

Management Letter

Marshall Islands Marine Resources Authority
(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2024



**Shape the future
with confidence**



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December 30, 2025

Management and the Board of Directors
Marshall Islands Marine Resources Authority

In planning and performing our audit of the financial statements of the business-type activities of Marshall Islands Marine Resources Authority (MIMRA) as of and for the year ended September 30, 2024, 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 MIMRA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIMRA'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:

Trade Receivables

Condition: We noted two receivable balances totaling \$573,500 and \$60,000, respectively, have been outstanding for twelve years. These amounts continue to be carried on the books and are fully included in the allowance for doubtful accounts. Long-outstanding receivables of this nature indicate that the balances are unlikely to be collected and suggest that the receivable records may not be periodically reviewed and written off in a timely manner.

Recommendation: We recommend that management evaluate these aged accounts and determine whether they should be formally written off to more accurately reflect the realizable value of receivables and strengthen the reliability of the financial records.

Investments in Joint Ventures

Condition: During our review of MIMRA's financial records, we noted that MIMRA holds a 50% joint venture ownership interest in Pacific Island Tuna Provisions (PITP) and Marshall Islands Fishing Company (MIFCO). Investments in which the investor has significant influence - generally presumed when ownership is 20% or more - should be accounted for using the equity method. MIMRA does not account for the investment in PITP under the equity method of accounting resulting in the omission of MIMRA's share of the joint venture's losses in the financial statements of approximately \$161,000. As this amount was not considered material to the financial statements, no audit adjustment was proposed. Furthermore, although MIMRA accounts for the investment in MIFCO under the equity method of accounting, it was determined that such investment was understated by \$770,607. An audit adjustment was proposed to correct this misstatement.

Recommendation: We recommend that management periodically evaluate the investments in PITP and MIFCO in accordance with applicable accounting standards and adjust the accounting treatment to the equity method. This will ensure that the financial statements properly reflect MIMRA's proportionate share of PITP's and MIFCO's financial results and financial position.

Disbursement Approval Limits

Condition: Check disbursements greater than \$10,000 requires approval from MIMRA's Chairman of the Board or his designee. During our audit, we noted the payment request and check payment for membership dues (check #90691) was not approved by MIMRA's Chairman of the Board or his designee.

Recommendation: We recommend that management implement internal control policies and procedures introducing approval limits for check payments whereby MIMRA's Chairman of the Board or his designee are required to sign checks based on the disbursement approval limits.

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. A contractor was initially awarded a \$2.3 million addendum to a contract to construct the MIMRA Annex Building Extension as approved by the Board in October 2020. In September 2022, a revised cost proposal for \$2.9 million was submitted by the contractor to MIMRA. In August 2024, a further revised cost proposal for \$3.1 million was submitted by the contractor to MIMRA. Board approval for these modifications and additional costs were not evident.

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

MIMRA's Observers Program

Condition: Individuals employed by MIMRA under the Observers Program are not supported by formal, written employment contracts. Employment relationships appear to be based on verbal agreements or informal arrangements. The absence of formal employment contracts may lead to ambiguity regarding roles, responsibilities, terms of employment, and legal obligations for both the employer and employee. Furthermore, MIMRA does not withhold income taxes from payments made to these observers; however, applicable social security and health taxes are withheld.

Recommendation: We recommend that management develop standardized employment contracts that clearly define terms such as job roles, responsibilities, compensation, benefits, working hours, confidentiality, and termination clauses. Furthermore, we recommend management consult with the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on payments made to individuals employed by the MIMRA Observers Program.

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This communication is intended solely for the information and use of management, the Board of Directors of MIMRA, 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 MIMRA 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.

Very truly yours,

