

**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, 2009**

**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, 2009 and have issued our report thereon dated January 24, 2011. 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**

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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses (pages 3 through 7) as items 2009-1 through 2009-4 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

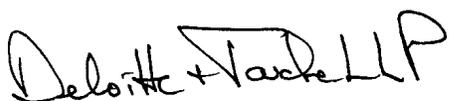
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2009-5.

MIVA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit MIVA's responses and, accordingly, we express no opinion on them.

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.

January 24, 2011

**MARSHALL ISLANDS VISITORS AUTHORITY**

Schedule of Findings and Responses  
Year Ended September 30, 2009

Finding No. 2009-1

Bank Reconciliation

Condition:

Bank reconciliations should be timely reviewed and approved by management.

Criteria:

Bank reconciliations prepared by the finance manager have not been reviewed and approved by management.

Cause:

There are no policies and procedures in place requiring review and approval of bank reconciliations.

Effect:

The effect is a possible misstatement of cash.

Recommendation:

We recommend that policies and procedures be in place to ensure timely review and approval of bank reconciliations.

Auditee Response and Corrective Action Plan:

MIVA finance manager has already taken the necessary steps to ensure timely review and approval of bank reconciliation by general manager.

# MARSHALL ISLANDS VISITORS AUTHORITY

## Schedule of Findings and Responses, Continued Year Ended September 30, 2009

### Finding No. 2009-2

#### Receivables

#### Condition:

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

#### Criteria:

As of September 30, 2009, hotel taxes receivable of \$8,590 were recorded. This amount represents FY08 receivables of which \$7,687 was received in FY09, with the remaining balance of \$903 remaining due. We additionally noted that \$8,364 of receivables for FY09 were not recorded. Hotel taxes receivable due from RepMar in prior years were received only after a request for reimbursement occurred in August 2009. We proposed an adjustment of \$677 to increase receivables as of September 30, 2009 to reflect the FY09 receivable and the remaining FY08 balance due.

#### Cause:

Policies are not in place to ensure that receivables are accrued or that hotel taxes due are timely requested.

#### Effect:

The effect is a possible misstatement of receivables.

#### Recommendation:

We recommend that management set policies and procedures in accordance with GAAP to ensure that revenues are recorded as earned. We additionally recommend that management set internal policies and procedures to ensure that hotel taxes due are timely requested.

#### Prior Year Status:

Lack of established policies and procedures to ensure adherence to GAAP requirements of accruing revenues when earned was reported as a finding in the audits of MIVA for fiscal years 2006 through 2008.

#### Auditee Response and Corrective Action Plan:

MIVA management will establish policies and procedures in accordance with GAAP to ensure that revenues are recorded as earned. Additionally, internal policies and procedures will be 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, 2009

### Finding No. 2009-3

#### Fixed Assets

#### Condition:

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

#### Criteria:

The 2009 fixed asset register includes \$5,220 of items disposed of in FY2008. We additionally noted a \$19,495 flatbed truck that was disposed of in FY2009 but was not removed from the fixed asset register.

#### Cause:

There are no policies and procedures in place to ensure that the fixed asset register is updated in a timely manner and is reviewed by management.

#### Effect:

The effect is a possible misstatement of fixed assets.

#### Recommendation:

We recommend that policies and procedures be in place to ensure 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 audit of MIVA for fiscal year 2008.

#### Auditee Response and Corrective Action Plan:

MIVA finance manager will establish policies and procedures to ensure that the fixed asset register is updated in a timely manner and is reviewed by general manager.

**MARSHALL ISLANDS VISITORS AUTHORITY**

Schedule of Findings and Responses, Continued  
Year Ended September 30, 2009

Finding No. 2009-4

Payroll Taxes

Condition:

Payroll taxes are to be paid timely when due.

Criteria:

Withholding taxes due for PPE 07/30/09 were paid two days after they were due and penalties and interest resulted.

Cause:

Policies or procedures are not in place to ensure that payroll taxes are timely paid.

Effect:

The effect of the above is unnecessary penalties and interest.

Recommendation:

We recommend that policies and procedures be effected to ensure that payroll taxes are timely paid.

Auditee Response and Corrective Action Plan:

MIVA finance manager has already taken necessary steps to ensure that payroll taxes are paid in a timely manner.

# MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses, Continued  
Year Ended September 30, 2009

## Finding No. 2009-5

### Local Non-Compliance

#### Criteria:

Article VI, Section 1, of the Fiscal Procedures Agreement state that the Government of the Republic of the Marshall Islands and its component units may use their own policies and procedures for procurement, provided that they meet the standards in the Agreement.

MIVA does not have its own procurement policies and procedures; therefore, it is to follow the RMI Procurement Code.

#### Condition:

We tested eleven operating expenses totaling \$25,005. There was inadequate documentation to indicate that adequate procurement procedures were followed. No documents were on file indicating that competitive bidding processes were followed or that justified sole source procurement.

#### Cause:

The cause of the above is the lack of internal procurement policies and procedures to ensure compliance with the criteria.

#### Effect:

The effect is noncompliance with procurement standards.

#### Recommendation:

We recommend that supporting documentation be on file to demonstrate compliance with requirements of the Fiscal Procedures Agreement.

#### Prior Year Status:

Lack of compliance with procurement standards was reported as a finding in the audit of MIVA for fiscal year 2008.

#### Auditee Response and Corrective Action Plan:

MIVA management will follow the RMI Procurement Code while it establishes its own procurement policies and procedures.

**MARSHALL ISLANDS VISITORS AUTHORITY**

Unresolved Prior Year Findings  
Year Ended September 30, 2009

The status of unresolved findings is discussed in the Schedule of Findings and Responses section of this report (pages 3 through 7).