

**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, 2011

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, 2011, and have issued our report thereon dated July 3, 2012. 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

Management of MIMRA is responsible for establishing and maintaining effective 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 (pages 3 through 5), 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 items 2011-1 and 2011-2 to be material weaknesses.

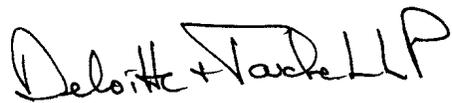
Compliance and Other Matters

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 3, 2012.

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 3, 2012

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Schedule of Findings and Responses Year Ended September 30, 2011

Receivables

Finding No. 2011-1

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

Condition: At September 30, 2011, 82% 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 \$21,022. 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 \$206,646 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 2010.

Auditee Response and Corrective Action Plan:

1. For the REPMAR collectibles- As of the FY2011 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, (MOU has been drafted since 2008) but until now, a copy of the final MOA has not been received by the Accountant. The MOA states about the inclusion of the collectibles as part of the transfer to REPMAR from MIMRA. The Accountant prepared the draft of the said MOA.
 - The Executive Director has raised the issue with the Board in the past and subsequent meeting with Finance. No resolution has been taken so far. Will seek resolution with Finance.
2. As stated in the FY 2009 respond, the document for the un-deposited collections of \$21,712.00 was already found but review by the Accountant shows that some documents are missing. Still in the process of looking into previous years documents to be able to complete the documents on hand. As documents will be completed, final resolution will be finalized.
 - The previous Director, has initiated and forward info to the A.G.'s office in 2001.
 - The Accountant is the person who will locate the documents concern and as soon as it is found, will present it to the Executive Director for final resolution with the assistance of the Legal Advisor.

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Schedule of Findings and Responses, Continued
Year Ended September 30, 2011

Receivables, Continued

Finding No. 2011-1

Auditee Response and Corrective Action Plan:, Continued

3. Coastal Projects are MIMRA projects earmarked for the Outer-Island Fisheries Development. As such, can be treated as MIMRA's subsidy to the Coastal Projects.
 - The Board should be able to make a decision/resolution whether to absorb it and treat it as operation expenses for MIMRA Coastal Fisheries projects.
4. 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 boatowners which are uncollected as of to date are inactive ones and/or not in operation already.
5. The Finance Division has hired additional staff as recommended, to be responsible for payables and the former employee who do the payables before will be taking in charge of the receivables.

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Schedule of Findings and Responses, Continued
Year Ended September 30, 2011

Operating Revenues

Finding No. 2011-2

Criteria: Fees in respect of services are recognized as the right to consideration accrues through the provision of service to customer. Licensing fees are recognized as revenues when services are rendered based on the licensing period they pertain to.

Finding: Of total operating revenues of \$3,184,561, we tested \$1,568,500 and noted overstatements of \$174,674. The financial statements were adjusted to correct this overstatement. Further audit procedures and entity analysis resulted in additional adjustments of \$185,994.

Cause: The cause of the above condition is the apparent lack of methodology to estimate licenses and fees applicable to subsequent fiscal year that should be recorded as deferred revenues.

Effect: The effect of the above condition is a possible misstatement of operating revenues.

Recommendation: We recommend that MIMRA establish policies and procedures to determine that revenues are recorded in the proper accounting period.

Auditee Response and Corrective Action Plan:

The above finding is just a case which was overlooked by the Accountant. The previous years' audit shows that deferred credits and/or revenues has been taken up, so that, this fiscal year is just not the usual because of an overlooked transaction. The Accountant has put in place, a reminder so estimation and/or taking up of deferred credits/revenues will not be overlooked in the future.

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Unresolved Prior Year Findings
Year Ended September 30, 2011

The status of unresolved prior year findings is disclosed within the Schedule of Findings and Responses section of this report (pages 3 through 5).