

**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, 2010

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, 2010, and have issued our report thereon dated July 19, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses (page 3), we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2010-1 to be material weaknesses.

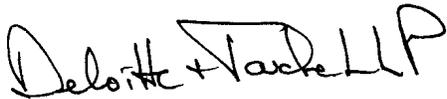
Compliance and Other Matters

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 July 19, 2011.

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.

July 19, 2011

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Schedule of Findings and Responses Year Ended September 30, 2010

Receivables

Finding No. 2010-1

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

Condition: At September 30, 2010, 73% of the aged accounts receivable subsidiary ledger reflected balances greater than ninety days past due, excluding a receivable from RepMar of \$423,288 and undeposited collections of \$22,512. 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 timely followed-up on.

Effect: The effect of the above condition is a \$35,512 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 2009.

Auditee Response and Corrective Action Plan: For the REPMAR collectibles - As of the FY2010 audit, a Memorandum of Agreement (MOA) has been prepared and submitted to the MIMRA Legal Advisor for finalization around the first half of the FY2010, but until now, a copy of the final MOA has not been finalized by the two parties. The MOA states about the inclusion of the collectibles as part of the transfer to REPMAR from MIMRA. Targeted date for the finalization of the stated MOA shall be effective immediately as soon as approval from the Board of Directors will be taken and the two parties involved will signed the MOA.

As stated in the FY 2009 response, the document for the undeposited collections of \$22,512 has been found but review indicates some documents are missing. As documents will be completed, final resolution will be finalized. If the documents can be located within this 4th quarter of FY2011, the final resolution will be resolved before the end of 2011.

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 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.

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 Findings
Year Ended September 30, 2010

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