

*The Auditor's Communication With Those Charged
With Governance*

Republic of the Marshall Islands

Public Financial Management Project

(Financed by the Asian Development Bank's Special Fund)

(A Governmental Fund of the Republic of the Marshall Islands)

Year ended September 30, 2024



June 16, 2025

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

We have performed an audit of the financial statements of the Republic of the Marshall Islands (RMI) Public Financial Management Project (the “Project”), a governmental fund of the Republic of the Marshall Islands financed by the Asian Development Bank’s Special Fund, as of and for the year ended September 30, 2024, 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, and have issued our report thereon dated June 16, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist those charged with governance in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 7, 2025 and at our audit planning meeting with management.

Auditors’ Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements and supplementary information are the responsibility of the Project’s management as prepared with the oversight of those charged with governance. Our audit was designed 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, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our responsibilities are included in our audit engagement letter.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the June 2025 meeting.

Matters relevant to our evaluation of the Project's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the Project's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year. A discussion of significant accounting policies has been included in Note 2 of the financial statements.

We are not aware of any significant accounting policies used by the Project in controversial or emerging areas or for which there is a lack of authoritative guidance.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the Project's operations. These budgets include determining how existing financial resources will be used in the Project's operations.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

Refer to “Management Representations Letter” in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

No control deficiencies and material weaknesses have been identified.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the June 2025 meeting during the audit.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

Management is still assessing the impact of adopting the following GASB Statements:

- GASB Statement No. 101
- GASB Statement No. 102
- GASB Statement No. 103
- GASB Statement No. 104

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

None.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

None.

Management's consultations with other accountants

None.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Project or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Engagement team's involvement with preparation of the financial statements

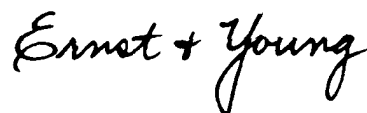
Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statements is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Financial Management Specialists has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

This communication is intended solely for the information and use of the Asian Development Bank, the Ministry of Finance, Banking and Postal Services, management of the Project 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.

Very truly yours,

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

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
RMI Public Financial Management Project

June 16, 2025

Appendix

A - Management Representations Letter

June 16, 2025

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

June 16, 2025

Ernst & Young (RMI), Inc.
PO Box 1288
Majuro, Marshall Islands 96960

In connection with your audits of the basic financial statements of the Republic of the Marshall Islands (RMI) Public Financial Management Project (the "Project"), a governmental fund of the Republic of the Marshall Islands financed by the Asian Development Bank's Special Fund, as of September 30, 2024 and 2023, and for the years then ended, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the basic financial statements present fairly, in all material respects, the financial position of the Project and the changes in financial position in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 7, 2025, for the preparation and fair presentation of the basic financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding years.

In preparing the basic financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the basic financial statement date.



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A - Management Representations Letter, continued

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation and other matters. This responsibility includes identifying the use of new technologies or techniques in preparing such information (e.g., the use of generative artificial intelligence), and additional details you may require regarding the use of any such technologies and techniques in order to perform your audit procedures.
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

There are no material transactions that have not been properly recorded in the accounting records underlying the basic financial statements.

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the basic financial statements, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements and misstatements related to supplementary information), or uncorrected misstatements in disclosures relating to the current period basic financial statements.

Internal control

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

There have been no significant changes in internal control since September 30, 2024.

A - Management Representations Letter, continued

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant agreements and contracts, including amendments, and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that have a material effect on the basic financial statements.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

The Project has satisfactory title to all assets appearing in the balance sheets. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Project has satisfactory title appear in the balance sheet.

Receivables and revenues

Adequate provision has been made for any receivable as of the balance sheet date that may not be collectible, including any losses, costs and expenses that may be incurred related to the collection of receivables at that date.

Revenues and other governmental fund financial resources are recognized in the period in which they became both measurable and available to finance expenditures of the fiscal period.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 - as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

A - Management Representations Letter, continued

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the basic financial statements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the basic financial statements. For the years ended September 30, 2024 and 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the basic financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the basic financial statements other than those disclosed or accrued in the basic financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62 - as amended other than those accrued or disclosed in the basic financial statements, nor are there any accruals for loss contingencies included in the balance sheet or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 - as amended.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2024 and 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

A - Management Representations Letter, continued

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 and 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the basic financial statements may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the basic financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the basic financial statements.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the basic financial statements.

Independence

We have communicated to you the names of the Project's affiliates, as described in the AICPA Code of Professional Conduct ET section 1.224.020 *State and Local Government Client Affiliates*, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an "EY Firm"), other than one pursuant to which an EY Firm performs professional services.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project's audit.

A - Management Representations Letter, continued

Conflicts of interest

There are no instances where any officer or employee of the Project has an interest in a company with which the Project does business that would be considered a "conflict of interest." Such an interest would be contrary to the Project policy.

Effects of adopting new accounting standards

As discussed in Note 2 to the basic financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 101
- GASB Statement No. 102
- GASB Statement No. 103
- GASB Statement No. 104

The Project is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Going concern

In preparing the basic financial statements, we evaluated the Project's ability to continue as a going concern for twelve months after the date that the financial statements are issued, and provide appropriate financial statement disclosure, as necessary under GASB requirements.

Required supplementary information

Management has omitted the Management's Discussion and Analysis that US GAAP requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB 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.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary Information"):

- Combining Balance Sheet
- Combining Statement of Revenues, Expenditures and Changes in Fund Balance
- Schedule of Budgeted vs. Actual Expenditures
- Schedule of Project Expenditures Not Reimbursed
- Detailed Reconciliation of ADB Grant Funds Received By Grant

A - Management Representations Letter, continued

- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our basic financial statements as of and for the years ended September 30, 2024 and 2023. The accuracy and completeness of the basic financial statements, including footnote disclosures, are our responsibility.

You have assisted in the preparation of our basic financial statements based on information in our trial balance and accounting records. It is our understanding that:

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the basic financial statements, including footnote disclosures.

We have reviewed the draft basic financial statements for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

A - Management Representations Letter, continued

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Additional representations

- We recognize that we are responsible for the Project's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the basic financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the basic financial statements.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expenditure is incurred for which both restricted and unrestricted (committed and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the Project is to use committed resources first followed by unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

June 16, 2025

A - Management Representations Letter, continued

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the year then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position and changes in financial position of the Project.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Ayako Yamaguchi-Eliou
Secretary
Ministry of Finance, Banking, and Postal Services
Republic of the Marshall Islands



Chris Yapekello
Project Consultant and Team Leader
RMI Public Financial Management Project

A - Management Representations Letter, continued

Communication schedule for corrected misstatements

Entity: RMI Public Financial Management (PFM) Project Period ended: 30-Sep-2024 Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
PY-RJE-01	PY	To correct and reclass to due to RMI account								
		Social Security Tax Payable			11,097					
		Health Fund Tax Payable			2,837					
		A/lt - Bank of Marshall Islands			4,770					
		A/lt - Bank of Guam - Majuro			5,073					
		A/lt - JAJ Corp			1,900					
		Surplus / Deficit - Internal Use			31,484					
		Accrued Wages Payable			6,273					
		Due to/from Other Funds			(63,433)					
PY-RJE-02	PY	To correct and reclass to A/P-others								
		A/P - Suppliers			63,182					
		A/P - Others			(63,182)					
N-RJE-01	N.01.2.1, N.01.2.2	To correct and reclass to due to RMI account								
		Social Security Tax Payable			20,543					
		Health Fund Tax Payable			5,627					
		A/lt - Bank of Marshall Islands			8,680					
		A/lt - Bank of Guam - Majuro			9,812					
		A/lt - JAJ Corp			3,600					
		Surplus / Deficit - Internal Use			29,984					
		Accrued Wages Payable			3,694					
		Due to/from Other Funds			(81,940)					
Total of corrected misstatements before income tax			0	0	0	0	0	0	0	
Financial statement amounts			142,619	0	142,619	0	0		0	
Effect of corrected misstatements on F/S amounts			0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	

A - Management Representations Letter, continued

Communication schedule for corrected misstatements

Entity: RMI Public Financial Management (PFM) Project

Period ended: 30-Sep-2024

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
<p>Concurrence:</p> <p>The above adjustments have been discussed with us and we agree to record them.</p> <p><i>[Signature]</i> Ayako Yamaguchi-Eliou Secretary Ministry of Finance, Banking, and Postal Services Republic of the Marshall Islands</p> <p><i>[Signature]</i> Chris Yankelle Project Consultant and Team Leader RMI Public Financial Management Project</p>										