

Management Letter

Republic of the Marshall Islands
National Environmental Protection Authority Fund
(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2023



**Shape the future
with confidence**

June 9, 2026

Ms. Moriana Philip
General Manager
Republic of the Marshall Islands
National Environmental Protection Authority Fund

In planning and performing our audit of the financial statements of the business-type activities of Republic of the Marshall Islands National Environmental Protection Authority (EPA) Fund as of and for the year ended September 30, 2023, 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 EPA's internal control. Accordingly, we do not express an opinion on the effectiveness of EPA'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:

Accounts Receivable

Comment: Aged receivables in the amount of \$211,410 include balances that have been outstanding for an extended period without evidence of collection efforts or evaluation of collectability. A corresponding allowance for uncollectible accounts of \$187,102 has been established, which included a proposed audit adjustment of \$35,412 to increase the allowance.

Recommendation: We recommend that management implement regular monitoring and review of aged receivables to assess their collectability. Appropriate allowances or timely write-offs should be recorded for balances deemed uncollectible. Strengthening policies and procedures over receivable management, including periodic aging analysis and follow-up on overdue accounts, will help ensure the accuracy and reliability of financial reporting.

Reconciliation of Grant Revenues

Comment: During our audit, we noted that grant revenues recorded in the general ledger were not consistently reconciled to supporting grant accounting records or other underlying documentation. As a result, management was unable to readily demonstrate that recorded grant revenues agreed to amounts earned and reported under the applicable grant agreements. Audit adjustments were proposed to correct recorded grant revenues.

Recommendation: We recommend that management implement and document periodic reconciliations of grant revenues recorded in the general ledger to supporting grant records, reimbursement requests, grant agreements, and grant reports. Reconciling differences should be investigated and resolved in a timely manner.

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 EPA 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