

Management Letter

Marshall Islands Judiciary

(A Governmental Fund of the Republic of the Marshall Islands)

Year ended September 30, 2023



October 29, 2024

Honorable Carl B. Ingram
Chief Justice of the High Court
Republic of the Marshall Islands

In planning and performing our audit of the financial statements of the Marshall Islands Judiciary (the Judiciary) 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 the Judiciary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Judiciary'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:

Financial Reporting

Condition: The Judiciary did not close out the September 30, 2023 trial balance until August 9, 2024, which included accounting records not timely processed and updated for the following:

- Interest receivable and related interest income associated with time certificates of deposit was understated by \$1,435.
- Nitijela appropriation was understated by \$68,783.
- Accrued expenses were understated by \$2,254.

Audit adjustments were proposed to correct these misstatements.

Financial Reporting, continued

Recommendation: We recommend management establish internal control policies and procedures requiring timely close out of financial information and facilitate timely reconciliation of the general ledger to the subsidiary ledgers.

Manual Journal Entries

Condition: During our audit, we noted instances where journal entries were not correctly filed with adequate supporting documentation attached. Proper documentation is essential for maintaining the integrity of financial reporting and ensuring that transactions are accurately recorded and authorized.

Recommendation: We recommend management establish internal control policies and procedures to ensure that all journal entries are consistently supported with appropriate documentation. This should include a clear policy for the type of support required, proper filing protocols, and regular reviews by supervisory personnel to ensure compliance.

Check Disbursements

Condition: The Judiciary incorrectly recorded check numbers to the accounting system for the following:

- Payment for office and computer supplies (Check # 067522 instead of Check # 067559) amounting to \$6,130.
- Payment for professional services under Legal Aid (Check # 70603 instead of Check # 70780) amounting to \$2,940.
- Reimbursement for travel advances (Check # 69340 instead of separate Check #s 69340, 69341 and 69342) amounting to \$3,924.
- Reimbursement for travel advances (Check # 69354 instead of separate Check #s 69352, 69353 and 69354) amounting to \$2,207.

Recommendation: We recommend management establish internal control policies and procedures requiring consistency of the check numbers and other details for the check disbursement transactions both in the accounting system and on the printed checks.

Provision for Legal Assistance

Condition: The Judiciary records professional fee expenditures for legal aid services performed by court-appointed attorneys upon receipt of billing. Accordingly, the following professional fee expenditures that should have been recorded in one accounting period are improperly recognized and unbilled services are not recorded:

- \$2,500 (Check # 068195) and \$2,250 (Check # 70854) recorded in 2023 but pertains to 2022 upon receipt of billing; and
- \$2,948 (Check # 69446) recorded in 2024 but pertains to 2023 upon receipt of billing.

Audit adjustments were proposed to correct these misstatements.

Recommendation: We recommend Judiciary's management implement internal control policies and procedures to facilitate timely receipt of billing from court-appointed attorneys and create internal records for hours spent by attorneys per legal aid case.

This communication is intended solely for the information and use of 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. However, this report is also a matter of public record.

At this time, we would like to thank all the staff and management of the Judiciary 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.

Sincerely,

Ernst + Young LLP