

Management Letter

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

Year ended September 30, 2025



**Shape the future
with confidence**

June 22, 2026

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, 2025, 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: During our review of accounts receivable, we noted various outstanding customer invoices totaling \$578,500, which includes one invoice (Invoice # T2006841 for \$563,500) originating from 2013 that remains uncollected as of year-end. Management has not formally documented collection efforts and determined whether write-off is appropriate; however, a corresponding allowance for doubtful accounts has been established.

Recommendation: We recommend that management perform a detailed review of aged receivable balances, document collection efforts and seek governing Board approval for the write-off of amounts determined to be uncollectible in accordance with established policies.

Investments in Joint Venture

Condition: During our audit, we noted that MIMRA accounts for its 50% joint venture ownership interest in Pacific Island Tuna Provisions (PITP) using the cost method instead of the equity method. Such results in the lack of recognition of MIMRA's share of PITP's income in the financial statements of approximately \$83,000. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend that management convert the accounting treatment of the 50% joint venture to the equity method and implement procedures to periodically obtain and record PITP's financial results at each reporting period.

Improper Treatment of Construction Work in Progress (CWIP) Placed Into Service

Condition: During our audit, we noted that the construction of the new Annex building was completed and placed into service in May 2025; however, such remained recorded as Construction Work in Progress at year-end in the amount of \$3,061,040. As a result, this asset was not reclassified to the appropriate capital asset category and depreciation expense was not recognized timely. Accordingly, an audit adjustment was proposed to reclassify the building from CWIP to depreciable capital assets.

Recommendation: We recommend that management establish and implement procedures to periodically review all CWIP projects, identify assets that have been placed into service, and timely transfer such assets to the appropriate capital asset category. Documentation supporting the date assets are placed into service should be maintained, and depreciation should commence in accordance with MIMRA's capitalization policy.

Disbursement Approval Limits

Condition: Check disbursements greater than \$10,000 requires approval from MIMRA's Chairman of the Board or his designee. During our review of cash disbursements, we noted one instance where a check payment (Check # 85694) more than \$10,000 for membership dues were processed without evidence of approval by the Chairman of the Board of Directors or the Chairman's designated representative, as required by established policies and procedures.

Recommendation: We recommend management strengthen controls over the disbursement process to ensure that all checks exceeding the established threshold are supported by documented approval from the Chairman of the Board of Directors or an authorized designee prior to payment. Periodic reviews should be performed to monitor compliance with approval requirements.

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.

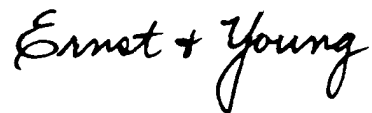
Recommendation: We recommend that management develop standardized employment contracts that clearly define terms such as job roles, responsibilities, compensation, benefits, working hours, confidentiality, and termination clauses. Furthermore, we recommend management consult with the Ministry of Finance, 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,

The signature is written in a cursive, handwritten style. It reads "Ernst & Young" with a stylized ampersand. The ink is black and the signature is positioned centrally below the "Very truly yours," text.