

*Management Letter*

**Kili/Bikini/Ejit Local Government**

*Year ended September 30, 2019*





October 1, 2025

The Honorable Mayor Tommy Irujiman Jibok  
Kili/Bikini/Ejit Local Government

In planning and performing our audit of the financial statement of the Kili/Bikini/Ejit Local Government (KBLGOV) for the year ended September 30, 2019 in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of KBLGOV’s internal control. Accordingly, we do not express an opinion on the effectiveness of KBLGOV’s internal control.

*A deficiency in internal control* 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 material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

### Payroll

Condition: During the audit, we noted the following exceptions over payroll disbursements:

- a. Employee contracts or Personnel Action Forms evidencing payrates and other benefits are not maintained for all employees.
- b. Payroll disbursements from the Labor Account were not evidenced by supporting timesheets for the following items:

<u>Check #</u>	<u>Date</u>	<u>Amount</u>	<u>Check #</u>	<u>Date</u>	<u>Amount</u>
29311	06/01/2019	\$171	27741	27741	\$19
30611	06/01/2019	\$212	27981	27981	\$9
28295	02/27/2019	\$40	28018	28018	\$85
27612	10/01/2018	\$40	27620	27620	\$17

### **Payroll, continued**

Recommendation: We recommend management establish internal control policies and procedures over processing, disbursement and maintenance of payroll related transactions.

### **Unsupported Check Payments**

Condition: During the audit, the following exceptions over disbursements were noted:

- a. One payroll disbursement (Check # 42611 for \$750) from the Operations account was not evidenced by supporting request for check payment.
- b. Various expense reimbursement amounts (Check # 38393 for \$3,256) from the Operations account were not evidenced by underlying invoices and/or receipts.

Recommendation: We recommend management establish internal control policies and procedures over processing and approval of check disbursements.

### **Social Security Remittances**

Condition: During the year ended September 30, 2019, KBLGOV filed and paid social security taxes withheld for the following quarters in a manner inconsistent with the Social Security Act resulting in penalties and interest:

<u>Check #</u>	<u>Date Paid</u>	<u>Quarter Ended</u>	<u>Amount</u>	<u>Penalty/Interest</u>
28043	01/08/2019	09/30/2018	\$129,310	\$8,248
28065	01/25/2019	12/31/2018	\$109,889	\$962
29043	05/03/2019	03/31/2019	\$110,534	\$1,540

Recommendation: We recommend management establish internal controls policies and procedures requiring compliance with the Social Security Act.

### **Completion of Files**

Condition: During the audit, the following documents were not available for inspection:

- Council Resolutions
- Appropriation Ordinances

Recommendation: We recommend executive minutes, ordinances and resolutions as approved by the Council be formally documented and maintained by the Council Clerk.

### **RMI Local Government Fund**

Condition: During the year ended September 30, 2019, KBLGOV was the recipient of a \$15,363 in RMI Local Government Fund appropriations. A copy of the Memorandum of Understanding was not available on file to ascertain the spending constraints, if any, on these funds.

Recommendation: We recommend management execute and maintain copies of all relevant agreements associated with grant receipts.

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This communication is intended solely for the information and use of KBLGOV management, the Council, 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. However, this report is also a matter of public record.

At this time, we would like to thank all the staff and management of KBLGOV for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Sincerely,

The logo for Ernst + Young, featuring the company name in a stylized, cursive script font.