



ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

June 1, 2009

His Excellency Litokwa Tomeing, President
Republic of the Marshall Islands
P. O. Box 2
Office of the President
Majuro, MH 96960

Dear President Tomeing:

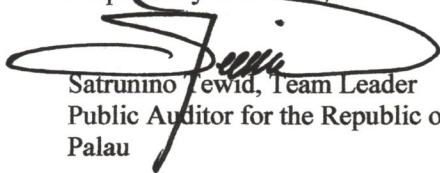
Attached for your reference is the final report on the Republic of the Marshall Island's Office of the Auditor General pursuant to a Peer Review (external quality control review) done by our team of auditors from the Association of Pacific Islands Public Auditors (APIPA). A Peer Review of all audit offices issuing audit and attestation reports guided by Government Auditing Standards are required at least every three years. Because of this requirement, your Acting Auditor General initiated and contracted with APIPA.

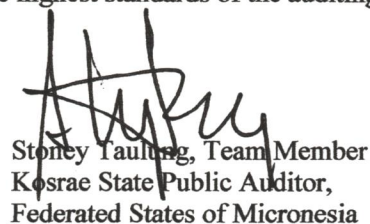
Your Auditor General's Office was determined to be in compliance with Government Auditing Standards for the period September 1, 2005 through September 30, 2008. The report now becomes public information and may be made accessible to any interested person(s). The working papers and other supporting documentation accumulated during our review will be maintained by the Auditor General's Office.

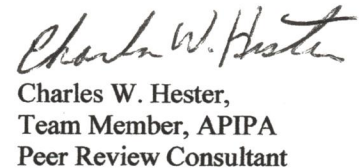
For your information, the expenses of the Peer Review were borne by the U. S. Department of the Interior's Office of Insular Affairs.

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

Respectfully submitted,


Satrunino Lewid, Team Leader
Public Auditor for the Republic of
Palau


Stoney Yaulung, Team Member
Kosrae State Public Auditor,
Federated States of Micronesia


Charles W. Hester,
Team Member, APIPA
Peer Review Consultant

Attachment

CC: Ms. Atmita Jonathan
Acting Auditor General

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ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

June 1, 2009

The Honorable Jurelang Zedkaia,
Speaker, Nitijela of the Marshall Islands
Republic of the Marshall Islands
P. O. Box 24
Majuro, MH 96960

Dear Speaker Zedkaia:

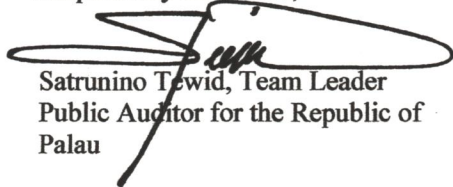
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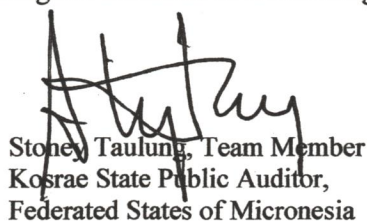
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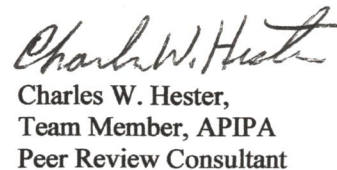
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It was a privilege working with the staff of the Auditor General's Office, most especially Ms. Atmita Jonathan, the Acting Auditor General. Each member of Ms. Jonathan's Office was most cooperative and helpful to the team and exemplifies the highest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

Respectfully submitted,


Satrunino Tewid, Team Leader
Public Auditor for the Republic of
Palau


Stoney Taulung, Team Member
Kosrae State Public Auditor,
Federated States of Micronesia


Charles W. Hester,
Team Member, APIPA
Peer Review Consultant

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CC: Ms. Atmita Jonathan
Acting Auditor General

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ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

June 1, 2009

Ms. Atmita Jonathan, Acting Auditor General
Office of the Auditor-General
Republic of the Marshall Islands
P. O. Box 245
Majuro, MH 96960

Dear Ms. Jonathan:

A peer review of the internal quality control system of the Office of the Auditor General for the Republic of the Marshall Islands has been completed for the period September 1, 2005 through September 30, 2008. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in July 2006, by the Association of Pacific Islands Public Auditors (APIPA).

As prescribed by the *APIPA Guide*, we reviewed the internal quality control system of your Office and tested a sample of audits conducted by your Office in order to determine if the internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances 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, except for the deficiency noted below, in our opinion the Office of the Auditor General's internal quality control system was suitably designed and provides reasonable assurance of compliance with *Government Auditing Standards* for audits during the period September 1, 2005 through September 30, 2008. We have also concluded from the sample of audits tested that, except for the deficiency noted below, your quality controls were working effectively and that audits were conducted in conformance with *Government Auditing Standards* during the period of our review.

The deficiency found in the internal quality control system concerned the signing of financial audit reports. *Government Auditing Standards, Chapter 3- General Standards, under § 3.44 – Additional Qualifications for Financial Audits and Attestation Engagement* states, in part, Auditors engaged to perform financial audits should be licensed certified public accountants or persons working for a licensed certified public accounting firm or a government auditing organization. Neither the current Acting Auditor General nor the late Auditor General is a licensed certified public accountant. However, both have been signing financial audit reports

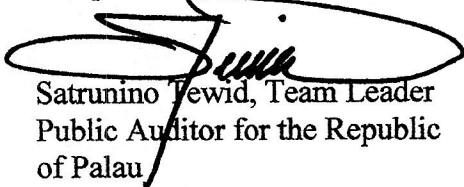
that state they are in compliance with *Government Auditing Standards*. We recommend that the Acting Auditor General take whatever steps are necessary to comply with §3.44 of *Government Auditing Standards* or modify future financial statement reports to disclose the specific *Standard(s)* that were not complied with.

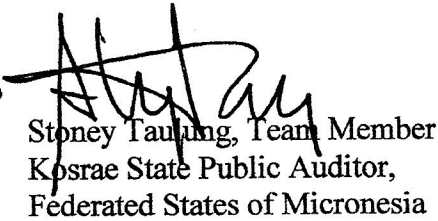
The above finding and recommendation have been discussed with the staff of Office of the Auditor General during the exit conference conducted on May 21, 2009. The Acting Auditor General concurred with our recommendation and will be implementing systemic improvements accordingly. In order to provide the reader with a fair and balanced discussion of the issue, the Acting Auditor General's comments are attached to this letter and should be read in conjunction with our recommendation.

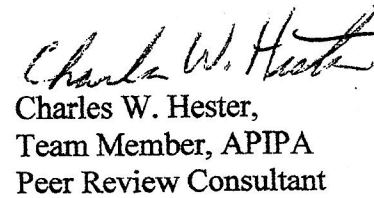
We have also prepared a separate letter of comment, which offers suggestions for further strengthening your internal quality control system. The letter of comment should be considered an integral part of this report.

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

Respectfully Submitted,


Satrunino Tewid, Team Leader
Public Auditor for the Republic
of Palau


Stoney Taulang, Team Member
Kosrae State Public Auditor,
Federated States of Micronesia


Charles W. Hester,
Team Member, APIPA
Peer Review Consultant

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ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

June 1, 2009

Ms. Atmita Jonathan, Acting Auditor General
Office of the Auditor-General
Republic of the Marshall Islands
P. O. Box 245
Majuro, MH 96960

Dear Ms. Jonathan:

We have completed an external quality control review (Peer Review) of the Office of the Auditor General in the Republic of the Marshall Islands for audit reports issued during the period September 1, 2005 through September 30, 2008. 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 of comment to offer suggestions for strengthening your internal quality control system. This letter should be read in conjunction with our opinion report.

Audit and Attestation Engagement Working Papers. During the period of our review, the Office completed and issued reports for six (6) financial statement audits. The Office also completed 2 non-audit services engagements. Our review of the working papers for the four (4) of the financial audits disclosed concerns that they did not fully comply with all of the working paper documentation requirements contained in Government Auditing Standards or in your Audit Manual. For example:

- The Audit Manual and some checklist in the audit programs/plans are significantly out of date. The last update to the Audit Manual provided to the Team was dated April 1999. In addition, several of the checklists in the audit programs/plans date back to 1991. The Audit Manual and the checklist were developed well before the issuance of SAS 99 (Fraud), SAS 106 (Evidence) and SAS 107 through 112 (Risk Assessment and Internal Control).
- Three sets of the working papers did not contain sufficient evidence to demonstrate that the auditors had asked the entities under review about prior studies in order to follow up on significant findings and recommendations that directly related to the subject matter of the reviews undertaken.
- Two sets of working papers contained Personal Impairment Statements that were not prepared at the beginning of the audit.

- Two sets of working papers contained Engagement Letters that did not address the nature, timing and extent of planned testing or the level of assurance as required in Government Auditing Standards.
- Two sets of working papers contained documents that were not signed off on and dated by the supervisor.

We suggest that the Acting Auditor General emphasize to the audit staff the need to fully comply with all of the working paper documentation requirements contained in Government Auditing Standards and in an updated Audit Manual for the Office of the Auditor General.

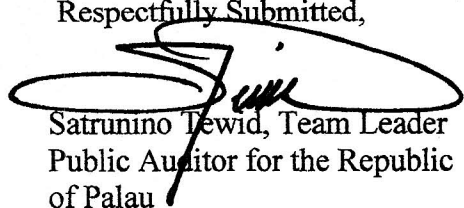
Continuing Professional Education (CPE). Auditors performing work under Government Auditing Standards, including planning, directing, performing field work, or reporting, should maintain their professional competence through continuing professional education. Therefore, auditors performing work under Government Auditing Standards are required to document the completion every 2 years of at least 80 hours of continuing professional education that directly enhance their professional proficiency. Auditors should complete at least 20 hours of CPE in each year of the 2-year period. One of the professional staff did not meet the 80 hours of CPE every 2 years requirement. In addition, two of the auditors did not complete at least 20 hours of CPE in one 2-year period. These auditors were routinely involved in all phases of an audit from planning through reporting.

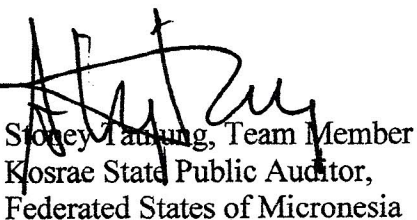
We suggest that the Acting Auditor General emphasize to the entire audit staff the need to fully comply with the continuing professional education requirements in Government Auditing Standards.

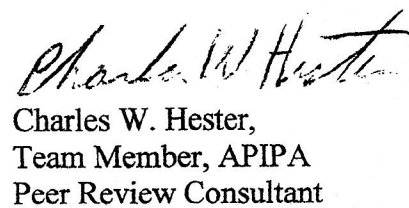
The above suggestions were discussed with you during the exit conference conducted on May 21, 2009. The Acting Auditor General concurred with our suggestions and will be implementing systemic improvements accordingly. In order to provide the reader with a fair and balanced discussion of the issues, the Acting Auditor General's comments are attached to this letter and should be read in conjunction with 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,


Satrunino Tewid, Team Leader
Public Auditor for the Republic
of Palau


Stoney Taling, Team Member
Kosrae State Public Auditor,
Federated States of Micronesia


Charles W. Hester,
Team Member, AIPA
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