

Management Letter

Health Care Revenue Fund

(A Governmental Fund of the Republic of the Marshall Islands)

Year ended September 30, 2023



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October 23, 2025

Ms. Francyne Wase-Jacklick
Secretary of Health and Human Services
Republic of the Marshall Islands

Dear Ms. Wase-Jacklick:

In planning and performing our audit of the financial statements of the Health Care Revenue Fund (HCRF) as of and for the year ended September 30, 2023 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 the HCRF's internal control. Accordingly, we do not express an opinion on the effectiveness of the HCRF'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:

Unreleased Check Payments

Condition: During our audit, we noted that certain checks in the amount of \$103,742 were processed and recorded as payments prior to year-end but were held and not delivered to vendors. Recording these checks as payments when they have not yet been released results in an understatement of liabilities and cash balances in the financial statements. An audit adjustment was proposed to correct this misstatement.

Recommendation: We recommend that management establish procedures to ensure that only checks actually released to vendors prior to year-end are recorded as payments. Checks that are prepared but held should remain as liabilities until released to the payee.

Grants Receivable

Condition: As of September 30, 2023, the HCRF recorded grants receivable of \$275,689, of which \$223,275 represents funds not timely reimbursed from grantors and which is included within the allowance for uncollectible accounts.

Recommendation: We recommend management establish internal control policies and procedures requiring timely collection of grants receivable not yet reimbursed.

Employee Receivables

Condition: RepMar's Ministry of Finance, Banking and Postal Services memorandum on Travel Rules and Regulations requires travelers to submit Travel Voucher Claims 15 days after end of travel. As of September 30, 2023, the HCRF recorded employee receivables of \$115,025, of which \$111,452 represent balances more than 90 days past due. Employee receivables include \$74,530 of travel advances and \$36,922 of payroll advances.

Recommendation: We recommend management establish internal control policies and procedures concerning the collection of employee receivable balances.

Accounts Payable

Condition: As of September 30, 2023, the HCRF recorded accounts payable of \$463,912, of which \$61,099 remained recorded in the accounting records for an extended period without evidence of settlement or resolution. The retention of such balances may result in the overstatement of liabilities and does not provide an accurate representation of the HCRF's financial position.

Recommendation: We recommend that management perform a periodic review of all recorded liabilities to assess their validity and enforceability. Liabilities determined to be no longer payable should be appropriately adjusted in accordance with applicable accounting standards. Establishing and documenting such a review process will strengthen internal controls and help ensure that reported liabilities are complete and accurate.

Marshall Islands Health Fund Contributions

Condition: For the year ended September 30, 2023, the HCRF recorded contributions from the Marshall Islands Health Fund (MIHF) in the amount of \$4,404,210. Confirmation from the MIHF indicated \$3,909,210, a difference of \$495,000 representing a double payment of the December 2022 amount by the MIHF. An audit adjustment was proposed to correct this misstatement.

Recommendation: We recommend management establish internal control policies and procedures requiring timely reconciliation of subsidy payments between the MIHF and the HCRF.

Grant Revenues

Condition: During our audit, we noted that the HCRF recognized UNICEF COVID vaccine grant revenues of \$57,894 more than the authorized grant award amount. This condition indicates that revenues were recorded beyond the allowable funding approved by the grantor thus overstating grants receivable and related revenues. An audit adjustment was proposed to correct this misstatement.

Recommendation: We recommend that management implement procedures to ensure that grant revenues are recognized only up to the approved award amounts and that any additional costs incurred in excess of the authorized award are either funded from other allowable sources or not recorded as grant revenues.

Deferred Revenues

Condition: As of September 30, 2023, the HCRF recorded deferred revenues of \$148,370 for which we noted that a subsidiary ledger to support the account balance was not maintained. Without detailed records, it is difficult to track sources and timing of revenue recognition, increasing the risk of misstatement. This matter was resolved through alternative audit procedures.

Recommendation: We recommend management establish a supporting ledger over deferred revenue balances to improve accuracy and oversight.

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This communication is intended solely for the information and use of the Ministry of Health and Human Services, management, 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.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

Very truly yours,

