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July 3, 2012

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, 2011 (on which we have issued our report dated July 3, 2012), 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, 2011 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated July 3, 2012, 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

APPENDIX I

SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving MIMRA's internal control over financial reporting as of September 30, 2011 that we wish to bring to your attention:

1) 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 performed.

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

c) MIMRA's fixed asset register does not reconcile to the general ledger.

d) MIMRA does not have a formal capitalization policy.

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. Furthermore, we recommend that a capitalization policy be established. This policy could reduce certain administration costs associated with depreciating and tracking insignificant assets. These matters were discussed in our previous audit letters.

2) Operating Revenues

We noted that billed observer fees for a $15,000 invoice (# T2006002) did not agree with approved rates. However, documentation supporting management authorization of the billed rate was not available. We recommend that authorizations for price/rate changes be adequately documented.

3) Operating Expenses

During tests of expenditures, we noted one item for $840 (check# 33189) that was not supported by a vendor invoice. In addition, payments, totaling $7,457, comprising various land leases, were not supported by signed rental agreements. We recommend that management require signed copies of agreements and original copies of vendor invoices to support payment requests. In addition, we recommend that executed lease agreements be obtained. Lack of signed lease agreements was discussed in our previous audit letters.

4) Payroll

During the audit, we noted one matter (employee #65) where employee termination was not documented. We recommend that a formal termination notice be maintained in employee files.

SECTION I –DEFICIENCIES, CONTINUED

5) Segregation of Duties

Due to the small size of the entity and staffing limits, the Chief of Finance and the accounting staff responsible for recording and reconciling cash accounts are also handling cash receipts and disbursements. In addition, the Chief of Finance is also a signatory to checks that require two signatures. This lack of segregation of duties may allow irregularities to go undetected. We recommend that management take reasonable steps to limit access and responsibility for maintaining the accountability for cash to personnel not responsible for other cash functions. In addition, if such is not practicable due to the entity's size, we encourage continuing management involvement and thorough review of accounting activities and financial reports as a means to maintain effective controls until a more structured control environment becomes cost effective. This matter was discussed in our previous audit letters.

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) Compensated Absences

As of September 30, 2011, MIMRA has not established a limit for sick leave accruals. Although the payroll system limits the accrual to 1,000 hours, the personnel manual indicates that sick leave hours may be indefinitely accrued. We recommend that management establish a maximum limit for which sick leave hours can be accrued. This matter was discussed in our previous audit letters.

2) Receivable from Affiliates

At September 30, 2011, MIMRA has a prior year advance of $423,288 due from the government of the Republic of the Marshall Islands (RepMar). This advance was authorized pursuant to RepMar Cabinet Minute C.M. 188(2000) and is supported by a promissory note which specifies terms and conditions of the advance. The promissory note stated that payment to MIMRA was due on September 20, 2001 and that 16% and 24% interest and penalty, respectively, shall apply if the loan remains unpaid at due date. MIMRA has not been reimbursed for this advance and $423,288 has been recorded in the allowance for doubtful accounts. We recommend that management consider applying the $423,288 to future transfers to RepMar. This matter was discussed in our previous audit letters.

3) Local Noncompliance

During fiscal year 2011, MIMRA did not remit gross revenue taxes withheld from lease payments and allowances paid to observers. As of September 30, 2011, gross revenue taxes payable to RepMar amounted to $10,998. We recommend that management execute timely payment of withholding taxes.

4) Minutes of Board Meetings

As of May 28, 2012, minutes of Board of Director meetings held from December 2010 through May 2012 are unavailable. It appears that minutes of meetings were not timely documented and approved. To have a complete and accurate record of management and Board of Director actions, we recommend that minutes of all meetings and actions taken by the Board of Directors and management decisions be maintained.

SECTION III – DEFINITIONS

The definition of a deficiency that is established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, 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.

APPENDIX II

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.