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September 17, 2014

Mr. Glen Joseph
Director
Marshall Islands Marine Resources Authority

Dear Mr. Joseph:

In planning and performing our audit of the financial statements of the Marshall Islands Marine Resources Authority (MIMRA) as of and for the year ended September 30, 2013 (on which we have issued our report dated September 17, 2014), 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 MIMRA's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to MIMRA's internal control over financial reporting and other matters as of September 30, 2013 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated September 17, 2014, on our consideration of MIMRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of the Board of Directors, management, 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.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of MIMRA for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving MIMRA's internal control over financial reporting as of September 30, 2013 that we wish to bring to your attention:

1. Receivables

   At September 30, 2013, 60% of the aged accounts receivable subsidiary ledger reflected balances greater than ninety days past due mostly arising from the Vessel Day Schemes involvement of MIMRA.

   The effect of the above condition is a $1,299,500 increase in the allowance for doubtful accounts. 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.

2. Fixed Assets

   The following are matters noted with respect to recording and management of fixed assets:

   a) A periodic physical verification of existing capital assets has not been completed in FY13.

   b) The fixed asset register does not contain sufficient information such as tag numbers, serial numbers, and location, to facilitate identification and monitoring.

   c) Two (2) out of seven (7) new computers purchased in FY13 were not sighted during the physical asset verification. One of them was reported to be in the computer shop for repair since April 2013. The other one could not be sighted and accounted for at all as to who was given that computer in the first place.

   We recommend that procedures be formalized to require the periodic physical verification of capital assets. The fixed asset register should be reconciled to the results of the physical count and to the general ledger. The register should include detailed information such as control or tag numbers, serial numbers, descriptions, dates of purchase, costs, suppliers, locations, and assignments. These matters were discussed in our previous audit letters.

3. Transfer out to RepMar

   On June 3, 2013, a $2M was transferred from MIMRA Bank of Guam account to the General Fund of RepMar without a supporting signed letter of authorization from MIMRA management for the transfer. It was further noted that the transfer was executed by the Ministry of Finance directly requesting the transfer of Fund to its account. The transfer resulted in the MIMRA account having insufficient funds when it issued a check to the Bank of Marshall Islands on June 12, 2013 which caused them to pay for NSF bank charges.

   We recommend that management strictly monitor fund transfers and unauthorized transactions impacting their accounts.

4. Unsigned/Missing Lease Agreements

The lease agreements with the following counter parties were either not signed, were not renewed or were missing:

- Mwede Weto, Maleolap Atoll
- Jabonbok Weto, Aur Atoll
- Tur Weto, Likiep Atoll
- Lokar Weto, Ailinglaplap Atoll
- Mwenkio weto-namu
- Jabonbaren Weto, Majuro Atoll (Uliga)
- Toeak Weto, Majuro (Uliga)

We recommend that management keep copies of signed and executed lease contracts to minimize the opportunities for payment disputes in the future and to verify that only authorized lease payments are disbursed.

SECTION II — OTHER MATTERS

Our observations concerning other matters related to operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention at this time are as follows:

1. Local Noncompliance

During fiscal year 2013, MIMRA accrued GRT tax payable related to the Gross Wages Observer's Program and Lease Expense. However, payment was only made on 3/27/2014; hence, interest and penalties were paid. We recommend that management execute timely payment of withholding taxes.

In addition, the payroll withholding tax return for the period ending 7/12/2013 was filed on 7/31/2013, later than the 14-day deadline. We recommend that management monitor timely submission of withholding returns and comply with the deadlines.

SECTION III – DEFINITIONS

The definition of a deficiency is as follows:

A *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 and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

MIMRA's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.