

MARSHALL ISLANDS VISITORS 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 OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Marshall Islands Visitors Authority:

We have audited the financial statements of the Marshall Islands Visitors Authority (MIVA) as of and for the year ended September 30, 2011 and have issued our report thereon dated September 27, 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 MIVA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered MIVA'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 MIVA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MIVA'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 through 2011-3 to be material weaknesses.

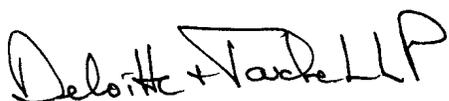
Compliance and Other Matters

As part of obtaining reasonable assurance about whether MIVA'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 MIVA in a separate letter dated September 27, 2012.

MIVA's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit MIVA'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 the Republic of the Marshall Islands and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which, upon acceptance is a matter of public record.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

September 27, 2012

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Schedule of Findings and Responses Year Ended September 30, 2011

Finding No. 2011-1

Journal Vouchers

Criteria: Journal vouchers should be prepared and independently reviewed by the General Manager.

Condition: Journal vouchers are not utilized to document recorded journal entries, and therefore, independent review by the General Manager is not evidenced.

Cause: There are no policies and procedures in place for the creation and the independent review and approval of journal vouchers.

Effect: Journal entries could be posted that are incorrect, that are undocumented, and that have not been subject to approval.

Recommendation: We recommend that the Authority develop policies and procedures requiring the use of journal vouchers and their independent review and approval.

Prior Year Status: The lack of preparation of and independent review of journal entries was reported as a finding in the audit of MIVA for fiscal year 2010.

Auditee Response and Corrective Action Plan: MIVA Finance Manager has produced the journal voucher for the General Manager's review for adjusting journal entries.

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

Finding No. 2011-2

Receivables

Criteria: Generally Accepted Accounting Principles (GAAP) in the United States uses the accrual basis of accounting for propriety funds in which revenues are recorded when they are earned.

Condition: As of September 30, 2011, hotel taxes receivable of \$8,929 were recorded. This amount primarily represents unremitted hotel taxes for FY10. Furthermore, receivables for FY11 were not recognized due to uncertainty as to what the revenues will be available or collected.

Cause: The Authority does not have policies in place requiring that receivables are accrued or that hotel taxes are timely requested.

Effect: The effect of this condition is the possible misstatement or noncollection of receivables.

Recommendation: We recommend that management set policies and procedures in accordance with U.S. GAAP requiring that revenues are recorded when earned. We additionally recommend that management set policies and procedures requiring that hotel taxes due are timely requested and are actively pursued.

Prior Year Status: Lack of established policies and procedures requiring adherence to U.S. GAAP requirements of accruing revenues when earned was reported as a finding in the audits of MIVA for fiscal years 2006 through 2010.

Auditee Response and Corrective Action Plan: MIVA management has established policies and procedures in accordance with GAAP to ensure that revenues are recorded as earned as indicated in the 2011 MIVA Employee Handbook. Additionally, internal policies and procedures have also been established to ensure that hotel taxes are requested in a timely manner.

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

Finding No. 2011-3

Fixed Assets

Criteria: The fixed asset register is to be timely updated to reflect current year disposals and additions and is to be reviewed by management.

Condition: The fixed asset register for fiscal year 2011 included \$17,272 of items acquired and \$10,063 of items disposed of during the fiscal year; however, these items were not recorded in Quickbooks. Additionally, \$4,073 of related depreciation expense was not recorded. These matters were corrected through the audit process.

Cause: There are no policies and procedures in place to require that the fixed asset register is timely updated and reviewed by management.

Effect: The effect of this condition is a possible misstatement of fixed assets.

Recommendation: We recommend that MIVA establish policies and procedures requiring timely update of the fixed asset register.

Prior Year Status: Lack of update of the fixed asset register was reported as a finding in the audits of MIVA for fiscal years 2008 through 2010.

Auditee Response and Corrective Action Plan: MIVA Finance Manager has established policies and procedures to ensure that the fixed asset register is updated in a timely manner and is reviewed by the General Manager as indicated in the 2011 MIVA Employee Handbook.

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Unresolved Prior Year Findings
Year Ended September 30, 2011

The status of unresolved findings is discussed in the Schedule of Findings and Responses section of this report (pages 3 through 5).