

*Management Letter*

**RMI Ports Authority**

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

*Year ended September 30, 2023*



**Shape the future  
with confidence**



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January 12, 2026

Management and the Board of Directors  
RMI Ports Authority

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

### **Bank Reconciliations**

Condition: During the year ended September 30, 2023, we noted the following observations:

- a. The Authority recorded deposits in transit at September 30, 2023 (GL Account # 1499) of \$7,142, which included \$5,122 pertaining to prior year amounts not deposited to bank. No account reconciliation was made available documenting the validity of recorded amounts. This matter is a recurring comment from the 2022 audit.
- b. Reconciling items amounting to \$235, 818 that are more than one year are still included in the bank reconciliations.

Recommendations: We recommend management establish internal control policies and procedures including: (1) requiring deposits in transit be timely deposited to bank and reconciled to ascertain the validity of recorded amounts; and (2) reconciling items be monitored, followed up, and adjusted on a timely basis.

## **Cash Collections**

Condition: Of 63 revenue items tested, 4 daily collections were not deposited in a timely manner to bank. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management establish internal control policies and procedures requiring the timely deposit of cash collections to bank.

## **Receivables**

Condition: As of September 30, 2023, the Authority's trade receivables and due from affiliates aged subsidiary ledgers included \$503,519 and \$1,031,395, respectively, for past due customer accounts with balances greater than 90 days, representing 44% and 97% of the total trade receivables and of the total due from affiliates balance, respectively. Of the total trade receivables and total due from affiliates amount, \$865,365 relates to past due amounts from Air Marshall Islands, Inc. (AMI). Total receivables from AMI amounted to \$873,307. No financial statement impact is noted as a corresponding allowance for doubtful accounts of \$865,365 has been recorded by the Authority. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management establish internal control policies and procedures to strengthen and improve collection efforts associated with AMI receivables.

## **Capital Assets**

Condition: During the year ended September 30, 2023, we noted the following observations:

- a. The Authority does not implement periodic inspection and physical inventory of capital assets.
- b. Tag numbers on the capital asset register are either not updated or not properly tagged.
- c. Receiving reports for capital asset acquisitions are not maintained.

These matters are recurring comments from the 2022 audit.

Recommendation: We recommend management establish internal control policies and procedures over capital assets including: (1) the performance of a physical inventory of capital assets on a periodic basis; (2) effective tagging of capital assets with unique identification numbers; and (3) the maintenance of receiving reports for capital assets to support the asset acquisition date, the condition of asset upon delivery, and to document any discrepancies between asset purchased and the asset actually received.

## Unreconciled Liability Accounts

Condition: As of September 30, 2023, the Authority's liabilities included the following:

- Accounts Payable Account (GL Account # 20101) of \$52,098 included amounts payable to vendors of \$5,570, which were deemed fully paid yet were included in the subsidiary ledger and included amounts payable to a certain vendor of \$30,858, which were deemed to be payable to the U.S. Federal Aviation Administration.
- Taxes Withheld from Contractors Account (GL Account # 22011) of \$15,337 representing correcting entry made by the Authority, which had not changed since fiscal year 2020.
- Unearned Revenues Account (GL Account # 23000) of \$12,335 and \$17,315, respectively, representing advance payments made by customers, which had not changed since fiscal year 2019, and receivables with credit balances from fiscal year 2022, respectively.

This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management establish internal control policies and procedures requiring reconciliation, monitoring and analysis of all liability accounts and, for any unusual items identified, require that such be promptly investigated and adjusted, as necessary.

## Operating Revenues

Condition: During the year ended September 30, 2023, we noted the following observations:

- a. The Authority maintains manual data monitoring for seaport operations.
- b. Landing fees charged to one airline (Invoice # 80654) for \$510 per landing were not levied in accordance with the Authority's established tariff rate for scheduled flights of \$397 per landing. This matter is a recurring comment from the 2022 audit.
- c. Special overtime fees charged to four airlines (Invoices # 79706, 80129, 80746 and 80443) were not supported by system generated timesheets for examination.

Recommendation: We recommend that management: (1) invest in a comprehensive data monitoring system tailored to its seaport operations. This strategic initiative will not only enhance Authority's operational efficiency and safety but also aid/support timely oversight and decision-making process of the Republic of the Marshall Islands (RMI) government; (2) establish internal control policies and procedures requiring revenues be levied in accordance with established tariffs and require adequate documentation be maintained for instances where fees are levied outside of established tariff rates; and (3) establish internal control policies and procedures requiring adequate supporting timesheet documentation be maintained.

## **Pilotage Fees**

Condition: During the year ended September 30, 2023, the Authority paid pilotage fees of \$385,247 to qualified pilots, which included pilots who were employees of the Authority and other RepMar ministries and agencies. On April 9, 2019, RepMar's Government Ethics Board (GEB) issued a directive to the Authority, which stated that the Authority's arrangement with the pilots constitutes a violation of Ethics in Government Act and RepMar's prevalent taxation laws and regulations. As of September 30, 2023, the Authority has yet to comply with the recommended action plan of the GEB. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management comply with the recommended action plan of the GEB and obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on pilotage fees.

## **Compliance with Shipping Pilotage Regulations (2007)**

Condition: Section 24 (3i) of the RMI Shipping Pilotage Regulations (2007) requires the Authority to pay 10% quarterly of its pilot related revenues to the RMI General Fund or any other Fund established or created, for the sole purpose of creating a Training Fund for Marshallese pilots. As of September 30, 2023, payable to Ministry of Transportation, Communications and Information Technology amounted to \$696,312 and no payments have been made for the past several fiscal years. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management comply with regulations over payments/remittances to the RMI General Fund of pilot-related fees.

## **Compliance with RMI Procurement Code**

Condition: Section 128 of the RMI Procurement Code requires that a contract may be awarded for a supply, service, or construction item without competition when it is determined in writing that there is only one source for the required supply, service, or construction item. The Authority made the following payments for which supporting documentations were inadequate, specifically for the sole source purchase requirement:

- Pilot boat rental payment to one vendor (check #15124) totaling \$11,759.
- Fuel payment to one vendor (check #14859) totaling \$16,747.
- Property insurance payment to one vendor (check 14829) totaling \$8,651.
- Training workshop payment to one training provider (check #14958) totaling \$22,000.

This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management require adequate documentation to be maintained to comply with applicable procurement requirements. Specifically, documentation should indicate, at a minimum, the history of procurement, including rationale for contractor selection, and should document the basis of a sole source provider.

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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 the Authority 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*