

Management Letter

Majuro Atoll Waste Company

(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2023



September 12, 2024

Management and the Board of Directors
Majuro Atoll Waste Company

In planning and performing our audit of the financial statements of Majuro Atoll Waste Company (MAWC) as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, 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 MAWC's internal control. Accordingly, we do not express an opinion on the effectiveness of MAWC'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:

Cash in Bank - Stale-dated Checks

Condition: At September 30, 2023, the bank reconciliation included outstanding checks of \$3,610, which included stale-dated checks amounting to \$2,445.

Recommendation: We recommend management establish internal policies and procedures requiring timely resolution and follow-up of outstanding checks which have been outstanding for over six months.

Receivables - Allowance for Doubtful Accounts

Condition: Trade and affiliate receivables amounting to \$122,718, which represent 54% of total trade and affiliate receivables, were deemed uncollectible as of September 30, 2023, and were fully provided with an allowance for uncollectible accounts. Of the total deemed uncollectible, \$100,901 represented receivables aged more than 365 days.

Recommendation: We recommend management establish internal control policies and procedures requiring regular assessment of the collectability of accounts receivable. Furthermore, we recommend management establish a written policy governing receivable collections and write-offs.

Capital Assets

Condition: During the year ended September 30, 2023, no asset tags were made for existing and new capital asset additions. Furthermore, depreciation expense was understated by \$23,330 due primarily to an error in the depreciation of a Freightliner rear loader purchased in 2013 for \$237,857.

Recommendation: We recommend management establish internal control policies and procedures over capital assets including tagging and consider periodic checks of capital asset depreciation.

Board Sitting Fees

Condition: During the year ended September 30, 2023, MAWC paid sitting fees of \$5,400 to Board members. These fees may constitute wages under the Income Tax Act 1989 and thus may be subject to withholding taxes. No withholding taxes were withheld by MAWC.

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.

Retirement Savings Plan

Condition: During the year ended September 30, 2023, MAWC made employer contributions, totaling \$12,015, to employee retirement savings plan. 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 plan.

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

Ernst + Young LLP