

Management Letter

**Republic of the Marshall Islands
National Environmental Protection Authority Fund**
(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2022



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November 21, 2025

Ms. Moriana Philip
General Manager
Republic of the Marshall Islands
National Environmental Protection Authority Fund

In planning and performing our audit of the financial statements of the Republic of the Marshall Islands National Environmental Protection Authority (EPA) Fund as of and for the year ended September 30, 2022, 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 EPA's internal control. Accordingly, we do not express an opinion on the effectiveness of EPA'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:

Accounts Receivable

Comment: Aged receivables in the amount of \$172,665 include balances that have been outstanding for an extended period without evidence of collection efforts or evaluation of collectability. A corresponding allowance for uncollectible accounts of \$151,690 has been established, which included a proposed audit adjustment of \$27,313 to increase the allowance. Furthermore, receivable balances in the amount of \$20,702 were written off during the year to expense. An audit adjustment was proposed to correct this misstatement.

Recommendation: We recommend management review aged accounts periodically and establish appropriate allowances or write-offs for uncollectible balances.

Accrued Expenses

Comment: Year-end accruals for legal fees and travel expenses in the amount of \$18,300 and \$52,214, respectively, were not recorded, resulting in the understatement of liabilities and expenses. Audit adjustments were proposed to correct this misstatement.

Recommendation: We recommend management review outstanding invoices and obligations at year-end to ensure all incurred costs are properly accrued.

Revenues

Comment: During our audit, we noted that EPA's revenue cut-off procedures were inadequate. For the year ended September 30, 2022, decontamination services were provided to customers for which revenue of \$8,568 was earned but not yet billed or recorded in the general ledger. An audit adjustment was proposed to record trade receivables and related fees and charges revenue.

Recommendation: We recommend that management establish internal control policies and procedures over the revenue cut-off process by establishing a clear, documented policy for year-end revenue accruals that is communicated to all relevant accounting staff.

Payroll

Comment: Our audit procedures over payroll expense identified the following exceptions:

1. One instance where the pay rate of \$3.72 per hour (Check # 7336) was lower than the supporting Personnel Action Form pay rate of \$4.20 per hour.
2. One instance where sick leave paid of 22.55 hours (Check # 1221481) was lower than the approved sick leave amount of 32 hours.
3. One instance where 269.6 hours of Ebeye differential paid (Check # 7274) were not supported by underlying time records.

Recommendation: We recommend that management establish internal control policies and procedures over the payroll process by ensuring pay rates are in accordance with supporting Personnel Action Forms and enhancing monitoring of leave credits.

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.

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At this time, we would like to thank all the staff and management of EPA 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