REPUBLIC OF THE MARSHALL ISLANDS

Office of the Auditor-General

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June 10, 2013

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, 2009 (on which we have issued our report dated June 10, 2013), 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, 2009 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated June 10, 2013, 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,

Junior Patrick
Auditor-General

APPENDIX I

SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving the Authority's internal control over financial reporting as of September 30, 2009 that we wish to bring to your attention:

(1) Revenues/Receipts

We noted that cash receipt (CR#125-143) totaling $79.50 and dated from (November 16, 2008 to August 14, 2009) were not deposited until April 17, 2009, days delayed range from 3 to 283 days. 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 March 24, 2011, August 10, 2009, July 11, 2008 and October 11, 2007.

(2) Revenues/Receipts

Cash transmittal forms are not being utilized to batch total cash receipts being deposited. Furthermore, cash is being received without cash receipts issued. It appears that cash receipts are not issued for all fees collected as amount deposited was overstated by $26.00 (amount collected up to 8/14/09 was $79.50 and amount deposited on 8/17/09 was $105.50). In addition, a cash receipt was not issued for refund in the amount of $233.00 from Continental Airlines for a ticket issued for Registrar. We recommend that management establish policies and procedures requiring cash transmittal forms to be utilized to batch total cash receipts deposited to bank. Furthermore, we recommend that cash receipts be issued for all cash received. This matter was discussed in our previous letter dated March 24, 2011.

(3) Travel Authorizations

Travel authorization forms should be prenumbered and issued in a sequential manner. A log should be maintained to prevent duplication of travel authorization numbers.

During the period under review, it was noted that the Authority was not using prenumbered travel authorization (TA) forms and was not issuing TA's in a sequential manner. No log was maintained to document what numbers have been used to prevent duplication. We recommend for management to ensure that travel authorization forms are prenumbered and that TA's are issued in a sequential manner.

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.

APPENDIX II

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.