

**MARSHALL ISLANDS MARINE RESOURCES  
AUTHORITY**

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

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

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**YEAR ENDED SEPTEMBER 30, 2009**

**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, 2009, and have issued our report thereon dated August 10, 2010. 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 (page 3) as item 2009-1 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.

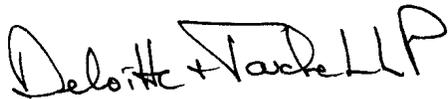
#### Compliance and Other Matters

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 August 10, 2010.

MIMRA's response to the finding identified in our audit is 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.

August 10, 2010

# MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

## Schedule of Findings and Responses Year Ended September 30, 2009

### Receivables

#### Finding No. 2009-1

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

Condition: At September 30, 2009, the aged accounts receivable subsidiary ledger, excluding the receivable from RepMar of \$423,288 and undeposited collections of \$21,022, indicated that customer accounts with balances greater than ninety days approximated 87%. A significant portion of these balances represent 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 a \$98,241 increase 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 2008.

#### Auditee Response and Corrective Action Plan:

- For the REPMAR collectibles- As had been stated in the auditee response for the previous year audit (FY2008) a draft has been submitted already in the first half of FY2009, to the Chairman of the Board which is also the Minister of R&D. It was submitted to him for review. But during the first month of the second half of FY 2009, some changes has been made in the government and the Minister of R&D/MIMRA Board Chairman was replaced, thus, a new discussion shall be done on this. Finalization of the MOU draft will be the brought up by the MIMRA Executive Director to the Board of Director for discussion and resolution.
- In regards to the un-deposited collections of \$21,022 the documents has been located already last April 2009 and has been submitted to the Executive Director for decision and resolution.
- 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. The Executive Director, the Finance Officer, the Fish Market Manager and the Coastal Division Chief shall meet to discuss payment scheme and/or any scheme available to have it taken out from the MIMRA financial statements. For the meantime, while there's no resolution of any payment scheme, MIMRA will still try to collect the same.
- As per last year response, collectibles are collected in utmost 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.

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Unresolved Prior Year Comments  
Year Ended September 30, 2009

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