

Management Letter

Majuro Atoll Waste Company

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

Year ended September 30, 2024



**Shape the future
with confidence**

November 21, 2025

Management and the Board of Directors
Majuro Atoll Waste Company

In planning and performing our audit of the financial statements of Majuro Atoll Waste Company (MAWC) 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, 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 MAWC's internal control. Accordingly, we do not express an opinion on the effectiveness of MAWC'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:

Receivables - Allowance for Doubtful Accounts

Condition: Receivables amounting to \$143,063, representing 36% of total receivables, were deemed uncollectible as of September 30, 2024, and were fully provided with an allowance for uncollectible accounts. Of this amount, \$113,065 represented receivables aged more than 365 days.

Recommendation: We recommend that management establish and consistently apply a formal policy for estimating the allowance for doubtful accounts. This should include an annual assessment based on historical collection data, aging of receivables, and any known risks affecting recoverability. Proper documentation should be maintained to support the estimate and ensure compliance with U.S. GAAP.

Unrecorded Liabilities

Condition: During our audit, we identified a \$32,394 liability related to goods and services received prior to year-end that were not recorded in the general ledger. These unrecorded obligations resulted in an understatement of accounts payable and related expenses. An audit adjustment was proposed to correct this misstatement.

Recommendation: We recommend that management strengthen the year-end closing procedures by implementing a formal cutoff process. This should include a review of subsequent invoices, receiving reports, and purchase orders to ensure that all liabilities incurred prior to year-end are properly recorded.

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 MAWC 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