



November 20, 2001

CONFIDENTIAL

Mayor Joe Saul
Utrik Atoll Local Government
Republic of the Marshall Islands

Dear Mayor Saul:

In planning and performing our audit of the general purpose financial statements of the Utrik Atoll Local Government (UALGOV) for the year ended September 30, 2001, on which we have issued our report dated November 20, 2001, we developed the following recommendation concerning a certain matter related to UALGOV's internal control. Our principal recommendation is summarized below:

Cash

At September 30, 2001, the General Fund bank reconciliation for the Bank of Hawaii account (A/c # 0039-010275) and the Local Distribution Authority Fund bank reconciliation for the Bank of Hawaii account (A/c # 0039-007789) included outstanding checks, totaling \$4,939 and \$19,091, respectively, that have been outstanding for more than six months. An audit adjustment was proposed to reclassify these outstanding checks as accounts payable. We recommend that management determine whether these outstanding checks are required to be reissued. This matter was discussed in our previous letters dated August 20, 2001, September 22, 2000 and July 22, 2000.

Furthermore, we noted unreleased checks for the General Fund bank account and the Local Distribution Authority bank account, totaling \$4,240 and \$19,648, respectively, that were kept in an unlocked drawer and thus were not properly safeguarded. An audit adjustment was proposed to reclassify these unreleased checks as accounts payable. We recommend that management implement controls to safeguard authorized and signed checks that are kept on hand.

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This report is intended solely for the information and use of management and others within the Council and is not intended to be and should not be used by anyone other than these specified parties.

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We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

Debra J. Jorde