

**MARSHALL ISLANDS MARINE RESOURCES
AUTHORITY**

**(A COMPONENT UNIT OF THE REPUBLIC OF THE
MARSHALL ISLANDS)**

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2007

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Marshall Islands Marine Resources Authority:

We have audited the financial statements of the Marshall Islands Marine Resources Authority (MIMRA) as of and for the year ended September 30, 2007, and have issued our report thereon dated May 14, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MIMRA's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MIMRA's internal control over financial reporting. Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses (pages 3 and 4) as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

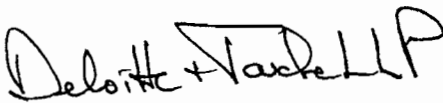
Compliance and Other Matters

As part of obtaining reasonable assurance about whether MIMRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MIMRA in a separate letter dated May 14, 2008.

MIMRA's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit MIMRA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

May 14, 2008

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Schedule of Findings and Responses Year Ended September 30, 2007

Receivables

Finding No. 2007-1

Criteria: The aged accounts receivable subsidiary ledger should be monitored and used for credit control purposes.

Condition: At September 30, 2007, the aged accounts receivable subsidiary ledger, excluding the receivable from RepMar of \$430,857 and undeposited collections of \$21,712, indicated that customer accounts with balances greater than 90 days approximated 89%. A significant portion of the greater than 90 days balance represents salary advances to certain outer island fisheries associations.

Cause: The cause of the above condition is the lack of established policies and procedures requiring past due accounts to be followed-up on a timely manner.

Effect: The effect of the above condition is an increase of \$164,189 in the allowance for doubtful accounts.

Recommendation: We recommend that management establish policies and procedures governing the review and monitoring of overdue accounts. Furthermore, we recommend that overdue accounts be forwarded to an attorney for collection.

Prior Year Status: Lack of established policies and procedures requiring past due customers to be followed-up in a timely manner was reported as a finding in the audits of MIMRA for fiscal years 2001 through 2006.

Auditee Response and Corrective Action Plan:

1. For the REPMAR collectibles - As of the FY2008 audit, no MOA has been signed yet between the two parties in regards to the inclusion of the collectibles as part of the transfer to REPMAR from MIMRA. A draft has already been prepared by the Accountant and was presented to the Executive for discussion with the Board of Directors but it was deferred pending the finalization of the new set of Board of Directors.
 - As soon as the Executive Director comes back from his off-island travel, a follow-up shall be made to finalize the MOA. Targeted date for the finalization of the stated MOA shall be before the start of the last quarter of FY2008.
 - The Executive Director is the right person to present it to the Board for approval.
2. In regards to the un-deposited collections of \$21,712 as of this date, documents related to the amount cannot still be located though effort has been made to find it. Thus, a final resolution on this matter is still hanging. As soon as the documents can be located, the plan of filing a case will be finalized.
 - If the documents can be located within this 3rd quarter of FY2008, the final resolution will be resolved before the end of FY2008.
 - The Accountant is the person who will locate the documents concerned and as soon as it is found, will present it to the Executive Director for final resolution.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2007

Receivables, Continued

Finding No. 2007-1, Continued

Auditee Response and Corrective Action Plan, Continued:

3. Effort has been made to collect from the coastal projects for the advances made for salaries and benefits but so far, there is no affirmative response to the collection process. We can forward the same to an Attorney for collection but it seems like it's the no good thing to do because it's just like filing suit against ourselves because, it's common knowledge that the coastal projects are under the umbrella of MIMRA, but we will try our best to collect the same.
 - We are in the process of conferring with the head of the Coastal Projects and shall come with a concrete plan of recovery within the next six months considering the financial stability of the project.
 - The Accountant is the one who is conferring with the Project head in regards to the above.

4. As per last year response, collectibles are collected in almost two weeks specifically for invoices on transshipments, boarding and observer's port sampling payments. This applies to active customers, agents and/or boat owners. All other receivables from customers, agents and/or boat owners which are uncollected as of to date are inactive ones and/or not in operation already.
 - List of all the inactive customers, agents and/or boat owners shall prepared before the FY2008 ends.
 - The Accountant will prepare the list and shall submit the same to the Executive Director for resolving the issues on how to take it up in the books in the next years' audit.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Unresolved Prior Year Comments
Year Ended September 30, 2007

The status of unresolved prior year findings is disclosed within the Schedule of Findings and Responses section of this report (pages 3 and 4).