

Management Letter

Marshall Islands Marine Resources Authority
(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2022



March 27, 2024

Management and the Board of Directors
Marshall Islands Marine Resources Authority

In planning and performing our audit of the financial statements of the business-type activities of Marshall Islands Marine Resources Authority (MIMRA) as of and for the year ended September 30, 2022, 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 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 statements, but not for the purpose of expressing an opinion on the effectiveness of MIMRA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIMRA'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 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:

Trade Receivables

Observation:

Of four receivable balances items tested, two items totaling \$302,500 and \$567,500 have been outstanding for eleven years. These receivable balances have been fully provided with an allowance for doubtful accounts since no subsequent collections have occurred.

Recommendation:

We recommend management evaluate collectability of long outstanding receivables and, upon approval by the Board of Directors, consider writing off such amounts deemed uncollectible.

Investment in Joint Venture

Observation:

During the year ended September 30, 2022, MIMRA did not correctly apply the equity method of accounting for the investment in Marshall Islands Fishing Company (MIFCO) whereby the proportionate share of losses incurred by the investee for the last 3 months of CY2021 amounting to \$336,680 were not recognized. An audit adjustment was proposed to correct this misstatement by reducing MIMRA's investment in MIFCO for the proportionate share of losses.

Recommendation:

We recommend management establish internal control policies and procedures requiring the correct application of the equity method of accounting for the investment in MIFCO.

Grant Revenues and Expenses

Observation:

During the year ended September 30, 2022, MIMRA incurred certain expenses under the World Bank PROPER grant and recognized a receivable due from the World Bank of \$91,080; however, no corresponding grant revenue was recognized. Instead, MIMRA recognized the receivable through the reversal of the recorded expenses. An audit adjustment was proposed to reinstate grant expenses and recognize related grant revenue.

Recommendation:

We recommend management establish internal control policies and procedures requiring the recognition of grant revenues and expenses associated with World Bank grants.

Retirement Savings Plan

Observation:

During the year ended September 30, 2022, MIMRA made employer contributions, totaling \$81,760, to employee retirement savings plans. Taxes are not currently withheld and paid on the employer contributions.

Recommendation:

We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on employer contributions to employee retirement savings plans.

MIMRA Observers Program

Observation:

Individuals employed by MIMRA under the Observers Program are not supported by formal employment contracts. Currently, MIMRA does not withhold income taxes from these observers; however, applicable social security and health taxes are withheld.

Recommendation:

We recommend management formalize terms and conditions of individuals employed by the MIMRA Observers Program to include the nature of the arrangement between MIMRA and the observer together with the responsibility for payment of withholding taxes.

RMI Procurement Code

Observation:

Section 128 of the RMI Procurement Code requires that a contract may be awarded for a supply, service, or construction item without competition when it is determined in writing that there is only one source for the required supply, service, or construction item. For the following items, supporting documentation was inadequate to evidence the procurement process:

- A freight expense (check # 82372 for \$54,000) for transporting small boats to various outer island atolls.
- A contractor was initially awarded a \$2.3 million addendum to a contract to construct the MIMRA Annex Building Extension as approved by the Board in October 2020. In September 2022, a revised cost proposal for \$2.9 million was submitted by the contractor to MIMRA. Board approval for the modifications and additional cost was not evident.

Recommendation:

We recommend management require adequate documentation be maintained to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement including rationale for contractor/vendor selection and document the basis of a sole source provider.

Board Sitting Fees

Observation:

During the year ended September 30, 2022, MIMRA paid sitting fees of \$7,000 to Board members. These fees may constitute wages under the Income Tax Act 1989 and thus be subject to withholding taxes. No withholding taxes were withheld by MIMRA.

Recommendation:

We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on sitting fees paid to Board members.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors of MIMRA, 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 would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP

*The Auditor's Communication With Those
Charged With Governance*

Marshall Islands Marine Resources Authority
(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2022



March 27, 2024

Board of Directors
Marshall Islands Marine Resources Authority

We have performed an audit of the financial statements of the business-type activities of Marshall Islands Marine Resources Authority (the MIMRA), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated March __, 2024.

Provided below is a summary of required communications between the audit team and those charged with governance, as required by AICPA Clarified US Auditing Standard (AU-C) 260, *"The Auditor's Communication With Those Charged With Governance"*, and other applicable auditing standards.

This communication is intended solely for the information and use of MIMRA's Board of Directors, management 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.

Very truly yours,



REQUIRED COMMUNICATIONS

Auditors' Responsibilities under GAAS, including our discussion of the type of auditor's report we are issuing and the circumstances that affect the form and content of our auditor's report, if applicable

Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you.

We have issued an unmodified opinion on MIMRA's financial statements as of and for the year ended September 30, 2022.

An audit of financial statements includes consideration of 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 entity's internal control over financial reporting. Accordingly, we will express no such opinion.

An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the audit entrance meeting.

Matters relevant to our evaluation of MIMRA's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about MIMRA's ability to continue as a going concern.

Our views about the qualitative aspects of MIMRA's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year. A discussion of significant accounting policies and sensitive accounting estimates have been included in Note 2 of the financial statements.

We are not aware of any significant accounting policies used by MIMRA in controversial or emerging areas or for which there is a lack of authoritative guidance.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor MIMRA's operations. These budgets include determining how existing financial resources will be used in MIMRA's operations.
- Evaluating whether there are indications that the carrying value of MIMRA's long-lived assets is impaired.
- Determining the adequacy of the allowance for doubtful accounts and inventory obsolescence.
- Determining the reasonableness of economic useful lives assigned to depreciable assets.

Related party relationships and transactions

A discussion of related party relationships and transactions is included in Note 8 of the financial statements. We noted no significant matters regarding MIMRA's relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by MIMRA.

Difficult or contentious matters subject to consultation outside of the audit team

None.

Material corrected misstatements related to accounts and disclosures

Refer to "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

No material weaknesses have been identified.

Fraud and noncompliance with laws and regulations (illegal acts)

No matters of noncompliance with laws and regulations have been identified.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the September 2023 meeting during the audit.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

Management is still assessing the impact of adopting the following GASB Statements:

- GASB Statement No. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no material disagreements with MIMRA's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with MIMRA or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of MIMRA.
- The preparation of the financial statements is based on MIMRA's trial balance with our understanding that MIMRA's underlying books and records are maintained by MIMRA's accounting department and that the final trial balance prepared by MIMRA is complete.
- MIMRA's Chief Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

This report is intended solely for the use of MIMRA's Board of Directors and management, 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.

Appendix

A - Management Representation Letter

A - Management Representation Letter



REPUBLIC OF THE MARSHALL ISLANDS
MARSHALL ISLANDS MARINE RESOURCES AUTHORITY
P.O. Box 860, Majuro, Marshall Islands, MH 96960

March 27, 2024

Ernst & Young (RMI) Inc.
PO Box 1288, 96960,
Majuro, Marshall Islands

In connection with your audit of the financial statements of the business-type activities of Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands, as of September 30, 2022 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position of the business-type activities of MIMRA and the changes in financial position and cash flows thereof in conformity with U.S. generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated September 5, 2023, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US GAAP applied on a basis consistent with that of the preceding years.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MIMRA's ability to continue as a going concern for one year after the date that the financial statements are issued, and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statements in accordance with the liquidation basis of accounting.

Appendix A – Management Representation Letter, continued

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation, and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within MIMRA from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From October 1, 2021 through the date of this letter, we have disclosed to you to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Governmental entities

We recognize that we are responsible for MIMRA's compliance with laws, regulations, and provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.

We have a process to track the status of audit findings and recommendations.

Appendix A – Management Representation Letter, continued

We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, that you have reported.

Corrected misstatements

We are in agreement with the audit adjustments you have proposed (Appendix A) and have posted the adjusting journal entries to MIMRA's books.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We have communicated to you all significant deficiencies in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2022.

Minutes and contracts

The dates of meetings of the Board of Directors from October 1, 2021, to the date of this letter are as follows:

Meeting type	Date	Meeting type	Date
Regular Board Meeting	October 26, 2021	Special Board Meeting	January 6, 2023
Regular Board Meeting	December 21, 2021	Regular Board Meeting	February 7, 2023
Regular Board Meeting	February 23, 2022	Board Resolution	April 19, 2023
Regular Board Meeting	May 13, 2022	Regular Board Meeting	May 19, 2023
Board Resolution	July 8, 2022	Board Resolution	July 20, 2023
Regular Board Meeting	October 19, 2022		

We have made available to you all minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

Appendix A – Management Representation Letter, continued

Minutes and contracts, continued

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for right-to-use another entity's nonfinancial asset (the underlying asset), MIMRA has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which MIMRA has satisfactory title appear in the statement of net position.

Receivables and revenues

Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 - as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

Leases

Our calculation of the cumulative effect of initially applying GASB Statement No. 87 - as amended that is reported did not result on restatement of beginning net position for the earliest period restated that is in accordance with our accounting policies established under GASB Statement No. 87 - as amended.

We have identified and accounted for all contracts that meet the criteria to be accounted for as a lease under GASB Statement No. 87 - as amended. We have appropriately considered any modifications, termination, or purchase options in the contract.

Appendix A – Management Representation Letter, continued

Leases, continued

To measure the lease liability, we used the rate the lessor charges to us or the rate implicit in the lease. When the interest rate could not be readily determined, we then estimated our incremental borrowing rate (IBR). We believe our IBR is a reasonable estimate and represents an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

Investments

The equity method is used to account for the MIMRA investment in the common stock of Marshall Islands Fishing Company, Ltd. (KFC), because MIMRA has the ability to exercise significant influence over the investee's operating and financial policies. The parties agreed that the joint venture will be operated by KFC and MIMRA will not be liable to the joint venture.

The investment in common stock of Marshall Islands National Telecommunications Authority is recorded at Net Asset Value, net of allowance for impairment, since MIMRA does not exercise significant influence over the operating and financial policies of the investee.

Prepayments

We believe that all material expenditures for which recognition has been deferred to future periods are recoverable.

Long-lived assets used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets used, including intangible assets that are subject to amortization, may not be recoverable.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 - as amended, has been considered and appropriate adjustments or disclosures are made in the financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Appendix A – Management Representation Letter, continued

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

No events of default have occurred with respect to any of MIMRA's debt agreements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62 - as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62 - as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 - as amended.

We have consulted legal counsel concerning litigation, claims or assessments.

Oral or written guarantees

There are no oral or written guarantees other than those reported in the financial statements, including guarantees of the debt of others.

Purchase commitments

At September 30, 2022, MIMRA had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2022 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Appendix A – Management Representation Letter, continued

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that MIMRA's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation, and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in MIMRA's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of MIMRA.

Independence

We have communicated to you the names of all MIMRA's affiliates, officers, and directors.

We are not aware of any capital lease, material cooperative arrangement or other business relationship between MIMRA and Ernst & Young (RMI), Inc. or any other member firm of the global Ernst & Young organization

We are not aware of any reason that Ernst & Young (RMI), Inc. would not be considered to be independent for purposes of MIMRA's audit.

Conflicts of interest

There are no instances where any officer or employee of MIMRA has an interest in a company with which MIMRA does business that would be considered a "conflict of interest." Such an interest would be contrary to MIMRA's policy.

Effects of new accounting principles

As discussed in Note 2, we have not completed the process of evaluating the effects that will result from adopting the amendments to the codification provided in Governmental Accounting Standards Board (GASB):

- | | |
|-------------------------|--------------------------|
| • GASB Statement No. 91 | • GASB Statement No. 99 |
| • GASB Statement No. 94 | • GASB Statement No. 100 |
| • GASB Statement No. 96 | • GASB Statement No. 101 |

Appendix A – Management Representation Letter, continued

MIMRA is therefore unable to disclose the effects that adopting the amendments of the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such amendments are adopted.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis, which has been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Government of Japan Grant in Aid

In 2020, the Government of Japan and RepMar entered into a grant agreement for Grant Aid in the amount of JPY180,660,000 with MIMRA as the ultimate grantee. The purpose of the Grant is to support MIMRA's fish market operations. The Grant was paid directly by the Government of the Japan through an independent procurement agent to various vendors. During the year ended September 30, 2022, MIMRA received the equivalent in capital asset acquisitions in the amount of \$513,964. In February 2022, MIMRA transferred various motor boats to outer-island local governments costing \$910,689 from the Government of Japan.

Overseas Fishery Cooperation Foundation (OFCF) of Japan

In 2022, Overseas Fishery Cooperation Foundation (OFCF) of Japan donated \$270,941 worth of equipment for the restoration of fisheries related activities to MIMRA.

World Bank

In 2021, MIMRA received \$1,759,387 from the World Bank in the form of financial support from IDA (Grant ID D17-MH) to support implementation of strengthening the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend. The grant closing date was originally September 30, 2020; however, the grant was extended to January 2022. A summary of the grant activities are as follows:

IDA Grant ID D17-MH:	
Balance at beginning of the year	\$ 110,056
Grant expenses incurred during the year	(110,056)
Balance at end of the year	\$ ---

Appendix A – Management Representation Letter, continued

World Bank, continued

During the year ended September 30, 2022, MIMRA incurred expenses of \$91,080 under a World Bank grant from IDA (Grant ID E165-MH) to strengthen regional collaboration and national capacity for the management and the sustainable development of the oceanic and coastal fisheries sector in Republic of the Marshall Islands. As of September 30, 2022, a receivable due from the World Bank associated with this grant amounted to \$91,080. A summary of the grant activities are as follows:

IDA Grant ID E165-MH:	
Balance at beginning of the year	\$ ---
Grant funds received during the year	91,080
Grant expenses incurred during the year	(91,080)
Balance at end of the year	\$ <u>---</u>

Management is of the opinion that the proceeds from the IDA grants have been expended in accordance with intended purposes specified in the respective grant agreements.

The Nature Conservancy

In 2019, MIMRA received a grant from The Nature Conservancy (TNC) to fund the implementation of the 2019 Joint-Conservancy-Grantee Workplan in order to support the shared objectives of exploring options to diversify and increase RMI's earnings from tuna resources, eliminating illegal, unreported, and unregulated fishing, marine spatial planning and assisting in the implementation of RMI National Oceans Policy. The grant closing date was originally February 21, 2021; however, due to cessation in the implementation of program objectives because of the COVID-19 pandemic, the grant remains open with grant extension being negotiated between MIMRA and TNC. A summary of the grant activities are as follows:

Balance at beginning of the year	\$ 108,224
Grant expenses incurred during the year	(11,802)
Balance at end of the year	\$ <u>96,422</u>

Management is of the opinion that proceeds from this grant have been expended in accordance with the intended purposes as specified in the grant agreement.

Appendix A – Management Representation Letter, continued

Chinese Taipei Trust Fund

In 2017, MIMRA received joint assistance from Pacific Community and Forum Fisheries Agency to improve data collection by the Observers and management. The purpose of the assistance is to build technical capacity at MIMRA for the efficiency of the National Observer Program. A summary of the grant activities is as follows:

Balance at beginning of the year	\$ 27,389
Grant expenses incurred during the year	(26,130)
Balance at end of the year	\$ 1,259

Management is of the opinion that proceeds from this grant have been expended in accordance with the intended purposes as specified in the grant agreement.

Protected Area Network

In 2021, MIMRA received a \$230,776 grant from the Micronesian Conservation Trust for the purpose of funding Protected Area Network activities in the Marshall Islands. A summary of the grant activities is as follows:

Balance at beginning of the year	\$ 218,922
Grant funds received during the year	31,748
Grant expenses incurred during the year	(39,568)
Balance at end of the year	\$ 211,102

Management is of the opinion that proceeds from this grant have been expended in accordance with the intended purposes as specified in the grant agreement.

Food and Agriculture Organization of the United Nations

In 2021, MIMRA received a \$11,698 grant from the Food and Agriculture Organization of the United Nations (FAO) to support coastal and small-scale tuna fishers, as well as post-harvest activities and alternative preservation methods for processing and storing catches. A summary of the grant activities is as follows:

Balance at beginning of the year	\$ 9,872
Grant funds received during the year	48,565
Grant expenses incurred during the year	(14,652)
Balance at end of the year	\$ 43,785

Management is of the opinion that proceeds from this grant have been expended in accordance with the intended purposes as specified in the grant agreement.

Appendix A – Management Representation Letter, continued

Other representations

- We have identified and disclosed to you all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have identified and disclosed to you violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of revenues, expenses and change in net position.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Capital assets, including infrastructure, are properly capitalized, reported and, if applicable, depreciated.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Subsequent events

Subsequent to September 30, 2022, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to MIMRA's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the net position, changes in net position and, where applicable, cash flows of MIMRA.

Appendix A – Management Representation Letter, continued

Financial statements approval

We have received a draft copy of the financial statements of MIMRA as of and for the year ended September 30, 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are the responsibility of the management of MIMRA.

You have assisted in the preparation of MIMRA's financial statements based on the information in MIMRA's trial balance and accounting records. It is our understanding that:

- MIMRA's underlying books and records are maintained by MIMRA's accounting department and that the final trial balance prepared by MIMRA is complete; and
- Management of MIMRA has designated a competent representative to oversee your services and that there are MIMRA personnel with sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements.

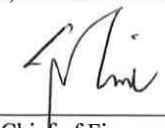
We acknowledge, that we have reviewed the draft financial statements for accuracy and completeness, and we take responsibility for them.

We understand that your audit was conducted in accordance auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing opinions on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of MIMRA and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Glen Joseph, Executive Director



Jun Acibo, Chief of Finance

Appendix A – Management Representation Letter, continued

Appendix

A– Schedule of Corrected Misstatements

Appendix A – Management Representation Letter, continued

Appendix A – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: MI Marine Resources Authority		Period ended: 30-Sep-2022		Currency: USD								
Corrected misstatements			Analysis of misstatements				Income statement effect					
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Debit/(Credit)	Income statement effect of the current period	Non taxable
(misstatements are recorded as journal entries with a description)												
A/JEA# E0100 To correct allowance for doubtful accounts												
1		5999 Bad Debts Expense	(225,000)								225,000	X
		1251 Allowance For Doubtful Debts										
A/JEA# H0100 To correct investment in MIFCO												
2		7999 Income From Equity Share	(336,600)								336,600	X
		1310 Investment In Joint Venture										
A/JEA# V00100 To accrue MIMRA 2nd progress billing												
3		1419-D Construction in Progress-MIMRA		872,699	(872,699)							
		2119 Contract Payable										
A/JEA# V0010 To recognize grant income for pre-implementation cost												
4		5100 Salaries & Wages									50,876	X
		5120 Consulting Fees & Expenses									18,611	X
		5302 E/B - Housing Allowance									9,000	X
		5400 Printing & Advertising									3,973	X
		5151 E/B - Social Security Expense									3,046	X
		5655 Meetings And Conferences									2,590	X
		5155 E/B - Vacation Leave									779	X
		5152 E/B - Basic Health Plan									727	X
		5550 Fuel And Oil Expense									685	X
		5156 E/B - Sick Leave									806	X
		5910 Bank Charges									100	X
		5900 Repairs & Maintenance									89	X
		4011-5 WB IDA Grant No. D017 /MH									(91,080)	X
Total of corrected misstatements before income tax			(561,740)	872,699	(872,699)	0	0	0	0	0	561,740	
Financial statement amounts			32,543,389	10,040,943	(1,757,909)	(216,560)	(40,609,853)				(314,297)	

Form 430GL (3 August 2022)

Appendix A – Management Representation Letter, continued

Appendix A – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: All Marine Resources Authority		Period ended: 30 Sep-2022		Currency: USD							
Corrected misstatements			Analysis of misstatements Debit/(Credit)								
No.	Wip ref.	Account	Assets		Liabilities		Equity components		Effect on the current period OCI	Income statement effect of the current period	
			Current	Non-current	Current	Non-current	Debit/(Credit)	Debit/(Credit)		Debit/(Credit)	Debit/(Credit)
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
Effect of corrected misstatements on F/S amounts			-1.7%	8.7%	49.6%	0.0%	0.0%	0.0%			-178.7%

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAO.]