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December 19, 2016

Ms. Moriana Phillip  
General Manager  
National Environmental Protection Authority

Dear Ms. Phillip:

In planning and performing our audit of the financial statements of the National Environmental Protection Authority Fund (EPA) as of and for the year ended September 30, 2015, (on which we have issued our report dated December 19, 2016) 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 EPA'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 EPA'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 EPA's internal control over financial reporting and other matters as of September 30, 2015 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated December 19, 2016, on our consideration of EPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters.

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

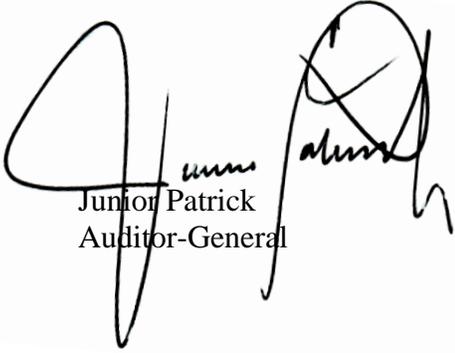
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with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

This report is intended solely for the information and use of the Board of Directors, Management, others within the organization, and the Office of the Auditor-General 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 these suggestions.

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

Very truly yours,



Junior Patrick  
Auditor-General

**SECTION I – CONTROL DEFICIENCIES**

We identified, and have included below, control deficiencies involving EPA’s internal control over financial reporting as of September 30, 2015 that we wish to bring to your attention:

**(1) Cell Cards**

The EPA personnel policy states that every employee shall exercise strict care and economy in the use of supplies, stationery, and other properties of the Authority. During our testing of the expenditures, we noted a total of \$100 issued to reimburse one employee for cell card purchases. There appears to be disregard for established internal control procedures which could result in unauthorized spending. We recommend that management ensure that established policies and procedures are strictly followed.

**(2) Fixed Assets Policy**

The EPA Financial Accounting Policy manual states that all Fixed Assets with acquisition cost of \$300 and above should be recorded as fixed assets. Additionally, assets owned by the entity should be in its possession.

Fixed assets were generally properly recorded except for two radios (FT-270 Handheld 2000) costing \$490 each totaling \$980 that were not capitalized. An audit adjustment was proposed to record these items to fixed assets. Additionally, one fixed asset, a Macbook Laptop was in the possession of one individual who is not an employee of EPA. We were informed that this individual is a coordinator for the POPS grant being administered by EPA.

Lack of proper review of accounting transactions by management led to improper recording of fixed assets. Additionally, there is a lack of physical inventory of fixed assets to require that assets are still in existence and in EPA’s possession. Fixed assets were misstated throughout the year. Management should review and perform physical inventory of fixed assets on a monthly basis in order to require proper recording of fixed assets and to verify existence of assets.

**(3) Procurement Code**

Per EPA Financial Accounting Policy manual, price quotations must be obtained for purchases over \$100. Price quotes were generally obtained for most purchases over \$100. During our examination of 17 expenditures, we noted that 15 items were supported by price quotes except for the following:

<u>Item</u>	<u>Check No</u>	<u>Description</u>	<u>Amount</u>
1	3973	Paints	\$ 202.29
3	4008	Mugs	100.00
Total			<u>\$ 302.29</u>

There is disregard by management for established internal control policies and procedure requiring that price quotes be obtained for purchases over \$100. The RMIEPA was not in compliance with established internal control policies and procedures. Price quotes should be obtained for purchases over \$100 as required, to comply with the Financial Accounting Policy manual.

#### **(4) Expenditures**

The EPA Accounting Policy Manual states that for cash disbursements “All supporting documents must be attached to the payment voucher”. Additionally, it is common practice to stamp “PAID” on invoices already paid to avoid duplicate payments.

Some expenditures were generally not supported by adequate supporting documents and an invoice was not stamped “PAID” to prevent duplicate payments. During our examination of 17 expenditures, we noted that check no. 2689 was issued for \$500 on 12/17/2014 for payment to a church group to sew 350 reusable bags from used material. No invoices or contract agreement were made available for our examination. We also noted an invoice per check no. 4157 for \$1,586.73 which was not stamped “PAID” to prevent duplicate payments.

There is disregard for established internal control policies and procedures to require that expenditures are adequately supported by valid vendor invoices, contract or other relevant documentation. Additionally, there is lack of established internal control policies to require paid invoices are stamped “PAID” to avoid double payments.

The lack of supporting documents for payment resulted in our inability to determine validity of the payment. Additionally, invoices that are not stamped “PAID” could be paid again. Management should require that disbursements are properly supported by valid vendor invoices, contracts and other relevant documentation. We also recommend that management establish policies and procedures to require that all paid invoices are stamped “PAID” to prevent duplicate payments.

#### **(5) Budget Appropriation**

EPA’s Financial Accounting Policy manual require the fund can only be used as indicated by an approved budget, which will indicate the source of revenue and intended spending program. Funds may be drawn only for activities previously approved for each specific program unless otherwise approved by the Board.

EPA’s expenditures were generally within their approved budget except for account 5999 for other charges/expense which had a balance of \$560, however, such was not budgeted. EPA did not monitor their budget throughout the year as they did not utilize the budget module in the Quick Books accounting software. There is a possibility for unauthorized expenditures. Management should require utilization of the budget module within the accounting system in order to monitor and comply with the approved budget.

## **(6) Employee Contract**

Proper accounting practices require employee contracts be maintained on file to support salaries and wages paid.

Most employee contracts were filed and maintained except for one employee contract that could not be provided for our examination due to lack of proper maintenance of employee files. There is a possibility that the total wages of \$1,428 were unsupported and unauthorized. Management should require Employee Contracts to be maintained on file to support payment of salaries and wages.

## **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**

EPA’s management is responsible for the overall accuracy of the financial statement 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.