

*Management Letter*

**Marshall Islands Postal Service Authority**

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

*Year ended September 30, 2023*

May 16, 2025

Management and the Board of Directors  
Marshall Islands Postal Service Authority

In planning and performing our audit of the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA) 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 MIPSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIPSA'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:

### **Stamp Inventory**

Condition: During our audit, we noted that MIPSA purchases postage stamps in bulk; however, the cost of unsold stamps at year-end, comprising 172,750 stamps, is not recorded as inventory. Instead, all stamp purchases are expensed at the time of purchase, regardless of whether they have been used. As the cost of stamp inventory on hand aggregating \$4,319 was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend that management implement a policy to track and record the value of unsold stamps at year-end as inventory. This will ensure more accurate financial reporting and compliance with generally accepted accounting principles.

### **Withholding Tax Remittances**

Condition: For year ended September 30, 2023, MIPSAs filed and paid income taxes withheld for payroll period ending October 2022, January 2023, February 2023, April 2023, May 2023 and September 2023 in a manner inconsistent with the Income Tax Act of 1989, which is 14 days after month end. Such were paid on November 11, 2022, February 16, 2023, March 21, 2023, June 2, 2023, June 21, 2023, and November 14, 2023, respectively.

Recommendation: We recommend management establish internal control policies and procedures requiring compliance with the Income Tax Act 1989.

### **Social Security and Health Fund Contribution**

Condition: For the year ended September 30, 2023, MIPSAs filed and paid Social Security and Health Fund Contributions for quarter ended September 30, 2023, in a manner inconsistent with Social Security Act of 1990, which is 10 days after quarter end. Such was paid on October 12, 2023.

Recommendation: We recommend management establish internal control policies and procedures requiring compliance with the Social Security Act 1990.

### **Royalty Revenue**

Condition: During our audit, we noted that royalty revenue continued to be recognized after the expiration of the related royalty agreement with Inter-Governmental Philatelic Corporation (IGPC). Specifically, royalties of \$24,000 were recorded for the period following the contractual end date of the agreement without evidence of a formal extension, renewal, or new agreement. Accordingly, an audit adjustment was proposed to reverse the incorrect recognition of royalty revenues.

Recommendation: We recommend that management ensure royalty revenue is recognized only when supported by a valid and enforceable agreement. In instances where an agreement has expired, revenue should not be recognized unless a new contract or formal extension is executed.

### **Board Minutes of Meetings**

Condition: During our audit, minutes of the Board of Directors meetings were not made available for review for meetings held during the fiscal year due to being misplaced. Board minutes are an essential governance record, providing evidence of key decisions and oversight responsibilities.

Recommendation: We recommend that management ensure that minutes of all Board of Directors meetings are formally prepared, reviewed, and approved in a timely manner. These minutes should be safeguarded and retained as part of MIPSAs official records and made available for review during future audits.

## **Board Sitting Fees**

Condition: For the year ended September 30, 2023, MIPSAs paid sitting fees of \$9,589 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 MIPSAs.

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.

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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 MIPSAs 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*