



ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

January 15, 2006

His Excellency Kessai H. Note, President
Republic of the Marshall Islands
Office of the President
P. O. Box 2
Majuro, MH 96960

Dear President Note:

Attached for your reference is the final report of the Republic of the Marshall Islands' Office of the Auditor General pursuant to a Quality Control Review done by our team of auditors from the Association of Pacific Island Public Auditors (APIPA). External quality control reviews of all audit offices issuing audit reports guided by government auditing standards (GAS) are required at least every three years. Because of this requirement, your Auditor General initiated and contracted with APIPA.

Your Auditor General's Office was determined to be fully in compliance with government auditing standards for the period reviewed. Fully compliance is the highest of three possible ratings issued in an external quality control review. The report now becomes public information and may be made accessible to any interested person(s). The working papers and other supporting documentation accumulated during our review will be maintained by the Auditor General's Office.

For your information, the expenses of the Quality Control Review were borne by the U. S. Department of Interior's Office of Insular Affairs.

It was a privilege working with the staff of the Auditor General's Office, most especially Ms. Tonyokwe, the Auditor General. Each member of Ms. Tonyokwe's Office was most cooperative and helpful to the team and exemplifies the highest standards of the auditing profession.

Respectfully Submitted,

Mr. Haser H. Hainrick,
National Public Auditor,
Federated States of Micronesia
Team Leader

Ms. Zeny Nace, Auditor
Guam Public Auditor's Office
Team Member

Mr. Charles W. Hester
APIPA Peer Review
Technical Consultant
Team Member

Attachment

Cc: Ms. Jean Tonyokwe, Auditor General
Republic of the Marshall Islands

Members
Office of the Public Auditor
of

Territory of American Samoa. Commonwealth of the Northern Marianas Islands.
Republic of the Marshall Islands. Federated States of Micronesia. Republic of Palau.
Phonpei State. Yap State. Territory of Guam. Chuuk State. Kosrae State.

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ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

January 15, 2006

The Honorable Litokwa Tomeing
Speaker of the Nitijela
Office of the Speaker
Nitijela of the Marshall Islands
P. O. Box 24
Majuro, MH 96960

Dear Speaker Tomeing:

Attached for your reference is the final report of the Republic of the Marshall Islands' Office of the Auditor General pursuant to a Quality Control Review done by our team of auditors from the Association of Pacific Island Public Auditors (APIPA). External quality control reviews of all audit offices issuing audit reports guided by government auditing standards (GAS) are required at least every three years. Because of this requirement, your Auditor General initiated and contracted with APIPA.

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Republic of the Marshall Islands

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ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

December 31, 2005

Ms. Jean M. Tonyokwe, Auditor General
Office of the Auditor General
Republic of the Marshall Islands
P. O. Box 245
Majuro, MH 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, 2002 through August 31, 2005. 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, 2002 through August 31, 2005.

Members
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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,



Mr. Hacer H. Hainrick,
National Public Auditor,
Federated States of Micronesia
Team Leader



Ms. Zeny Nace, Auditor
Guam Public Auditor's Office
Team Member



Mr. Charles W. Hester
APIPA Peer Review
Technical Consultant
Team Member

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ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

December 31, 2005

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

Dear Ms. Tonyokwe:

We have completed an external quality control review of the Office of the Auditor General (OAG), Republic of the Marshall Islands for audits issued during the period October 1, 2002 through August 31, 2005. 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:

Working Papers. Although government auditing standards do not specifically require referencing of working papers, the OAG has adopted standard policies and procedures in its Audit Manual to require that the auditor for each assignment be responsible for ensuring that the draft report is referenced to the working papers supporting significant conclusions and judgments. This requirement is standard practice for auditors to enhance the ability for other auditors, during supervisory or peer reviews, to follow the evidential material contained in the working paper files.

During our review the OAG completed and issued 6 reports performed under government auditing standards. Our review of the working papers for 5 of these reports disclosed that although extensive audit evidence was gathered and included in the working paper files 2 of the draft reports were not completely referenced to supporting documentation.

We suggest that the Auditor General continue to emphasize to the audit staff the need to completely reference draft reports to supporting documentation.

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Type of Audit. Government auditing standards state that all audits begin with objectives, and those objectives determine the type of audit to be conducted and the audit standards to be followed. One of the purposes of clearly indicating the type of audit in the working papers is to enable an experienced auditor having no previous connection with the audit to ascertain from them that the appropriate auditing standards were met.

Our review of 2 internal control audits performed by the OAG disclosed that although both audits established objectives to be met, the objectives were not specific enough to determine the type of audit that was conducted, nor was the scope of the audit described for 1 of the audits. Therefore, the auditing standards that should have been followed were difficult to determine.

We suggest that the Auditor General continue to emphasize to the audit staff the need to clearly identify the type and scope of audits to be conducted so that the appropriate auditing standards can be followed.

Personal Impairment Statements. Although government auditing standards do not specifically require them, the OAG adopted standard policies and procedures to require each auditor assigned to the engagement to prepare a certification of independence. Out of the 5 working paper files reviewed, we noted that all of the files did include Personal Impairment Statements that appeared to be completed at the beginning of the audit. However, the standard form used did not include a space to indicate the date prepared. Therefore, it was difficult to determine when the Statements were actually prepared.

We suggest that the Auditor General modify the Personal Impairment Statement to include a space to indicate that date prepared.

The above suggestions were discussed with you during the exit conference conducted on September 2, 2005. The Auditor General concurred with our suggestions and has taken steps to effectively address each of the issues.

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.

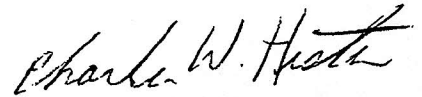
Respectfully Submitted,



Mr. Haser H. Hainrick,
National Public Auditor,
Federated States of Micronesia
Team Leader



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Guam Public Auditor's Office
Team Member



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