

**MARSHALL ISLANDS VISITORS AUTHORITY**  
**(A COMPONENT UNIT OF THE REPUBLIC OF**  
**THE MARSHALL ISLANDS)**

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**INDEPENDENT AUDITORS' REPORT ON**  
**INTERNAL CONTROL AND ON COMPLIANCE**

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**YEAR ENDED SEPTEMBER 30, 2012**

**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, 2012 and have issued our report thereon dated August 13, 2013. 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 9), 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 2012-1 through 2012-6 to be material weaknesses.

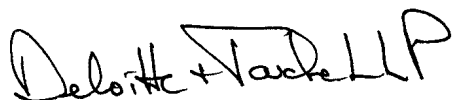
## Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2012-7.

We noted certain matters that we reported to management of MIVA in a separate letter dated August 13, 2013.

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.

August 13, 2013

# MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses  
Year Ended September 30, 2012

## Finding No. 2012-1

### Journal Vouchers

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

Condition: Journal vouchers are not prepared and therefore, such are not reviewed by the General Manager.

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

Effect: The effect is that the opportunity for posting of unauthorized journal entries exists.

Recommendation: We recommend that management establish policies and procedures to require journal voucher review and approval.

Prior Year Status: The lack of preparation of and independent review of journal entries was reported as a finding in the audits of MIVA for fiscal years 2010 and 2011.

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

# MARSHALL ISLANDS VISITORS AUTHORITY

## Schedule of Findings and Responses, Continued Year Ended September 30, 2012

### Finding No. 2012-2

#### Receivables

Criteria: Generally Accepted Accounting Principles (GAAP) uses the accrual basis of accounting for propriety funds in which revenues are recorded when earned. MIVA records 3% of the total hotel tax collected by RepMar (from all the hotels in the Marshall Islands) as hotel revenue each year.

Condition: As of September 30, 2012, MIVA had not recorded hotel taxes receivable as the Ministry of Finance did not provide the total amount of hotel taxes collected during FY2012. The receivable shown on MIVA's books (\$8,929) results from FY2011. An audit adjustment was proposed in the amount of \$4,422 to recognize an additional accrual

Cause: MIVA does not have policies in place requiring that receivables be properly accrued.

Effect: The effect is the possible misstatement of receivables. However, this matter was corrected by proposed audit adjustments.

Recommendation: We recommend that management set policies and procedures in accordance with GAAP requiring that revenues be recorded when earned.

Prior Year Status: The lack of accruing hotel taxes receivable when earned was reported as a finding in the audits of MIVA for fiscal years 2006 through 2011.

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.

**MARSHALL ISLANDS VISITORS AUTHORITY**

Schedule of Findings and Responses, Continued  
Year Ended September 30, 2012

Finding No. 2012-3

Fixed Assets

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

Condition: The fixed asset register included \$17,272 of acquisitions and \$10,063 of disposals that were not recorded in Quickbooks. Additionally, depreciation expense was not recorded.

Cause: There are no policies and procedures in place requiring that the fixed asset register be timely updated and reviewed by management and be reconciled with the general ledger.

Effect: The effect is the possible misstatement of fixed assets. This matter was corrected by proposed audit adjustments.

Recommendation: We recommend that MIVA establish policies and procedures to require timely updates of the fixed asset register and its reconciliation with the general ledger.

Prior Year Status: The lack of timely update and reconciliation of the fixed asset register was reported as a finding in the audits of MIVA for fiscal years 2008 through 2011.

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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Schedule of Findings and Responses, Continued  
Year Ended September 30, 2012

Finding No. 2012-4

Non-payroll Expenses

Criteria: Non-payroll expenses should be supported by transactional source documentation.

Condition: Of eighteen non-payroll expense items tested (totaling \$49,211), the following exceptions were noted:

- Source documentation was not available for the following items.

<u>Check #</u>	<u>(\$)</u> <u>Amount</u>
6563	85
6865	1,802
6767	6,906
6997	372
6339	750
6522	232
AJE2011-8R	1,767

In addition, the following check (a reimbursement) noted no evidence of purchase and/or was double recorded. Moreover, items purchased were not shown to us as they cannot be located.

<u>Check #</u>	<u>Date</u>	<u>(\$)</u> <u>Amount</u>
6924	7/09/12	1,000

Cause: The cause of the above condition is the lack of established policies and procedures requiring that source documentation be maintained.

Effect: The effect of the above condition is a possible misstatement of non-payroll expenses.

Recommendation: We recommend that policies and procedures be established pertaining to source documentation supporting non-payroll expenses.

Auditee Response and Corrective Action Plan: MIVA management will establish policies and procedures to ensure non-payroll expenses are supported by appropriate documentation.

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Schedule of Findings and Responses, Continued  
Year Ended September 30, 2012

Finding No. 2012-5

Accrued Liabilities

Criteria: Social security taxes should be properly accrued.

Condition: At September 30, 2012, MIVA did not accrue social security liabilities for the quarter ended September 30, 2012.

Cause: The cause of the above condition is the lack of knowledge on how to account for and record the related liabilities.

Effect: The effect of the above condition is a possible misstatement of account payables. This matter was corrected through proposed audit adjustments

Recommendation: We recommend that management properly record accrued liabilities.

Auditee Response and Corrective Action Plan: MIVA Finance will properly record accrued liabilities.



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Schedule of Findings and Responses, Continued  
Year Ended September 30, 2012

Finding No. 2012-6

Fund Balance Reconciliation

Criteria: The current year's beginning fund balance should agree with the prior year's ending balance.

Condition: At September 30, 2012, MIVA's beginning fund balance did not agree to the FY2011 ending fund balance. This condition was corrected through proposed audit adjustments.

Cause: The cause of the above condition is the lack of knowledge on how to record and reconcile accounts.

Effect: The effect of the above condition may lead to misstatements of prior year amounts, or possible misstatements of other accounts.

Recommendation: We recommend that management properly record transactions and accounts and timely review the financial statements.

Auditee Response and Corrective Action Plan: MIVA finance manager will properly record transactions and accounts and timely review the financial statements.

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## Schedule of Findings and Responses, Continued Year Ended September 30, 2012

### Finding No. 2012-7

#### Local Noncompliance

Criteria: Sections 131 and 215 of the RepMar Social Security Act of 1990 and the Social Security Health Fund Act of 1991, respectively, state that no later than the tenth day after the end of each quarter, each employer shall submit to the Social Security Administration a report of wages and salaries paid by the employer, and the contributions due from the employer, under Sections 129 and 130, and 213, and 214, respectively, and pay into the Fund the contributions due.

Condition: MIVA did not prepare and file Employer's Quarterly Tax Returns or remit social security employer and employee contributions for the quarters ended June 30 and September 30, 2012, respectively.

Cause: The cause of the above condition is lack of established policies and procedures that meet compliance with the Social Security Act of 1990 and Social Security Health Fund Act of 1991.

Effect: The effect of the above condition is noncompliance with the Social Security Act of 1990 and Social Security Health Fund Act of 1991. Further, MIVA has incurred related penalties and interest due to noncompliance.

Recommendation: We recommend that management comply with the Social Security Act of 1990 and Social Security Health Fund Act of 1991.

Auditee Response and Corrective Action Plan: MIVA management will comply with the Social Security Act of 1990 and Social Security Health Fund Act of 1991. MIVA finance manager has already taken necessary steps to ensure that payroll taxes are paid in a timely manner.

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Unresolved Prior Year Findings  
Year Ended September 30, 2012

The status of unresolved findings is discussed in the Schedule of Findings and Responses section of this report (pages 3 through 9).