TABLE SHOWING EMPLOYEES TURNOVER IN 2004

DEPARTMENT	NO. OF EMPLOYEES IN JANUARY	NO. OF EMPLOYEES IN DECEMBER	VARIANCE
ADMINISTRATION	90	98	8
BUDGET & PLANNING	8	8	0
COMPTROLLER	37	40	3
DMD/ADMINISTRATION	7	7	0
DMD/FISCAL	2	3	1
DMD/OPERATIONS	6	8	2
INDUSTRIAL RELATIONS	7	10	3
INTERNAL AUDIT	9	10	1
LEGAL	2	6	4
MAINTAINENCE	65	67	2
MAN POWER TRAINING	16	21	5
MARKETING	31	33	2
MD OFFICE	10	10	0
OPERATIONS	58	79	21
PUBLIC RELATIONS	14	14	0
PURCHASING/W/HOUSE	17	18	1
SECURITY	125	154	29
TECHNICAL SERVICES	29	28	1
TOTAL	533	614	81

TABLE SHOWING EMPLOYEES TURNOVER IN 2005

DEPARTMENT	NO. OF EMPLOYEES IN JANUARY	NO. OF EMPLOYEES IN DECEMBER	VARIANCE
ADMINISTRATION	98	110	12
BUDGET & PLANNING	8	8	0
COMPTROLLER	40	40	0
DMD/ADMINISTRATION	7	7	0
DMD/FISCAL	3	3	0
DMD/OPERATIONS	8	7	1
INDUSTRIAL RELATIONS	10	10	0
INTERNAL AUDIT	10	11	1
LEGAL	6	6	0
MAINTAINENCE	67	70	3
MAN POWER /TRAINING	21	16	5
MARKETING	33	34	1
MD OFFICE	10	11	1
OPERATIONS	79	80	1
PUBLIC RELATIONS	14	14	0
PURCHASING/W/HOUSE	18	18	0
SECURITY	156	164	8
TECHNICAL SERVICES	27	25	-2
INFORMATION TECNOLOGY		8	8
TOTAL	615	642	39

16. THE REHABILITATION FEES

The fees paid by the importers for rehabilitation and maintenance for the tanks are not kept in a restricted bank account. Funds in the account are not used to rehabilitate the tanks. Instead, the funds received are used for operations. During the years 2004 and 2005, the importers paid to LPRC **US$1,667,713.00** and **US$1,664,451.00** respectively. In most instances, during these years management borrowed funds to rehabilitate the tanks. At the beginning of 2005, the company borrowed **US$700,000.00** to carry out maintenance works on the tanks. **In our opinion, there should be an escrow account where fees paid by the importers for the rehabilitation and maintenance of the tanks will be deposited. The funds should not be used for ordinary operating cost of the Company.**

17. TRAVELLING EXPENSES

The travel policy of LPRC in 2004 and 2005 was not transparent. As a result, managers and other corporate executives traveled without making expense report. There was no accountability to the company by those who traveled relating to how they expended the company's funds. See below for details:

PERSONNEL	DESTINATION	AMOUNT US$	REMARKS
MD/Chairman	Nigeria	24,986	No expense report
DMA	Korea	20,000	No report
EdwinYarkpah	Nigeria	4,500	"
DMDF/Compt.	Ghana	7,025	"
Basketball team	Ivory Coast	9,800	"
Legal Consultant	Ghana	2,312	"

RECOMMENDATION

⇒ **Travel cost is not a gift to employees. There must be a travel report including expensed report. Employee who does not make travel and expenses reports must refund the money the company gave for the travel.**

18. EMPLOYEES and THE WORK PLACE

The Company Administrative Office located in Gardnersville was looted during the civil war. Therefore, the operation has been transferred to the PST on Bushrod Island. The Company has 642 employees as at the end of December 31, 2005. The administrative buildings at PST cannot accommodate the staff. Some of the staff come to work but do not have place to sit to do their work. A room designed for two to three employees is now being used to accommodate eight to twelve persons. A classic example is the offices of the Accounts Department, especially the office of the Chief Accountant. The lack of adequate space for the employees hampers the effective performance of the staff in every department.

RECOMMENDATION

⇒ **The 642 employees is a very high number for the operation of the LPRC at this time. In our opinion, thirty (30%) percent of this figure will do an effective Job. This will not only reduce the payroll but will ensure control over the employees.**

⇒ **It will also ensure efficiency in the performance of the staff.**

COMPARATIVE ANALYSIS OF SALARIES

DEPARTMENT	YEAR 2005			YEAR 2004		
	January	July	December	January	July	December
ADMINISTRATION	155,600	167,550	166,050	146,825	151,250	125,975
BUDGET/PLANNING	15,000	18,800	21,600	16,800	18,800	15,000
COMPTROLLER	86,450	87,875	90,900	84,525	94,175	79,600
DMD/ADMINISTRATION	17,800	16,000	15,800	15,800	15,800	13,500
DMD/FISCAL	7,200	7,200	7,200	5,600	7,200	7,200
DMD/OPERATIONS	18,800	16,700	20,000	16,700	22,300	18,800
INDUSTRIAL RELATIONS	23,900	25,800	28,700	17,100	23,700	22,900
INTERNAL AUDIT	25,450	24,700	30,450	21,300	18,650	21,650
LEGAL	14,000	13,450	8,300	5,700	14,200	11,800
MAINTAINENCE	127,335	127,025	132,550	136,825	128,325	115,635
MAN POWER/TRAINING	47,300	45,300	35,150	38,500	39,300	43,100
MARKETING	88,650	69,300	81,700	68,100	65,800	59,500
MD OFFICE	22,550	26,500	21,100	27,250	26,150	26,150
OPERATIONS	145,825	163,175	150,875	116,600	135,175	123,775
PUBLIC RELATIONS	34,650	27,600	34,650	29,750	30,250	24,000
PURCHASING/W.HOUSE	37,000	36,650	45,350	39,100	44,400	43,000
SECURITY	225,800	248,125	260,823	198,200	206,525	203,925
TECH SERVICES	56,675	55,975	58,475	80,350	67,775	60,675
INFORMATION SYSTEM			20,500			
TOTAL	1,149,985	1,177,725	1,230,173	1,065,025	1,042,142	1,016,185

19. UNPAID WITHHOLDING TAXES

The taxes computed by the accounts department excluded taxes on cash benefits paid to employees. These taxes amounted to approximately **US$50,000.00** for the two years ended December 31, 2004 and 2005. Additionally, there is an amount stated in the financial statement for **L$1,729,650.00** as penalty and interest on income taxes. The management explained that the government requested the management to purchase vehicles and charge the cost of these vehicles purchased against its taxes. The management purchased these vehicles, charged the amount against the taxes, and remitted the communication to the Ministry of Finance. Unfortunately, the authorities at the Ministry of Finance refused to honor it. The company was compelled to reintroduce the amount on its financial statement as a liability due to the government failure to honor its obligation. **We recommend that the present management team meets with Finance Ministry Authorities to resolve this matter.**

20 SPORT SALARIES

Oilers Sports Association is the sports wing of Liberia Petroleum Refining Company. **OILERS** was organized to bring about unity amongst the employees of the Company. The team is doing very well. However, there is no transparency in the usage of funds to run the association. We noted that **US$ 192,090.43, L$1,870,875.00 were paid to the team in 2005** and **US$114,620.75** and **L$1,785,970.00** in 2004. There were no reports available to show how the money remitted to the team was used.

RECOMMENDATION

⇒ **We recommend that proper accounting system be set up to enhance accountability of funds paid to the Oilers.**

21. CHALLENGES FOR THE NEW MANAGEMENT IN 2006

The NTGL Government interfered heavily in the management of LPRC during the years 2004 and 2005. This adversely affected the cash receipts of the Company. Now that there is no more NTGL, there is room for improvement to move the Company ahead. LPRC has the potential to become a strong corner stone of the Liberian Economy. All that is needed is good management and reduction in government interference in the affairs of the Company.

1. **The Company can reserve about forty (40%) percent of the projected cash receipts (US$8.2Million) for 2006 in a bank account.**

2. **The Company after it has achieved the 40% saving mentioned in item (1) it can start its own importation of Petroleum Products to be sold by an independent distributor.**

3. **To achieve the forty (40%) percent savings, the management must carry out a financial management decision. The 642 employees must be reduced by Seventy (70%) percent.**

4. **The Company must formulate good financial and administrative internal control systems and the systems must be in a Policy Manuals (Accounting Manual and Administrative Manual). Presently, there are no manuals for The operation of the Company. The functions are on verbal instructions either from the Managing Director or from the Comptroller**

5. **Management must build the capacity of its employees. There must be capacity-building workshops to improve the efficiency of the Accounting Staff.**

6. **.Management must ensure that all the accounting functions are computerized.**

7. **As the Security improves, management must plan to return to Gardnersville Site.**

CONCLUSION

In our opinion, the Company was not managed prudently during the years 2004 and 2005. Significant funds expended by the management as detailed in this management letter could not be accounted for. It is our fervent hopes that the new management and Board of Directors constituted by the President in 2006 will implement the recommendations mentioned in this report to enable the Company achieve the challenges mentioned above.

This is the first time in fifteen years, the Corporation's accounts have been audited and audited financial statements are prepared. We advised that this should continue to enhance creditability in the management.

We want to thank the management and the staff for the cooperation provided us during the time of our audit.

If we can be of any assistance in the resuscitation of the Company's accounts and capacity building of the staff, management should not hesitate to contact us.

Monbo & Company

MONBO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

LIBERIA PETROLEUM REFINING COMPANY

MANAGEMENT'S RESPONSE

Liberian Oil Refining Company

From Office of the Chief Financial Officer 05-899-777

Memo to: Monbo & Company
From John A. Lindberg – CFO, LPRC
Re: Response to Management Letter for the 2005 Audit Report
Date: July 15, 2006

The following are comments prepared by LPRC in response to the Monbo & Company management letter following up the 2004 & 2005 audit, plus our conversation last week. Many of the procedures recommended have already been put into effect and several others will be implemented. We will use this audit report as a management tool for remedial action.

John A. Lindberg CFO for LPRC

1. **Accounting Policies:** The LPRC Administrative and financial control systems are not written, the company is verbally managed. There should be an accounting manual with policies spelled out. ***LPRC Response – during the next 6 months an accounting control and financial reporting manual will be prepared by the GEMAP CFO. This is a key guide that is needed and a task order for the next six months of operations.***

2. **Operational Budget:** The prior management had not prepared an operating budget, a budget is needed. ***LPRC Response - at the present time, a revenue budget for 2006 has been prepared, a report showing "Budget vs. Actual" comparison is also prepared for management from the new computerized financial reporting system. The Operating Budget for the balance of 2006 has been prepared and the Capital or Development Budget is just being finalized (at July 15, 2006) by current management.***

3. **Bank Overdraft** – The accounting department's financial statement showed an overdraft for ECOBANK, when in actual fact it was carrying several checks that had not been presented to the bank at December 31, 2005. A monthly bank reconciliation by a Junior accountant is recommended and correct classification should be made in the future. ***LPRC Response – agreed and this procedure will be put in place. The bank accounts at ECOBANK have been closed under the Banking MOU currently in place. Only two accounts will remain open a Liberian Dollar account and a US Dollar Account at LBDI.***

4. **Escrow Accounts** – Per the LPRC Balance sheet, an escrow bank account shows $25,000 held at ECOBANK, it appears the existence of this account is unlikely and should be investigated. ***LPRC Response: The history of this transaction has been investigated, LPRC has never received a bank statement on the account. We have identified a check made out to ECOBANK, which cleared our operating account, but was never used to open a bank account, it was a deposit made some years ago on a construction project. The $25,000 has been written off to prior year adjustments.***

5. **Accounts Payable** – In confirming the balances per the Vendors, as compared with LPRC's balances owed, differences were noted, some irregularities have existed for a long time. These should be investigated and corrected. The differences totaled approximately $93,855. LPRC ***LPRC Response: In comparing outstanding balances with customers confirmations differences were noted. At present we are confirming outstanding balances and working out payment schedules for long past due accounts. During this process the account balances within LPRC will be reconciled with that of customers. Under the new accounting procedures using the QuickBooks Enterprise system there is no subsidiary ledger. A payable is listed with coding into each account and department, then at the end of the month most payables are paid from the computerized list.***

6. **Accounts Receivable** – In comparing the balances per Customers, with LPRC's balances in receivables, differences were noted. These should be investigated and corrected. ***LPRC Response: Mr. Lindberg the firm's CFO, has visited a number of the LPRC customers to begin the reconciling process with Receivable Balances. This program will be expanded with staff taking over the examination of each account. A periodic reconciliation will be conducted in the future, confirming balances under the new financial system. Staff assigned to the receivables are to undergo training at present.***

7. **ECOBANK Project Account** – The LPRC financials show a receivable from ECOBANK project account in the amount of $25,945, however ECOBANK charged LPRC $33,000 on its project account with no documentation to support this amount. These account should be investigated. ***LPRC Response: Our investigation revealed the amount of $20,105 included a service charge of $105, this has been recorded. . The check for $33,000 was cleared for $33,378 (this is an interest charge for a loan of f $700,000 for the unpaid balance from August 25 2005 to December 2005).***

8. **Prewar Receivables and Payables** – The accounting department stated there were several unsupported payables and receivables, these are assumed to be prewar accounts. These should be investigated and corrected. ***LPRC Response: Agreed we are underway on this discussion with both customers and suppliers. We have reviewed and confirmed many of the payables, plus entered into settlement agreements with many of the firms from the payable list.***

9. **Lease with National Port Authority** – The NPA lease expired in 2001 and no new agreement has been formalized in writing. ***LPRC Comment – the NPA lease has been presented. In recent discussions an agreed upon price per square foot of land has been agreed at $.113. A lease is to be signed during July, after board approval.***

10. **National Social Security & Welfare Corporation** – The balance shown by the accounting department for liabilities owed to NASSCORP vary between 3 separate subsidiaries ledger accounts and the General Ledger. This should be investigated and corrected to confirm the amounts owed. ***LPRC Response: The outstanding balance has been agreed at LD$7,342,601.44 covering the period prewar up to April 30, 2006 – the amount has been paid.***

11. **Cash Receipt Procedures** – The procedures for safeguarding the cash receipts were noted by Monbo & Company and classified as "very good". Cash receipts were properly recorded. ***No additional work needed.***

12. **Cash Disbursements** – Proper management principals were not followed in recording and managing Cash Disbursements, the following cases were noted:

    - NTGL – Payments were not supported by formal requests, nor official receipts
    - Interference by NTGL – There was direct interference in the affairs of the company by the NTGL requesting LPRC to purchase vehicles and fuel for the Executive Mansion for local and international travel. ***LPRC Comment -- disagree***
    - NTGL requested LPRC to pay $100,000 for the Liberia permanent mission in New York. ***LPRC Comment – This is correct.***
    - LPRC paid $100,000 to Thomas Nimely Yaya, the Foreign Minister of Liberia for a celebration on July 26 (independence day, the payment was made two months after the July 25 celebration. ***LPRC Comment –This is correct.***
    - LPRC management paid $100,000 to the University of Liberia for the reopening of the University. ***LPRC Comment –This is correct***
    - LPRC paid $65,000 for lobby efforts among the NTLA members against repealing the act that granted exclusive rights to LPRC. ***LPRC Comment –This is correct.***
    - LPRC paid $100,000 to the government as its contribution toward passage of the Electoral Bill. ***LPRC Comment –This is correct***
    - LPRC remitted the amount of $110,000 to the Executive Mansion as GOL Dividends. ***LPRC Comment –This is correct.***
    - NTGL Chairman's Travel – A total of $280,000 was paid to the Chairman of NTGL for three trips - $130,000 to New York, $75,000 to the South East and $75,000 to the Northern Region of Liberia. ***LPRC Comment –This is correct***
    - A Photocopier was purchased by LPRC for $16,000 (not the $18,500 noted by Monbo & Co) and needs repair – it has not worked in some time, it is fully paid for. ***Thanks for calling our attention to this issue. LPRC purchasing manager has contacted a repair firm to repair the unit. A circuit board has been replaced and a new Fuser has been ordered. A total cost of $1600 will be paid for the repair of the copy machine.***
    - The construction of two buildings at PST appear to be overstated in cost.

    LPRC Comment – the price for the two buildings was $100,000 and $127,000 respectively as per the contracts entered into by and between the management and the contractors. We disagree that the price was overstated.

13. **Fixed Assets** – The analysis of the Fixed Asset Section of the balance sheet of LPRC by Monbo & Company is lengthily. Overall the accounting department should look at the valuations of improvements, review the assets to see they are all accounted for and not destroyed or disposed of. With regard to Work In Progress, accounts should be set up for construction works and classified as "Work in Progress" prior to completion. It is suggested by Monbo & Company that LPRC company employ an engineer to review the buildings to determine the present value. Values should reflect the present value and condition for future financial statements. ***LPRC Comment – with the implementation of the new computerized***

accounting system this will be easier to track. At present we are tracing, locating and verifying Fixed Assets, and noting the condition thereof.

14. **UNMIL occupancy at Gardnerville** – it was recommended that LPRC begin negotiations with UNMIL to vacate the Gardnerville site. ***LPRC Comment, we will take this under advisement with the General Manager.***
15. **Ganta Office –** it is also suggested that the company reopen the Ganta office to make petroleum products available to the most leeward counties. ***LPRC Comment, we will take this under advisement with the General Manager, we have reviewed the facilities and that state of repair for Ganta office—it is difficult to say at this time if the office will be reactivated.***
16. **Vehicles** – LPRC owns some 70 cars, including a fire truck. There is a difference between the General Ledger and subsidiary ledger for the vehicles totaling some $12,000. This should be reconciled. The following were noted as vehicles that should be written off:
    - Toyota Hillux Pickup – Value $20,000 was taken (forcibly) by the former chief of security, Christopher Vambo.
    - Grand Cherokee Jeep – Cost of $35,264 used by the Deputy Managing Director was transferred to the Bureau of Immigration and still on LPRC's books.
    - Toyota Pickup - was scrapped by management, yet still on the LPRC's books.
    - Other notation were that old busses should be sold after they have outlived their useful life.
    - There were an adequate number of vehicles and Manbo & Co recommended no additional units be acquired.
    - Marking or inventory numbers should be visible on all vehicles.

    LPRC Comment – At present we have reviewed the vehicle listing and adjustments including write offs have been made. A number of vehicles have been given to departing managers (Per their contracts) and the count has been reduced. The units noted above have been written off and inventory of vehicles as shown in the new General Ledger system has been updated. In the future only the Managing Direction, Deputy Managing Director and 5 of the directors will have cars. Other cars will be UNASSIGNED and available for pool usage. Over all the number of cars has been reduced from some 70 to around 35, including buses and trucks.

17. **Tanks** – there are 70 tanks owed by the LPRC in 4 different locations, with a cumulative capacity of 1,146,824 barrels. Most of the tanks are obsolete and no longer useful. A loan from ECOBANK of $700,000 was secured for the repair, but none started. An initial deposit of $147,500 was paid to Green Coast for the repair of the tanks. The tank roof is off but the tank has not been rehabilitated. It is recommended that LPRC management ensures that Green Coast complete the rehabilitation of this tank—or restitute the advance. ***LPRC Comment, we are presently reviewing the needs for tank rehabilitation and also rehabilitation of the oil Jetty. Tank #7 was partly rehabilitated by Green coast with a new floor placed in the tank and other repairs made. The initial work has been complete, this repair was covered under the $147,500 cost. Green Coast has recently been awarded a small contract to Rehabilitate Tank # 408 for $35,000. The work is expected to take 45 days. They were the only bidder on the publicly advertised RFP.***

18. **Refinery Plant –** It is recommended by the auditors the refinery plant be written off and sold for scrap value. Also the accumulated depreciation of $7,841,400 is in excess of the plant's carrying value of the asset - $7,468,000 ***LPRC Comment, Agreed that we write down the***

assets value equaled the depreciation, this asset has been written off. The posting error in Accumulated Deprecation has been noted and reversed..

19. **Other Assets** – the Warehouse Inventory of $1,000,000 shown on the financial statements was said to be at the main LPRC site, the buildings were empty and inventory non-existent. This should be written off and buildings reduced in value. ***LPRC Comment – agreed.***

20. **Disbursements without evidence of work** – the following was noted:
    - **Kerson Seykor** – was paid $4000 for accounting services, evidence does not point to any services being provided. ***LPRC Comment –This amount was inherited by this administration, we made a "settlement" only after we were presented a copy of the approved invoice issued by the previous management.***
    - **Jetty Walkways/Pipes** – a contract to Green Coast at $235,000 was awarded and not completed—***No work was started and no payments were made. Further LPRC Comment –the Jetty contract is being rebid under a proposal with World Bank Funding and a more extensive scope of work. This is included in the new 2006 Capital budget.***
    - **Devine Sac Akhan** - A consulting firm hired by LPRC for $12,000, of which $3,000 has been paid. No work is in evidence, it is recommended no further payments be made. ***LPRC Comment – Agreed.***
    - **Training building** – The building is valued at $100,000. LPRC paid $66,000 to the contractor to date, however the building has not been turned over to LPRC and is not complete (no doors or windows). It is recommended that management of LPRC prevail on the contractor to complete the building before any further payments are made. ***LPRC Comment – Agreed-we hope to have this building turned over to us around 7/31/06.***
    - **Wire-U Communications, Inc** – LPRC contracted with Wire-U in the amount of $18,000 for installation of a Local Area Network (LAN), this was to include the installation of internet services. There is no evidence of any work being carried out. It is recommended the funds be returned or services be completed.. ***LPRC Comment – Agreed.***
    - **Bidding Committees** – a total of $65,000 was paid to three groups to supervise bidding of contracts for the construction of tanks. Monbo & Co has not seen any committee reports and were unable to satisfy themselves of the bidding process. The issue of the MEG (Mechanical Engineering Contract) as also sited with $550,000 advance being paid. ***Comment on status, the contract has been cancelled, but did the money come back***?

21. Other Unexplained Cash Payments:
1. $47,000 to the Board of Directors with no resolution to justify the payments -
2. $11,500 paid to managers which is unaccounted for.
3. $36,184 was collected from Srimex, of which $18,000 was used to fight "press war". The balance of $18,184 was used to complete the employee August 2005 (ÇOLA) cost of living adjustment.
4. $20,000 withdrawn from ECOBANK project account in cash, no documentation was provided to Monbo & Co on this. ***LPRC Comment –The $47,000 was board fees, $11,500 to the managers was for allowances – housing and the $18,184 was the COLA.***

22 – **Non-Operational Products:**

- Gasoline and Fuel good will to the public – 6,410 gallons with a value of $230,760 was given to individuals and institutions that have no relationship with the operations of LPRC. This practice poses a financial burden to the company's cash flow and it should be abolished.
- Board of Director's Gasoline – besides the board fees to the directors, 58,200 gallons of petroleum products were given to the board members at a cost of $174,600. It is recommended limits be placed on these amounts.
- GOL Security Fuel – The government of Liberia is given 1,000 gallons per month from LPRC, in addition to $5,000 through Sam Ajavon for security operations. In addition LPRC paid $36,000 to the suppliers of gasoline on behalf of the Government (LTGL).
- Top Management Allocation of Gasoline and Fuel – in addition to their allotment for office utility, the management of LPRC received 11,500 gallons of fuel (most used for their home generators). It is noted in this section that the company is not managed effectively. ***LPRC Comment – The Government at the time directed the management of LPRC to make these funds available for security operations. Management could not easily have denied some of these requests due to the fact the GOL owns 100% of LPRC.***

23. **Product Theft at PST** – LPRC paid $342,595 to three importers for losses they sustained during the discharge of oil products.. Management has invited UNMIL personnel to reinforce security at PST, but there is no evidence of a reduction in theft of products. ***LPRC Comment – We agree with this comment, security has improved with the UNMIL personnel. Issues such as product losses come from a variety of issues (including fuel leaks, evaporation, issues with operation of meters and gages.) We have sustained losses from Evaporation during the first quarter of 2006, we have instituted a new policy for those customers that do not move their fuel on a timely basis. This has contributed to the evaporation issue.***

24. **Staffing** – the audit report notes there is 642 on the LPRC payroll and recommends a reduction of 70% to around 200 employees. ***LPRC Comment – as of May 25th the employee count was 226 having just completed the reduction of some 390 staff members at LPRC. The over all percentage reduction from the "Right Sizing program" has been around 66%.***

25. **Rehabilitation & Maintenance of Tanks** – the audit report recommends that funds should be segregated for improvements or rehabilitation from operation. ***LPRC Comment – Agreed, with our new cash / bank account activity this procedure will be followed for reconstruction projects, minor maintenance tasks will continue from general funds and not be segregated.***

26. **Travel Expenses** – In the past no expense reports were submitted for travel by both managers and corporate executives for 6 trips totaling approximately $73,600. It is recommended all travel reports include expense reports. ***LPRC Comment – Agreed, all travel expenses must be submitted with receipts prior to approval for payment.***

27. **Unpaid Withholding Taxes** – Withholding taxes totaling $50,000 for 2004 and 2005, with an additional $34,500 in penalties is included in the financial statement of the LPRC. The government requested LPRC purchase vehicles and transfer them to the GOL in satisfaction of this liability. This was done with a communication to the Ministry of Finance, which

subsequently refused to honor the "payment" by vehicles. LPRC was compelled to reintroduce the liability on its financial statements. It is recommended that LPRC management meet with the Finance Ministry authorities to resolve this matter. ***LPRC comment: Payments for arrears taxes have been made during June and July 2006.***

28. **Sports Salaries** – during 2005 a total of $192,090 was paid to the LPRC Oilers Sports team and $114,620 was paid in 2004. There is no accountability of where these funds were spent. It is recommended that a proper accounting system be set up to enhance the accountability of the funds paid to the Oilers. ***LPRC comment: The amounts in question were not given to the Sports Authorities to pay the players. The amounts were included in management monthly payroll. The future payment of salaries to the "Oilers" has been terminated. A smaller allowance is given from the M.D.'s Budget for the balance of 2006 in the amount of $12,500.***

John A. Lindberg – Chief Financial Officer
July 15, 2006