

October 4, 2016

Ms. Brenda Alik Maddison
General Manager
Marshall Islands Visitors Authority

Dear Ms. Maddison:

In planning and performing our audit of the financial statements of the Marshall Islands Visitors Authority (MIVA) as of and for the year ended September 30, 2015 on which we have issued our report dated October 4, 2016, 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 MIVA'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 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. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to MIVA's internal control over financial reporting and other matters as of September 30, 2015 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated October 4, 2016 on our consideration of MIVA'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.

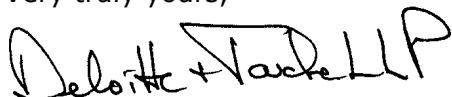
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with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

Very truly yours,



SECTION I – 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) Accrued Expenses

MIVA does not timely accrue expenses. Timely recording of accruals should occur throughout the year.

2) Recording of Transactions

We noted instances where the check number recorded in the accounting system is different with the check number as reflected on the actual copy of check. Management should adopt and implement appropriate internal control policies over reviewing recorded transactions to minimize errors in the reports.

3) Hotel Tax Revenue

We noted that the recorded amount of hotel tax revenue pertains to fiscal year 2013 and not fiscal year 2015. For the year ended September 30, 2015, MIVA had not recorded hotel tax revenue as the Ministry of Finance had not provided the total amount of hotel taxes collected during fiscal year 2015. An audit adjustment was proposed to correct hotel tax revenue. We recommend that management set policies and procedures in accordance with GAAP requiring that revenues be recorded when earned. The lack of accruing hotel taxes receivable when earned was reported as a finding in the audits of MIVA for fiscal years 2006 through 2014.

4) Payroll

During the year ended September 30, 2015, we noted a net overpayment to employees amounting to \$287 due to the following:

- A. There is no evidence of review and approval of the employee timecards.
- B. There is inconsistency in the computation of number of hours worked.
- C. There is inconsistency on input of time on the timecards; some are manually written with erasures, while some are type-written using bundyclock.
- D. There is an instance where incorrect rate per hour is used on the computation of payroll.

We recommend that internal control policies and procedures be established requiring the authorization and review of employee time cards and requiring the review of check voucher prior to check preparation and payment. The lack of established policies and procedures pertaining to review process on payroll preparation was reported as a finding in the audits of MIVA for fiscal years 2013 and 2014.

SECTION II – 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.

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

MIVA'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.