

*Management Letter*

**Marshall Islands National Telecommunications  
Authority**

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

*Year ended September 30, 2023*



June 26, 2025

Management and the Board of Directors  
Marshall Islands National Telecommunications Authority

In planning and performing our audit of the financial statements of the business-type activities of Marshall Islands National Telecommunications Authority (MINTA) as of and for the year ended September 30, 2023 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 statements, but not for the purpose of expressing an opinion on the effectiveness of MINTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MINTA'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:

### **Dormant Bank Account**

Condition: As of September 30, 2023, MINTA maintained a dormant bank account with the Bank of Marshall Islands in the amount of \$1,587, which was previously utilized for payroll transactions. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management determine the necessity for this bank account and consider closing such to minimize the need for regular account reconciliation and monitoring and reduce the risk of fraud or misuse.

## **Bank Reconciliations**

Condition: The Finance Manager manually prepares monthly bank reconciliations for MINTA's bank accounts. This matter is a recurring comment from the 2022 audit.

Recommendation: Given the significant volume of daily transactions, we recommend management consider utilizing the automated bank reconciliation feature to streamline the reconciliation process.

## **Telecommunication Receivables**

Condition: As of September 30, 2023, MINTA's current billing system is still unable to produce an accurate aging report for analysis. Instead, management manually creates an aging report based on system generated invoices and collection details. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management collaborate and work with the software company to prioritize a solution to this recurring issue.

## **Allowance for Doubtful Accounts**

Condition: As of September 30, 2023, MINTA recorded an allowance for doubtful debts of \$1,623,348. MINTA's management decided to use a reduced rate of allowance for receivable under the 91 to 180 days classification (from 25% in FY2022 to 2% in FY2023) to record lower bad debts expense; however, no audit adjustment was proposed as management determined that such was not material to the financial statements.

Recommendation: We recommend management that such changes in rates must be properly justified by reliable information (i.e., changes in economic conditions and credit risk profile) and not lead to undue procyclicality or undermine transparency.

## **Materials and Supplies Inventory**

Condition:

- a. As of September 30, 2023, the following inventory items with negative costs were included in the current year inventory valuation report:

<u>Inventory Code</u>	<u>Item Description</u>	<u>Quantity</u>	<u>Total Cost</u>
500534	AMAZON FIRE STICK LITE	90	\$( 167)
600607	UBIQUITI UNIFI AP NANO HD	7	\$(1,326)
6006653	COYOTE BLANK SPLICE TRAY KIT	34	\$( 372)

No audit adjustment was proposed as management determined that such was not material to the financial statements. This matter is a recurring comment from the 2022 audit.

## **Materials and Supplies Inventory, continued**

### Condition, continued:

- b. During observation of the year-end inventory count, discrepancies existed between the inventory listings and the actual physical count. The differences appear to have arisen primarily because MINTA did not update the inventory records for withdrawals and inventory items shipped and received immediately prior to the inventory count.

### Recommendation:

- a. We recommend management investigate and appropriately adjust discrepancies between inventory balances and related financial records. We recommend management collaborate and work with the software company to prioritize a solution to this issue.
- b. We recommend management establish proper cut-off procedures for inventory, ensuring that all withdrawals, shipping and receiving are processed and reflected appropriately in the physical inventory records.

## **Related Party Transactions Disclosures**

Condition: MINTA is unable to identify and appropriately categorize related party transactions related to revenues for financial statement disclosure purposes. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management establish a process to proactively identify all related parties and related party transactions for revenues throughout the year. Management should document their conclusions, including a description of the nature of transactions with related parties.

## **Payroll Allotments**

Condition: During the year ended September 30, 2023, MINTA recorded remittance made to allottees amounting to \$1,940,511 in GL code no. 412020 – ‘Other Accrued Liabilities’, instead of the GL code no. 401100 – ‘Accts Payable – Payroll Allotments’. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management establish internal control policies and procedures requiring remittances made to allottees be properly recorded in the correct general ledger accounts timely and accurately.

## **Manual Journal Entries**

### Condition:

- a. Management has access to post journal entries directly into the general ledger without approval. Consequently, these entries do not follow the same review and approval process expected for all journal entries. This increases the risk of management override of controls and manipulation of financial data. This matter is a recurring comment from the 2022 audit.
- b. Majority of the manual journal entries were not supported by supporting calculations and/or related attachments and included vague or general descriptions of the entry. This matter is a recurring comment from the 2022 audit.

### Recommendation:

- a. We recommend management reconsider access to posting journal entries directly into the general ledger to help establish proper segregation of duties. Additionally, all journal entries posted should be appropriately reviewed and approved.
- b. We recommend management that a journal book or an electronic filing system should be maintained so that a copy of each manual journal entry in the series is filed together with appropriate supporting documentation and the related approval for the manual journal entry.

## **RMI Procurement Code**

Condition: MINTA does not have a formal written procurement policies and procedures. All purchases did not evidence quotations from qualified vendors to facilitate the competitive procurement process. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management implement written procurement policies and procedures to facilitate competitive procurement processes and require that documentation be adequate to comply with applicable procurement requirements.

## **Board Sitting Fees**

Condition: During the year ended September 30, 2023, MINTA paid sitting fees of \$9,400 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 MINTA. This matter is a recurring comment from the 2022 audit.

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.

## **Minutes of Board Meetings**

Condition: Complete Board minutes of meetings held up to the audit report date were not available for inspection. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management require meetings to be formally documented by the Board Secretary documenting all discussions, decisions and actions taken by the Board of Directors.

## **Retirement Savings Plan**

Condition: During the year ended September 30, 2023, MINTA made employer contributions, totaling \$60,879, to employee retirement savings plan. Taxes are not currently withheld and paid on the employer contributions. This matter is a recurring comment from the 2022 audit.

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 MINTA 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*