

OFFICE OF THE  
AUDITOR - GENERAL  
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## APIPA

Association of Pacific Island Public Auditors

REPUBLIC OF THE  
MARSHALL ISLANDS

November 25, 2002

Ms. Jean M. Tonyokwe, Auditor-General  
Office of the Auditor-General  
Republic of the Marshall Islands  
P. O. Box 245  
Majuro, Marshall Islands 96960

Dear Ms. Tonyokwe:

We have completed an external quality control review of the Office of the Auditor-General, Republic of the Marshall Islands for audits issued during the period October 1, 1999 through September 30, 2002. In conducting our review, we followed the standards and guidelines contained in the *APIPA Quality Control Review Guide* published in September 1995 by the Association of Pacific Island Public Auditors (APIPA).

As prescribed by the APIPA Guide, we reviewed the internal quality control system of your audit organization and tested a sample of audits conducted by your office for compliance with government auditing standards issued by the Comptroller General of the United States. Due to variance in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

We have concluded from our review that your system of internal quality control was suitably designed and provided reasonable assurance that applicable government auditing standards were followed in your audit work. We have also concluded from the sample of audits tested that your quality controls were working effectively and that audits were conducted in conformance with applicable standards during the period under review.

In our opinion, the Office of the Auditor-General, Republic of the Marshall Islands was in compliance with government auditing standards during the period October 1, 1999 through September 30, 2002.

We have also prepared a separate letter to management, which offers suggestions for further strengthening your internal quality control system. The management letter should be considered an integral part of this report.

It is recommended that this report, and the accompanying management letter, should be made available to the public.

Respectfully Submitted,

*Ursula S. Abalos*  
Ursula S. Abalos  
Acting Pohnpei State Auditor  
State of Pohnpei  
Federated States of Micronesia  
Team Leader

*Gertrude Gootinan*  
Gertrude Gootinan  
Public Auditor  
State of Yap  
Federated States of Micronesia  
Team Member

*Charles W. Hester*  
Charles W. Hester  
USDA/PITI  
Technical Advisor

Cc: His Excellency President Kessai H. Note  
President, Republic of the Marshall Islands  
The Honorable Litokwa Tomeing  
Speaker, Nitijela

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November 25, 2002

Ms. Jean M. Tonyokwe, Auditor-General  
Office of the Auditor-General  
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P. O. Box 245  
Majuro, Marshall Islands 96960

Dear Ms. Tonyokwe:

We have completed an external quality control review of the Office of the Auditor-General, Republic of the Marshall Islands for audits issued during the period October 1, 1999 through September 30, 2002. We have issued a report stating our opinion concerning your organization's overall level of compliance with government auditing standards. We are issuing this companion letter to management to offer suggestions for improvement. This letter should be read in conjunction with our opinion report.

The following suggestions are made for the purpose of strengthening your internal quality control systems:

**General Standards.** The general standards relate to the qualifications of the audit staff, the audit organization's and individual auditor's independence, the exercise of due professional care in conducting the audit and in preparing related reports, and the presence of quality controls.

The first general standard is: **"The staff assigned to conduct the audit should collectively possess adequate professional proficiency for the tasks required"**

To meet this standard, the audit organization should have a program to ensure that its staff maintains professional proficiency through continuing education and training. Thus, each auditor under this standard should complete at least 80 hours of continuing education and training every two years, which contributes to the auditor's professional proficiency. At least 20 hours should be completed in any one year of the two-year period.

Our review found that one of the auditors in the Office of the Auditor-General failed to meet the continuing education and training requirements for the two-year period ending December 31, 2001. We suggest that the Office of the Auditor-General take whatever steps are necessary to ensure that all of the staff maintains their professional proficiency through continuing education and training which contributes to the auditor's professional proficiency.

**Working Papers.** Although government auditing standards do not specifically require referencing of working papers, the Office's Policy and Procedure Manual requires that the draft report is referenced to the working papers supporting significant conclusions and judgments. This requirement is also a standard practice for auditors to enhance the ability for other auditors, during supervisory review or quality control review, to follow the evidential material contained in the files.

Out of two working paper files reviewed, we noted that both of the files did not include referencing of the Draft or Final Report to the working papers. We suggest that the Auditor-General continue to emphasize the requirements of the Office's Policy and Procedure Manual to the audit staff.

**Quality Control Reviews.** Sections 3.31 through 3.36 of the government auditing standards require that **“Organizations conducting audits in accordance with these standards should have an external quality control review at least once every three years...”** By inviting the Association of Pacific Island Public Auditors to perform this external quality control review, the Office has remained in compliance with this standard. However, the Office of the Auditor-General should consider implementing an internal control mechanism to ensure that the Office remains in compliance with this government auditing standard in the future.

The U.S. General Accounting Office publication (GAO/OP-4.1.6), entitled An Audit Quality Control System: Essential Elements, suggests that external quality control reviews be performed on a consistent basis. The publication also suggests that the review be completed during the year following the completion of each three-year period. Our QCR covered the period October 1, 1999 through September 30, 2002 and our Final Report was issued on November 25, 2002. This would mean that the next QCR should cover the period October 1, 2002 through September 30, 2005 and should be completed by September 30, 2006.

The above suggestions were discussed with Ms. Tonyokwe during the exit conference conducted on November 13, 2002. Ms. Tonyokwe concurred with our conclusions and has taken steps to fully implement our suggestions.

In closing we would like to thank your Office for the warm reception and cooperation extended to us by all of your staff during our review.

Respectfully Submitted,

*Ursula S. Abalos*

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