

*Management Letter*

**Air Marshall Islands, Inc.**

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

*Year ended September 30, 2024*



**Shape the future  
with confidence**



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with confidence

Ernst & Young (RMI), Inc.  
P.O. Box 1288  
Majuro, Republic of the Marshall  
Islands 96960

Tel: 692 625 7387  
ey.com

November 26, 2025

Management and the Board of Directors  
Air Marshall Islands, Inc.

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

### **Recording of Prepayment and Related Accounts Payable Prior to Actual Payment**

Condition: During our audit, we noted one instance where AMI recorded prepayment and corresponding accounts payable for a \$1,000,000 deposit for purchase of Cessna aircraft before the actual payment was made. Recording a prepaid asset without an executed payment does not reflect the substance of the transaction and results in misstated assets and liabilities. An audit adjustment was proposed to correct this misstatement.

Recommendation: We recommend that management strengthen controls to ensure that prepayments and related liabilities are recorded only upon actual payment and supported by appropriate documentation.

### **Depreciation of Capitalized C-check Costs Using Incorrect Useful Life**

Condition: During our audit, we noted that certain capitalized C-check costs in the amount of \$1.2 million were depreciated using an incorrect useful life resulting in an understatement of \$52,530 in depreciation expense. Applying a useful life that does not reflect the expected period of benefit results in inaccurate depreciation expense and misstated asset balances. An audit adjustment was proposed to correct this misstatement.

Recommendation: We recommend that management review the useful lives assigned to C-check costs to ensure they are consistent with the aircraft maintenance program, manufacturer guidance, and industry practice.

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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 AMI 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,

