

May 14, 2019

Honorable Carl B. Ingram  
Chief Justice of the High Court  
Republic of the Marshall Islands  
Majuro, MH 96960

Dear Chief Justice Ingram:

In planning and performing our audit of the financial statements of the Marshall Islands Judiciary Fund (the Judiciary Fund) as of and for the year ended September 30, 2018 (on which we have issued our report dated May 14, 2019), in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Judiciary Fund's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Judiciary Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Judiciary Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the Judiciary Fund's internal control over financial reporting and other matters as of September 30, 2018, that we wish to bring to your attention.

The definition of a deficiency is also set forth in the attached Appendix I.

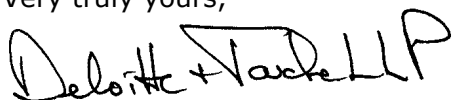
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of the Chief Justice of the High Court, management, 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.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the Judiciary Fund for their cooperation and assistance during the course of this engagement.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

## **SECTION I – DEFICIENCIES**

We identified, and have included below, deficiencies involving the Judiciary Fund’s internal control over financial reporting as of September 30, 2018, that we wish to bring to your attention:

### (1) Revenue Recognition

We noted the following observations related to revenue recognition:

1. Collections of \$9,582 pertaining to a deposit from an attorney for unearned court fees were recorded as revenues during the year ended September 30, 2018.
2. A collection of \$1,500 pertaining to exemption fees receipted in September 2017 was recorded as revenue during the year ended September 30, 2018.

We recommend that management implement internal control procedures requiring that all revenues be accurately supported, identified, and recorded in the correct accounting period.

### (2) Revenue Classification

During the year ended September 30, 2018, we noted Legal Aid Fund exemption fees of \$4,765 recorded as a deposit to the Operations bank account and as revenue in the Operations Fund.

We recommend that management implement internal control procedures requiring that exemption fees be accurately supported, identified, and recorded in the Legal Aid Fund.

## **SECTION II – OTHER MATTERS**

Our observations concerning other matters related to operations, compliance with law and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention at this time are as follows:

### (1) Daily Cash Reports

The daily cash collection report for September 3, 2018 did not reflect evidence of review and approval.

We recommend that daily cash collection reports be reviewed by an appropriate level of management.

## **SECTION III – DEFINITIONS**

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**MANAGEMENT’S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING**

The following comments concerning management’s responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

**Management’s Responsibility**

The Judiciary Fund’s management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

**Objectives of Internal Control over Financial Reporting**

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity’s objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

**Inherent Limitations of Internal Control over Financial Reporting**

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.