

*Management Letter*

**Republic of the Marshall Islands**

**Ebeye Water Supply and Sanitation Project**

(Jointly Financed by the Asian Development Bank's Special Fund (Grant Numbers 0438 RMI (SF) and 0749 RMI (SF)) and the Government of Australia (Grant Number 0439 RMI (EF)))

*Year ended September 30, 2021*



March 24, 2025

Honorable Minister David Paul  
Ministry of Finance, Banking and Postal Services  
Republic of the Marshall Islands

In planning and performing our audit of the financial statement of the Republic of the Marshall Islands (RMI) Ebeye Water Supply and Sanitation Project (the Project) jointly financed by the Asian Development Bank's Special Fund (Grant Numbers 0438-RMI (SF) and 0749-RMI (SF)) and the Government of Australia (Grant Number 0439-RMI (EF)) for the year ended September 30, 2021, 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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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:

## **Revenues**

**Condition:** During our audit, we noted one instance where an expenditure of \$57,836 was not fully paid by grant proceeds resulting in the amount of \$9,428 requiring to be paid by Kwajalein Atoll Joint Utilities Resources, Inc. An audit adjustment was proposed to reclassify revenues and to present the unpaid amount as an RMI contribution.

**Recommendation:** We recommend Project management implement a formal review process to ensure all revenue amounts are recorded based on source of payment.

## Expenditures

Condition: During our audit, we noted one instance where an expenditure was not recorded based on vendor invoice amount. Specifically, we noted one instance where the recorded expenditure amount of \$78,677 exceeded the invoice amount (SV-031455) of \$57,836 by \$20,841. An audit adjustment was proposed to correct the recorded amount.

Recommendation: We recommend Project management implement a formal review process to ensure all expenditures are recorded based on vendor invoice amounts.

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This communication is intended solely for the information and use of Project management, the Asian Development Bank, 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 Project 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.

Very truly yours,

*Ernst + Young*