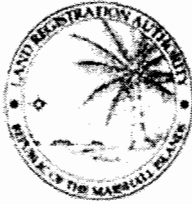
LRA already addressed and corrected this finding.

Finding No. 2009- 6

LRA agreed with the recommendation by the Office of the Auditor General. We already corrected this finding. The fee collection that are more than ten dollars (\$10,00) at the end of a working day should be deposited at bank and those that are less than this amount should be deposited next day.

Finding No. 2009 – 7

I was not aware of the C.M. 247 (2009). It would be very helpful if the C.M. 247 (2009) would be provided to all government ministries and agencies for future reference. All the TAs were approved and authorized by the board. All the receipts for the travel, car rental



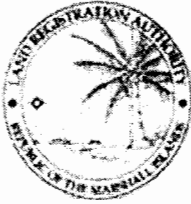
LAND REGISTRATION AUTHORITY

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and representation were filed, at the office. The common practice that I know for 20 years as a government employee is that the head of the Ministries and agencies do receive representation, Even Senator that head a delegation for off island meetings and also for the meetings with the local communities; there are head of that received representation. I think it is fair to treat all head of ministries and agencies the same. If no representation then no one should have except those in the C.M. mentioned.

Condition:

1. All TA were authorized and approved Board. All the receipts for the travel, car rental and representation were attached with the claim vouchers and filed. TA # 1020 is recorded for both for Mejit Island and Ebeye. The \$625.00 check # 1688 is for the TA #1024 for the five additional days I stayed on Ebeye that was also authorized and approved the Board.
2. All the receipts for the travel, car rental and representation were filed.
3. There were two meetings conducted by the Irojlaplap Jeimata Kabua's Mojen one in July and August. During the second meeting I was asked to stay five additional days by the Iroj and Chairman of the Mojen of Irojlaplap Jiemat Kabua for the completion of the meeting. I considered that opportunity as a high level traditional meeting, very educational and informative. The Board approved and authorized the both TA. I did file all the required TA documents at the office. It is not true that the Board did approved the amended TA
4. The travel voucher and all other required documents were also file at the office.
5. Representation expenses were filed at the office.
6. The copy of the ticket was filed at the office.
7. The original TA 1020 for Mejit Island did include an airfare round trip tickets from Majuro to Mejit and back. I was issued one ticket from Majuro to Mejit Island; I paid my ticket from Mejit to Majuro and claimed 20% plus the amount I paid for my return ticket back and the additional day on Mejit. The TA was **not** aimed for me to go to Mejit from Majuro on a boat, if that was the case then there should be more money for per diem (\$50 x 10 days on boat = \$500.00 + \$350.00 for the 7 days on Mejit for the total of \$850.00 per diem). The additional \$50.00 is for extra day that I stayed on Mejit because Air Marshall Island did not come to Mejit as scheduled but a day later. I paid \$153.00 for my return ticket back to Majuro that the Board approved



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and authorized the reimbursement. All the original travel documents were filed at the office. I want to make it clear that the mode of transportation for the entire trip was by AIM, and not by boat, because it was not designed for me to go on a boat. I took the trip to Mejit Island in June 2009 because the original date of travel in February 2009 was cancelled. The TA did not cancel but took place months later. There was no additional fund added to the trip except the \$50.00 for the additional day on Mejit Island due to the fact AMI was a day late.

8. LRA already incorporated an accounting system to better manage and monitor our budget. At the end of a FY LRA do the best to purchase the needed and necessary items for operation of the authority. LRA always try to save money and deposit in our bank checking account at BOMI. LRA try to save money at the end of each FY. LRA don't do as ministries usually do at the end of a FY and use up their entire authorized and allocated budget before the next FY.
9. LRA agreed with the recommendation to have increase the size of the entity from two to three as it was before.

LRA will compile with all the recommendations and further improve the internal control of the authority to compile the RMI's rules and regulation. LRA is highly anticipated that FY 2014 there should be no finding.