

Management Letter

**Republic of the Marshall Islands
Sustainable Energy Development Project - Grant
Number D261-MH**

(Financed by the International Development Association)

Year ended September 30, 2024



July 18, 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) Sustainable Energy Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D261-MH for the year ended September 30, 2024 in accordance with auditing standards generally accepted in 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 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 deficiency in internal control (as described above) and other matters:

Incorrect Recognition of Cash Receipts

Condition: During our audit, we noted that a cash receipt totaling \$59,579 associated with Withdrawal Application # 34 was recorded in the year ended September 30, 2024 accounting period, although the related funds were not received until the subsequent period (October 1, 2024). This resulted in the overstatement of cash and revenue in the earlier period and a corresponding understatement in the subsequent period. As the amount was not considered material to the financial statement, no audit adjustment was proposed.

Recommendation: We recommend that Ministry of Finance management review its procedures for cutoff and ensure that cash receipts are recorded in the appropriate accounting period in accordance with the cash basis of accounting. Strengthening this process will improve the accuracy and reliability of the financial statement.

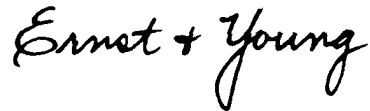
July 18, 2025

This communication is intended solely for the information and use of the Project's management, the World Bank and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We commend management for their continuous effort to improve certain internal control procedures in the accounting and operations department.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Ernst + Young". The signature is written in a cursive, flowing style.