

Management Letter

Republic of the Marshall Islands

Ebeye Water Supply and Sanitation Project

(Jointly Financed by the Asian Development Bank's Special Fund (Grant Numbers 0438 RMI (SF) and 0749 RMI (SF)) and the Government of Australia (Grant Number 0439 RMI (EF)))

Year ended September 30, 2023



**Shape the future
with confidence**



Shape the future
with confidence

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

Tel: 692 625 7387
ey.com

June 19, 2026

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

In planning and performing our audit of the financial statements of the Republic of the Marshall Islands (RMI) Ebeye Water Supply and Sanitation Project (the Project) jointly financed by the Asian Development Bank's Special Fund (Grant Numbers 0438-RMI (SF) and 0749-RMI (SF)) and the Government of Australia (Grant Number 0439-RMI (EF)) 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 Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 deficiency in internal control (as described above) and other matter:

Grants Receivable and Related Accounts Payable

Condition: Grant revenues and related Project expenditures associated with Withdrawal Application # 152 (Vendor invoice #117-000948) were recognized when the underlying grant expenditures of \$17,212 for consulting services were incurred; however, the grants receivable and related accounts payable were not recorded at year-end. An audit adjustment was proposed to correct this misstatement.

June 19, 2026

Grants Receivable and Related Accounts Payable, continued

Recommendation: We recommend that management implement procedures to ensure that Project expenditures are recognized when incurred and recorded with the related accounts payable. Concurrently, grant revenues should be recognized and recorded with the related grants receivable.

* * * * *

This communication is intended solely for the information and use of Project management, the Asian Development Bank, 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 the Project 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,

Ernst + Young