

Management Letter

**Marshall Islands National Telecommunications
Authority**

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

Year ended September 30, 2024



**Shape the future
with confidence**

April 10, 2026

Management and the Board of Directors
Marshall Islands National Telecommunications Authority

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

Dormant Bank Account

Condition: As of September 30, 2024, MINTA maintained a dormant bank account with Bank of Marshall Islands in the amount of \$1,551, which was previously utilized for payroll transactions. This matter is a recurring comment since the 2022 audit.

Recommendation: We recommend management determine the necessity for this bank account and consider closing such to minimize the need for regular account reconciliation and monitoring and reduce the risk of fraud or misuse.

Bank Reconciliations

Condition: The Finance Manager manually prepares monthly bank reconciliations for MINTA's bank accounts. This matter is a recurring comment since the 2022 audit.

Recommendation: Given the significant volume of daily transactions, we recommend management consider utilizing the automated bank reconciliation feature to streamline the reconciliation process.

Telecommunication Receivables

Condition: As of September 30, 2024, MINTA's current billing system is still unable to produce an accurate aging report for analysis. Instead, management manually creates an aging report based on system generated invoices and collection details. This matter is a recurring comment since the 2022 audit.

Recommendation: We recommend management collaborate and work with the software company to prioritize a solution to this recurring issue.

Allowance for Uncollectible Accounts

Condition: During our audit of the methodology used to estimate the allowance for uncollectible accounts receivable, we noted that management reduced the percentage rates applied in the calculation for receivables classified 91 to 180 days (from 25% in 2022 to 2% in both 2023 and 2024); however, adequate supporting documentation or analysis to justify these reductions was not maintained. No audit adjustment was proposed to increase the allowance for uncollectible accounts as management determined that such was not material to the financial statements.

Recommendation: We recommend management establish and document a formal methodology for determining the allowance for uncollectible accounts, including clear justification for any changes in percentage rates or underlying assumptions. Supporting documentation may include historical collection trends, aging analyses, economic conditions, and other relevant factors. This documentation should be retained to support the reasonableness and consistency of the estimate from period to period.

Materials and Supplies Inventory

Condition:

- a. As of September 30, 2024, the following inventory items with zero or nil quantities that have reported costs were included in the current year inventory valuation report:

<u>Inventory Code</u>	<u>Item Description</u>	<u>Quantity</u>	<u>Total Cost</u>
600945	UBIQUITI LTU-LITE-US	---	\$1,191
800837	YEALINK SIP-T43u	---	\$ 50

Materials and Supplies Inventory, continued

Condition, continued:

- a. Further, the following inventory items exhibit discrepancies when applying the First-In, First-Out (FIFO) approach for inventory valuation as compared to the costs per inventory listing:

<u>Inventory Code</u>	<u>Item Description</u>	<u>Recalculated Total</u> <u>Cost per EY</u>	<u>Total Cost per</u> <u>Listing</u>	<u>Cost</u> <u>Variance</u>
100100	CELL CARD \$5	\$12,660	\$20,819	\$8,160
100105	CELL CARD \$2	\$15,130	\$17,627	\$2,497
400544	ENERGIZER H2805	\$18,658	\$20,317	\$1,659

No audit adjustments were proposed as management determined that such was not material to the financial statements.

- b. During observation of the year-end inventory count, discrepancies existed between the inventory listing and the actual physical count for the following inventory item:

<u>Inventory Code</u>	<u>Item Description</u>	<u>Unit of</u> <u>Measurement</u>	<u>Quantity</u> <u>Counted</u>	<u>Quantity</u> <u>per</u> <u>Listing</u>	<u>Quantity</u> <u>Variance</u>
600996	CAT6 ENH OUTDOOR CABLE	1 roll = 1,000 ft.	1	4	(3)

The differences appear to have arisen primarily because MINTA did not update the inventory records for withdrawals and inventory items shipped and received immediately prior to the inventory count.

- c. We have also identified several inventory items classified as obsolete that currently have no associated costs. Despite their obsolescence, the quantities of these items are still being maintained in the inventory records.

Recommendation:

- We recommend management investigate and appropriately adjust discrepancies between inventory balances and related financial records. We also recommend management collaborate and work with the software company to prioritize a solution to this issue.
- We recommend management establish proper cut-off procedures for inventory, ensuring that all withdrawals, shipping and receiving are processed and reflected appropriately in the physical inventory records.
- We recommend management conduct a thorough review of the inventory records to identify and remove obsolete items that have no assigned costs. This will help ensure that the inventory reflects only items that are actively in use or have value.

Capital Assets

Condition: During our audit of MINTA's capital assets, we noted the following:

- a. Inspection and physical inventory count of capital assets is not periodically performed.
- b. Of 14 capital assets selected from the capital asset register for existence verification, one (1) item was unable to be physically inspected or verified for existence.
- c. Certain capital assets selected from the capital asset register for existence verification were not properly tagged.

Recommendation: We recommend management establish internal control policies and procedures over capital assets including: (a) the performance of a physical inventory of capital assets on a periodic basis; (b) document the investigation process for any capital assets that cannot be physically inspected or verified for existence, including any actions taken; and (c) effective tagging of capital assets with unique identification numbers.

Operating Revenues

Condition:

- a. During our audit, we identified instances where revenue-related GL accounts were incorrectly classified within the revenue reports. No audit adjustments were proposed as management determined that such were not material to the financial statements.
- b. During our sample test calls, we identified instances where call charges are not reflected in the billing statement on a timely basis.

Recommendation:

- a. We recommend management establish and implement a standardized chart of accounts with clear guidelines for the classification of revenue-related GL accounts. Management should also establish periodic reviews and system controls to detect and prevent misclassification, thereby enhancing the accuracy and integrity of revenue reports.
- b. We recommend management establish, review and enhance the billing system process to ensure real-time or near real-time capture and reflection of call charges. This may include upgrading system interfaces, automate data transfers, and implement monitoring controls to promptly identify and resolve delays. Additionally, periodic reconciliation between call usage records and billing data should be conducted to ensure completeness and accuracy of billed charge.

Related Party Transactions Disclosures

Condition: MINTA is unable to identify and appropriately categorize related party transactions related to revenues for financial statement disclosure purposes. This matter is a recurring comment since the 2022 audit.

Recommendation: We recommend management establish a process to proactively identify all related parties and related party transactions for revenues throughout the year. Management should document their conclusions, including a description of the nature of transactions with related parties.

Manual Journal Entries

Condition:

- a. Management has access to post journal entries directly into the general ledger without approval. Consequently, these entries do not follow the same review and approval process expected for all journal entries. This increases the risk of management overriding controls and manipulation of financial data. This matter is a recurring comment since the 2022 audit.
- b. Majority of the manual journal entries were not supported by supporting calculations and/or related attachments and included vague or general descriptions of the entry. This matter is a recurring comment since the 2022 audit.

Recommendation:

- a. We recommend management reconsider access to posting journal entries directly into the general ledger to help establish proper segregation of duties. Additionally, all journal entries posted should be appropriately reviewed and approved.
- b. We recommend management that a journal book or an electronic filing system should be maintained so that a copy of each manual journal entry in the series is filed together with appropriate supporting documentation and the related approval for the manual journal entry.

RMI Procurement Code

Condition: MINTA does not have a formal written procurement policies and procedures. All purchases did not evidence quotations from qualified vendors to facilitate the competitive procurement process. This matter is a recurring comment since the 2022 audit.

Recommendation: We recommend management implement written procurement policies and procedures to facilitate competitive procurement processes and require that documentation be adequate to comply with applicable procurement requirements.

Marshall Islands National Telecommunications Authority
Management Letter

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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 MINTA 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