

*Financial Statements, Required Supplementary Information  
and Report on Internal Control and Compliance*

**Republic of the Marshall Islands Office of Commerce,  
Investment and Tourism**

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

*Years ended September 30, 2023 and 2022  
with Report of Independent Auditors*



Republic of the Marshall Islands Office of Commerce,  
Investment and Tourism  
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements, Required Supplementary Information and  
Report on Internal Control and Compliance

Years ended September 30, 2023 and 2022

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## Report of Independent Auditors

The Board of Directors  
Republic of the Marshall Islands Office of Commerce,  
Investment and Tourism

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of Republic of the Marshall Islands Office of Commerce, Investment and Tourism (OCIT), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise OCIT's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of OCIT as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCIT, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OCIT's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCIT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OCIT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, on our consideration of OCIT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCIT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCIT's internal control over financial reporting and compliance.

*Ernst + Young LLP*

December 2, 2024

Republic of the Marshall Islands Office of Commerce,  
Investment and Tourism  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis**

Years ended September 30, 2023 and 2022

This section of the Republic of the Marshall Islands (RMI) Office of Commerce, Investment and Tourism (OCIT) annual financial report presents our discussion and analysis of OCIT's financial performance during the fiscal year that ended September 30, 2023. This section is to be read in conjunction with the financial statements that follow this section and the accompanying notes to our financial statements in this report.

**OCIT Functions**

OCIT has wide-ranging functions and powers designed to make it a catalyst for economic and social development. Its primary function is to develop and implement social and economic development programs and projects for the betterment of the economic and social conditions of the inhabitants of the Republic. In March 2018, the Marshall Islands Visitors Authority (MIVA) combined with the RMI Office of Commerce and Investment, renaming the organization the RMI Office of Commerce, Investment and Tourism. Its functions now combine the roles of a tourism agency, investment promotion agency, a government investment corporation - i.e. to encourage and develop tourism and investments and to operate business enterprises on behalf of the RMI government. It is empowered to perform its functions alone or in conjunction with other government agencies and private enterprises.

**Statement of Net Position Analysis**

OCIT has been in operation for almost eleven years and continues to set out to achieve its mission of being a catalyst for economic and social development. In order to achieve this, it has to attract potential foreign direct investments as well as boost local economic growth by assisting local investors to expand and reinvest in the country and further encourage and develop tourism. With the MIVA merger in March of 2018 and the inclusion of the Aviation Task Force funds in February 2023, OCIT's operational costs have increased.

The Statements of Net Position present information on all of OCIT's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of OCIT is improving or deteriorating.

Republic of the Marshall Islands Office of Commerce,  
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Management's Discussion and Analysis, continued

**Statement of Net Position Analysis, continued**

A summary of OCIT's Statements of Net Position at September 30, 2023 compared with 2022 and 2021 is presented below:

**Summary Statements of Net Position**  
As of September 30

	<u>2023</u>	<u>2022</u>	\$ Change <u>2023-2022</u>	% Change <u>2023-2022</u>	<u>2021</u>
Assets:					
Current and other assets	\$ 306,512	\$ 161,495	\$ 145,017	89.8%	\$ 152,371
Capital assets	<u>67,970</u>	<u>105,552</u>	<u>(37,582)</u>	(35.6)%	<u>149,936</u>
Total assets	<u>374,482</u>	<u>267,047</u>	<u>107,435</u>	40.2%	<u>302,307</u>
Liabilities:					
Current and other liabilities	<u>87,408</u>	<u>80,332</u>	<u>7,076</u>	8.8%	<u>80,045</u>
Net position:					
Net investment in capital assets	67,970	105,552	(37,582)	(35.6)%	149,936
Restricted	92,520	-	92,520	100.0%	-
Unrestricted	<u>126,584</u>	<u>81,163</u>	<u>45,421</u>	56.0%	<u>72,356</u>
Total net position	<u>\$ 287,074</u>	<u>\$ 186,715</u>	<u>\$ 100,359</u>	53.7%	<u>\$ 222,292</u>

- Total assets have increased by \$107,435 or 40% from \$267,047 in 2022 to \$374,482 in 2023. This was due to the increase in current and other assets by \$145,017 or 90% offset by a decrease in capital assets by \$37,582 or 36%. The increase in current assets is mainly due to the increase in cash by \$111,922 or 72%, which includes unused cash earmarked for the Aviation Task Force.
- Total liabilities have marginally increased by \$7,076 or 9% from \$80,332 in 2022 to \$87,408 in 2023. Total liabilities include payables to affiliates of \$41,312, which increased by \$12,665 or 44%, and other liabilities and accruals of \$46,096, which decreased by \$5,589 or 11%.
- Total net position has increased by \$100,359 or 54% from \$186,715 in 2022 to \$287,074 in 2023. This was due to the increase in total assets of \$107,435 less the increase in total liabilities of \$7,076.

Republic of the Marshall Islands Office of Commerce,  
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Management's Discussion and Analysis, continued

**Statement of Revenues, Expenses, and Changes in Net Position Analysis**

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how OCIT's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accounts receivable and accounts payable).

A summary of OCIT's Statements of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2023 compared with 2022 and 2021 is presented below:

**Summary Statements of Revenues, Expenses and Changes in Net Position**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	<u>\$</u> <u>Change</u> <u>2023-2022</u>	<u>%</u> <u>Change</u> <u>2023-2022</u>	<u>2021</u>
Operating:					
Operating revenues	\$ 805,353	\$ 633,455	\$ 171,898	27.1%	\$ 799,092
Operating expenses	<u>755,645</u>	<u>669,032</u>	<u>86,613</u>	12.9%	<u>688,409</u>
Operating income (loss)	<u>49,708</u>	<u>(35,577)</u>	<u>85,285</u>	(239.7)%	<u>110,683</u>
Nonoperating:					
Nonoperating revenues	<u>50,651</u>	<u>-</u>	<u>50,651</u>		<u>-</u>
Change in net position	<u>\$ 100,359</u>	<u>\$ (35,577)</u>	<u>\$ 135,936</u>	(382.1)%	<u>\$ 110,683</u>

- Total operating revenues have increased by \$171,898 or 27% from \$633,455 in 2022 to \$805,353 in 2023. This was due mainly to: (i) the increase in Nitijela appropriations in 2023 by \$100,000 or 16% and (ii) the increase in contributions revenue in 2023 by \$51,135. The increase in Nitijela appropriations was associated with the reincarnation of the Aviation Task Force while the increase in contributions revenue was associated with the Miss Marshall Islands pageant.
- Total operating expenses have increased by \$86,613 or 13% from \$669,032 in 2022 to \$755,645 in 2023. This increase was mainly due to costs associated with the hosting of the Miss Marshall Islands pageant, expenses associated with the Economic Development Administration grant, and expenses of the Aviation Task Force.
- Total nonoperating revenues have increased by \$50,651 in 2023. Nonoperating revenues pertain to a U.S. Department of Commerce state tourism grant awarded to OCIT in 2023.



Republic of the Marshall Islands Office of Commerce,  
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Management's Discussion and Analysis, continued

**Statement of Revenues, Expenses, and Changes in Net Position Analysis, continued**

A summary of OCIT's operating revenues is as follows:

**Summary Schedule of Operating Revenues**  
Years ended September 30

			\$ Change	% Change	
	<u>2023</u>	<u>2022</u>	<u>2023-2022</u>	<u>2023-2022</u>	<u>2021</u>
Nitijela appropriations	\$ 725,124	\$ 625,124	\$ 100,000	16.0%	\$ 759,423
Contributions	51,135	-	51,135		26,975
Hotel taxes	22,187	10,358	11,829	114.2%	6,716
Other	9,160	8,331	829	10.0%	5,978
Bad debts	(2,253)	(10,358)	8,105	(78.2)%	-
	<u>\$ 805,353</u>	<u>\$ 633,455</u>	<u>\$ 171,898</u>	27.1%	<u>\$ 799,092</u>

OCIT's total operating revenues increased by \$171,898 or 27% from \$633,455 in 2022 to \$805,353 in 2023. As discussed above, the increase in operating revenues is primarily the result of an increase in Nitijela appropriations associated with the reincarnation of the Aviation Task Force and an increase in contributions revenue associated with the Miss Marshall Islands pageant.

A summary of OCIT's operating expenses is as follows:

**Summary Schedule of Operating Expenses**  
Years ended September 30

			\$ Change	% Change	
	<u>2023</u>	<u>2022</u>	<u>2023-2022</u>	<u>2023-2022</u>	<u>2021</u>
Salaries, wages and benefits	\$ 403,922	\$ 435,843	\$ (31,921)	(7.3)%	\$ 439,604
Advertising	112,919	36,450	76,469	209.8%	70,107
Travel and per diem	53,947	14,689	39,258	267.3%	15,388
Depreciation	43,458	48,686	(5,228)	(10.7)%	36,089
Office supplies	31,110	13,125	17,985	137.0%	26,507
Miscellaneous	110,289	120,239	(9,950)	(8.3)%	100,714
	<u>\$ 755,645</u>	<u>\$ 669,032</u>	<u>\$ 86,613</u>	12.9%	<u>\$ 688,409</u>

OCIT's total operating expenses increased by \$86,613 or 13% from \$669,032 in 2022 to \$755,645 in 2023. As discussed above, the increase in operating expenses is primarily the result of an increase in costs associated with the hosting of the Miss Marshall Islands pageant, expenses associated with a Economic Development Administration grant for state tourism, and expenses of the Aviation Task Force.

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Management's Discussion and Analysis, continued

**Statement of Revenues, Expenses, and Changes in Net Position Analysis, continued**

During the reporting year, various fluctuations occurred in the expense items, particularly advertising, which took a dramatic rise from \$36,450 in 2022 to \$112,919 in 2023 to accommodate promotion for major programs such as the Miss Marshall Islands Pageant midway through the year. In addition, travel increased from \$14,689 in 2022 to \$53,947 in 2023. As the borders opened, travel opportunities to participate in global conferences, network engagements and capacity building programs were sought after. A decline in contractual fees from \$25,869 in 2022 to \$12,430 in 2023 was also visible due to prior contract obligations ending in 2023.

Management's Discussion and Analysis for the year ended September 30, 2022 is set forth in OCIT's report on the audit of financial statements dated February 5, 2024. That Discussion and Analysis explains the major factors impacting the 2022 financial statements and can be obtained from OCIT's Chief Executive Officer at the contact information below.

**Capital Assets and Long-Term Debt**

Acquisition of capital assets for the reporting year remained the same for vehicles and leasehold improvements. Furniture and fixtures slightly increased by \$5,876 or 5% from \$126,401 in 2022 to \$132,278 in 2023. Capital assets, net of accumulated depreciation, decreased by \$37,582 or 36% from \$105,552 in 2022 to \$67,970 in 2023.

A summary of OCIT's capital assets at September 30, 2023 compared with 2022 and 2021 is presented below:

	<u>2023</u>	<u>2022</u>	\$ Change <u>2023-2022</u>	% Change <u>2023-2022</u>	<u>2021</u>
Depreciable capital assets:					
Motor vehicles	\$ 64,345	\$ 64,345	\$ -	0.0%	\$ 64,345
Leasehold improvements	56,289	56,289	-	0.0%	56,289
Furnitures and fixtures	<u>132,278</u>	<u>126,401</u>	<u>5,876</u>	4.6%	<u>122,100</u>
	252,912	247,035	5,876	2.4%	242,734
Accumulated depreciation	<u>(184,942)</u>	<u>(141,484)</u>	<u>(43,458)</u>	30.7%	<u>(92,798)</u>
	<u>\$ 67,970</u>	<u>\$ 105,552</u>	<u>\$ (37,582)</u>	(35.6)%	<u>\$ 149,936</u>

OCIT did not incur long-term debt activity during the period.

Republic of the Marshall Islands Office of Commerce,  
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Management's Discussion and Analysis, continued

**External Factors and Current Economic Outlook**

The Republic of the Marshall Islands economy throughout the fiscal year experienced a mixed recovery, driven by regional variations and ongoing challenges. While initial rebounds were fueled by government Covid-19 assistance programs for impacted businesses in the private sector along with stimulus-like payouts for government employees residing in Majuro, which scope was limited by available resources, yet growth in the RMI was steadily improving while the borders remained open, despite the economic setbacks from prior years.

As anticipated after the opening of the borders, OCIT's Tourism Unit saw a significant increase in the RMI's visitation rate during the reporting year as the numbers jumped to 4,970 total visitors for FY23, compared to prior year when it reached its all-time low, at just 711 visitors. The low turn-out in visitation during FY22 was mainly due to RMI flight restrictions. The office is projecting these visitor numbers to continue to increase dramatically in these coming years.

While the economy was transitioning to a new recovery phase post Covid-19, OCIT services were starting to pick up as recreational programs and projects were being implemented, such as night markets and holiday-themed events, which OCIT played a major role in revitalizing. One of the more notable programs that took place during the fiscal year was the Miss Marshall Islands Pageant, which kicked off midway through the year to crown the new reigning Miss Marshall Islands to serve as a Tourism Ambassador, while showcasing empowerment in woman and youth in the Marshall Islands and promoting the RMI to the rest of the world.

As services in the Tourism industry was slowly starting to normalize, OCIT's Investment Promotion and Business Development Unit (SBDC) in partnership with the Pacific Islands Small Business Development Center Network (PISBDCN) in Guam, continued to streamline business development trainings and outreach programs to Majuro and Ebeye residents as well as neighboring islands in the RMI. During the reporting year, the Unit assisted RMI clients in developing 36 business plans for funding assistance from Bank of Marshall Islands (BOMI) and Marshall Islands Development Bank (MIDB); with majority focused primarily on retail, taxi and fishing business establishments, compared to prior year, which stood at only 14 business plans. These numbers are nothing, but a fraction compared to previous years, before Covid-19 had come into play.

As OCIT's General Fund allocation for the reporting year stayed within the same ceiling as prior year, despite the many failed requests for supplemental budget to cover operations, OCIT remained optimistic in finding other avenues to fuel their programs and initiatives that lacked the current resources needed. OCIT shifted their efforts in finding other sources of funding, which led them to successfully pursue the State Tourism Grant from the United States, Economic Development Administration, that was valued at \$1,672,411. The grant existed to help RMI's Tourism sector recover from the impacts of covid-19 by funding various OCIT projects that will drive economic growth in the RMI.

Republic of the Marshall Islands Office of Commerce,  
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Management's Discussion and Analysis, continued

**External Factors and Current Economic Outlook, continued**

On top of this much needed funding availability, OCIT also took on the role of administering the Aviation Task Force funds as approved by Cabinet. The CEO of OCIT serves as a member of this committee and continues to offer support as a secretary. The committee was established primarily to maintain dialogue with aviation, tourism and private sector interest, while also finding alternative solutions to improve services related to aviation in the RMI.

Over the course of the years, OCIT's management has shifted its focus and initiatives to better adapt to the economic changes while continuing to address the issues and constraints that are disrupting OCIT services. This reporting year, OCIT has been aggressive in securing grants and aligning projects that will produce tangible results for the coming years to truly impact the RMI's economy to new heights.

**Additional Financial Information**

This discussion and analysis are designed to provide an overview of OCIT's financial operations and financial condition. Should the reader have any questions regarding information included in this report or wish to request additional information, please contact the CEO of the Office of Commerce, Investment and Tourism at 625-4624 or in writing to P. O. Box 898, Majuro, Marshall Islands 96960.

Republic of the Marshall Islands Office of Commerce,  
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Statements of Net Position

	September 30, 2023	2022
<b>Assets</b>		
Current assets:		
Cash	\$ 266,406	\$ 154,484
Receivables:		
Hotel taxes	32,545	10,358
Grant	7,312	---
Other	25,416	19,567
	65,273	29,925
Less allowance for doubtful accounts	( 25,167 )	( 22,914 )
Receivables, net	40,106	7,011
Total current assets	306,512	161,495
Capital assets, net of accumulated depreciation	67,970	105,552
	<u>\$ 374,482</u>	<u>\$ 267,047</u>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Payable to affiliates	\$ 41,312	\$ 28,647
Other liabilities and accruals	46,096	51,685
Total liabilities	87,408	80,332
Commitments and contingencies		
Net position:		
Net investment in capital assets	67,970	105,552
Restricted	92,520	---
Unrestricted	126,584	81,163
Total net position	287,074	186,715
	<u>\$ 374,482</u>	<u>\$ 267,047</u>

See accompanying notes.

Republic of the Marshall Islands Office of Commerce,  
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Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Operating revenues:		
Nitijela appropriations	\$ 725,124	\$ 625,124
Contributions	51,135	---
Hotel taxes	22,187	10,358
Other	9,160	8,331
Bad debt expense	( 2,253 )	( 10,358 )
Total operating revenues	<u>805,353</u>	<u>633,455</u>
Operating expenses:		
Salaries, wages and employee benefits	403,922	435,843
Advertising	112,919	36,450
Travel and per diem	53,947	14,689
Depreciation	43,458	48,686
Office supplies	31,110	13,125
Utilities and communications	29,735	38,236
Subscriptions and dues	16,633	13,539
Board member fees and expenses	12,432	11,040
Professional/contractual fees	12,430	25,869
Fuel and vehicle maintenance	11,771	9,113
Rent	8,382	7,992
Printing	6,718	4,210
Training	4,666	4,864
Miscellaneous	7,522	5,376
Total operating expenses	<u>755,645</u>	<u>669,032</u>
Income (loss) from operations	49,708	( 35,577 )
Nonoperating revenues:		
Economic Development Administration grant	<u>50,651</u>	<u>---</u>
Change in net position	100,359	( 35,577 )
Net position at beginning of year	<u>186,715</u>	<u>222,292</u>
Net position at end of year	<u>\$ 287,074</u>	<u>\$ 186,715</u>

*See accompanying notes.*

Republic of the Marshall Islands Office of Commerce,  
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Statements of Cash Flows

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Operating grants received	\$ 776,259	\$ 625,124
Cash received from customers	3,311	3,047
Cash payments to suppliers for goods and services	( 306,975 )	( 184,035 )
Cash payments to employees for services	( 398,136 )	( 436,024 )
Net cash provided by operating activities	<u>74,459</u>	<u>8,112</u>
Cash flows from noncapital financing activities:		
Economic Development Administration grant received	<u>43,339</u>	<u>---</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	( 5,876 )	( 4,302 )
Net change in cash	111,922	3,810
Cash at beginning of year	<u>154,484</u>	<u>150,674</u>
Cash at end of year	<u>\$ 266,406</u>	<u>\$ 154,484</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities:		
Income (loss) from operations	\$ 49,708	\$ ( 35,577 )
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	43,458	48,686
Bad debt expense	2,253	10,358
Change in assets and liabilities:		
Receivables:		
Hotel taxes	( 22,187 )	( 3,642 )
Other	( 5,849 )	( 12,000 )
Payable to affiliates	12,665	( 252 )
Other liabilities and accruals	( 5,589 )	539
Net cash provided by operating activities	<u>\$ 74,459</u>	<u>\$ 8,112</u>

*See accompanying notes.*

Republic of the Marshall Islands Office of Commerce,  
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Notes to Financial Statements

Years ended September 30, 2023 and 2022

**1. Organization**

The Republic of the Marshall Islands Office of Commerce, Investment and Tourism (OCIT), a component unit of the Republic of the Marshall Islands (RepMar), was established pursuant to the Office of Commerce, Investment and Tourism (Amendment) Act 2018, which amended the Office of Commerce and Investment Act of 2013. OCIT began operations as a statutory corporation on November 25, 2013 upon receiving its first operational budget. The objectives of OCIT were to: (1) to investigate, study, develop and implement social and economic development programs and projects, alone or in conjunction with other governmental, private organizations, or agencies, for the betterment of the economic and social conditions of the inhabitants of the Republic; (2) encourage and develop, and manage, businesses of economic or social importance to the Republic, such as tourism, poultry farming and piggeries; and (3) conduct, on behalf of RepMar, such business enterprises as the RepMar Cabinet directs, on such terms and conditions as were agreed to between OCIT and the RepMar Cabinet; provided, however, in all decisions of the Board or the RepMar Cabinet, the protection of existing enterprises shall be given highest consideration. In addition, the operations of OCIT include the Small Business Development Center (SBDC) and the Marshall Islands Visitor's Authority (MIVA), which streamlines the processes and procedures of establishing Small and Medium Enterprises (SME), streamlines initiatives and functions of organizations towards the development of tourism industry, and to stimulate economic growth in the country. OCIT is primarily funded through operational appropriations from the Nitijela (the RepMar Legislature).

OCIT is governed by a seven-member Board of Directors appointed by the Cabinet of RepMar.

OCIT's financial statements are incorporated into the financial statements of RepMar as a component unit.

**2. Summary of Significant Accounting Policies**

The accounting policies of OCIT conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds.



Republic of the Marshall Islands Office of Commerce,  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34*, establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to these requirements, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted - nonexpendable net position subject to externally imposed stipulations that requires OCIT to maintain such permanently. As of September 30, 2023 and 2022, OCIT does not have nonexpendable net position. Expendable net position whose use by OCIT is subject to externally imposed stipulations that can be fulfilled by actions of OCIT pursuant to those stipulations or that expire by the passage of time. As of September 30, 2023, OCIT has expendable net position of \$92,520 representing unexpended funds received from RepMar restricted for activities of the Aviation Task Force.
- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is OCIT's policy to use unrestricted resources first, then restricted resources as they are needed.

**Basis of Accounting**

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Republic of the Marshall Islands Office of Commerce,  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Cash**

Custodial credit risk is the risk that in the event of a bank failure, OCIT's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. OCIT does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and cash flows, cash is defined as amounts in demand and savings accounts. As of September 30, 2023 and 2022, the carrying amount of cash was \$266,406 and \$154,484, respectively, and the corresponding bank balances were \$282,318 and \$201,250, respectively. Of the bank balances, \$279,755 and \$198,537, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$2,563 and \$2,714, respectively, are maintained in a financial institution not subject to depository insurance.

As of September 30, 2023 and 2022, bank deposits in the amount of \$250,000 and \$198,537, respectively, were FDIC insured. OCIT does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**Receivables**

All receivables are due from government agencies, businesses and individuals located within the Republic of the Marshall Islands and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged to income. Bad debts are written off against the allowance on the specific identification method.

**Property and Equipment**

OCIT generally capitalizes individual items with a cost that equals or exceeds \$250 and has estimated useful life of more than one year. Property and equipment are recorded at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

Republic of the Marshall Islands Office of Commerce,  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Property and Equipment, continued**

The estimated useful lives of these assets are as follows:

	<u>Estimated Useful Lives</u>
Motor vehicles	5 years
Leasehold improvements	5 years
Furniture and fixtures	3 - 5 years

**Deferred Outflows of Resources**

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. OCIT has no items that qualify for reporting in this category.

**Compensated Absences**

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick benefits. As of September 30, 2023 and 2022, the accumulated vacation leave liability amounted to \$9,563 and \$20,103 respectively, and is included within the statements of net position as payroll liabilities.

**Deferred Inflows of Resources**

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. OCIT has no items that qualify for reporting in this category.

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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements**

During the year ended September 30, 2023, OCIT implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

This Statement provides clarification of provisions in:

- GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

The implementation of this Statement did not have a material effect on the accompanying financial statements.

**Upcoming Accounting Pronouncements**

In April 2022, GASB issued Statement No. 99. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

**Taxes**

Corporate profits are not subject to income tax in RepMar. The Government of RepMar imposes a gross receipts tax of 3% on revenues. OCIT is specifically exempt from this tax; however, gross receipts associated with business enterprise operations as directed by the Cabinet are subject to gross receipts tax.

**Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements, continued

**3. Capital Assets**

Capital asset activities for the years ended September 30, 2023 and 2022, were as follows:

	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Motor vehicles	\$ 64,345	\$ ---	\$ ---	\$ 64,345
Leasehold improvements	56,289	---	---	56,289
Furniture and fixtures	<u>126,402</u>	<u>5,876</u>	<u>---</u>	<u>132,278</u>
	247,036	5,876	---	252,912
Less accumulated depreciation	( <u>141,484</u> )	( <u>43,458</u> )	<u>---</u>	( <u>184,942</u> )
	<u>\$105,552</u>	<u>\$(37,582)</u>	<u>\$ ---</u>	<u>\$ 67,970</u>
	<u>2022</u>			
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Motor vehicles	\$ 64,345	\$ ---	\$ ---	\$ 64,345
Leasehold improvements	56,289	---	---	56,289
Furniture and fixtures	<u>122,100</u>	<u>4,302</u>	<u>---</u>	<u>126,402</u>
	242,734	4,302	---	247,036
Less accumulated depreciation	( <u>92,798</u> )	( <u>48,686</u> )	<u>---</u>	( <u>141,484</u> )
	<u>\$149,936</u>	<u>\$(44,384)</u>	<u>\$ ---</u>	<u>\$105,552</u>

**4. Related Party Transactions**

OCIT is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including the Marshall Islands Development Bank (MIDB) and the RMI Ports Authority. OCIT utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties.



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Notes to Financial Statements, continued

**4. Related Party Transactions, continued**

A summary of related party transactions as of and for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Expenses</u>	<u>Payables</u>	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$30,815	\$23,130	\$35,966	\$22,194
Marshall Islands National Telecommunications Authority	29,735	5,426	38,236	---
Majuro Resort, Inc.	15,493	7,005	10,003	---
RepMar	---	5,554	---	6,333
Air Marshall Islands, Inc.	2,277	---	2,324	---
Marshall Islands Development Bank	8,382	---	7,992	---
Other	<u>---</u>	<u>197</u>	<u>---</u>	<u>120</u>
	<u>\$86,702</u>	<u>\$41,312</u>	<u>\$94,521</u>	<u>\$28,647</u>

RepMar levies a Hotel and Resort Facilities tax of 8% of the daily room rate on hotels and resort facilities in the Marshall Islands, of which 1/8 is dedicated for OCIT. The tax is collected by RepMar on a monthly basis. During the years ended September 30, 2023 and 2022, OCIT recognized hotel tax revenues of \$22,187 and \$10,358, respectively, which remains uncollected as of September 30, 2023 and is recorded as a receivable from RepMar.

During the years ended September 30, 2023 and 2022, the operations of OCIT were funded by \$725,124 and \$625,124 respectively, of appropriations from the Nitijela of RepMar. In 2023, the appropriation included \$100,000 designated for the operations of the Aviation Task Force, of which \$92,520 remains unexpended at September 30, 2023.

During the years ended September 30, 2023 and 2022, OCIT occupied certain office space owned by MIDB under two separate lease agreements with rent expense of \$8,382 and \$7,992 respectively, inclusive of utilities and maintenance costs, and which expired on February 27, 2024. Such leases were not subsequently extended by OCIT. As of September 30, 2023, remaining commitments under these leases are \$2,286.

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Notes to Financial Statements, continued

**5. Commitments and Contingencies**

**U.S. Federal Grants**

During the year ended September 30, 2023, OCIT was awarded an Economic Development Administration grant through the U.S. Department of Commerce in the amount of \$1,672,411 for a State Tourism Grant under the American Rescue Plan Act. OCIT incurred expenses of \$50,651 under this federal program award during the year ended September 30, 2023. This program is subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. OCIT's management believes that liabilities, if any, for reimbursement which may arise as a result of these audits will not be material to the financial position of OCIT.

**Financial Support**

OCIT receives a substantial amount of its revenue from annual RepMar appropriations. A significant reduction in the level of budgetary support from RepMar, if this were to occur, may have an effect on OCIT's programs and activities. For the year ended September 30, 2024, RepMar appropriated \$630,165 for the purpose of funding the 2024 programs and activities of OCIT.

**6. Employee Retirement Plan**

OCIT has implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least three (3) months of service. Plan participants may contribute 5% up to 10% of their gross salaries to be matched 100% by OCIT. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. During the years ended September 30, 2023 and 2022, OCIT contributed \$12,527 and \$11,050, respectively, to Plan participant accounts. As of September 30, 2023 and 2022, total Plan assets were \$94,312 and \$89,448, respectively.

## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors  
Republic of the Marshall Islands Office of Commerce,  
Investment and Tourism

We have audited, in accordance with the 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, the financial statements of the business-type activities of Republic of the Marshall Islands Office of Commerce, Investment and Tourism (OCIT), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise OCIT's basic financial statements, and have issued our report thereon dated December 2, 2024.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCIT's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCIT's internal control. Accordingly, we do not express an opinion on the effectiveness of OCIT'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 a 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 a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether OCIT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **OCIT's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on OCIT's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. OCIT's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of OCIT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCIT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

December 2, 2024

Office of Commerce Investment and Tourism  
(A Governmental Fund of the Republic of Marshall Islands)

Schedule of Findings and Responses

Year ended September 30, 2023

Finding No. 2023-001

Bank reconciliations

Criteria: Bank reconciliations should be completed timely to ensure accurate financial reporting. Reconciling items should be investigated and resolved promptly to prevent misstatements or fraudulent activity.

Condition: Bank reconciliations were not performed timely. Furthermore, the September 30 bank reconciliation for OCIT's savings account included an invalid reconciling item in the amount of \$6,718 resulting in the understatement of cash balances. As the amount was not considered material to the financial statements, no audited adjustment was proposed.

Cause: Management failed to investigate and correct the misstatement due to the lack of formal procedures governing the bank reconciliation process. Additionally, no supervisory review process was in place to ensure accuracy and timeliness of bank reconciliations.

Effect: The delay in preparing and resolving bank reconciliations increases the risk of fraudulent or unauthorized transactions going undetected and errors in financial reporting potentially resulting in a material misstatement of financial statements.

Recommendation: We recommend management develop and implement formal policies requiring timely completion of bank reconciliations. Furthermore, we recommend management require training of Finance staff on proper reconciliation procedures, including the timely identification and resolution of invalid reconciling items. Finally, we recommend management require supervisory review and approval for all reconciliations, with evidence of review documented.

Auditee Response and Corrective Action Plan: Management has recognized the need to implement policies and procedures to verify the validity of OCIT balances and schedules. Management will propose an amendment towards its Finance Policy for the board of directors to include an internal review process of all account balance schedules and trial balance before the final submission to external auditors. Bank reconciliations will be done monthly and must now be reviewed and approved by the CEO of OCIT prior to audit submissions to ensure accuracy.