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June 27, 2018

Mr. Josephius Tiobech
Executive Director
RMI Ports Authority

Dear Mr. Tiobech:

In planning and performing our audit of the financial statements of RMI Ports Authority (the Authority), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2017, on which we have issued our report dated June 27, 2018, 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 the Authority'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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the Authority's internal control over financial reporting and other matters as of September 30, 2017 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated June 27, 2018, on our consideration of the Authority'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 the Authority for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I – DEFICIENCIES

We noted the following deficiencies involving the Authority's internal control over financial reporting as of September 30, 2017 that we wish to bring to your attention.

(1) Bank Reconciliation

The September 30, 2017 bank reconciliation included reconciling items of $16,277 for a deposit in transit outstanding for more than four months. We recommend that dated items be investigated and resolved.

Management's Response: RMIPA agrees and will take corrective action.

(2) Collections

We noted that $636,447 of receivables are aged over six years. We recommend management establish internal control policies relative to timely reviewing and updating aging reports.

Management's Response: RMIPA agrees and will take corrective action.

(3) Unearned Revenue

As of September 30, 2017, unearned revenue amounts to $120,971 which includes amounts from prior years. We recommend that management timely review customer prepayments and invoices and perform customer account reconciliations to minimize opportunity for errors.

Management's Response: RMIPA agrees and will take corrective action.

(4) Annual Leave Hours

September 30, 2017 accrued annual leave hours were not updated until May 2018. This matter was subsequently corrected through proposed adjusting entries. We recommend that management timely prepare and review accrued annual leave hours. This matter was discussed in our previous letter to management for fiscal year 2016.

Management's Response: RMIPA agrees and will take corrective action.

(5) Revenues

Test of revenues noted the following:

Daily Sales Reports were not reconciled to underlying manifests for the following dates:

Date
02/23/2017
09/27/2017

In addition, the Daily Sales report for 06/13/2017 lacked documentation to support collection exemption.

We recommend that the Authority improve document filing and safekeeping. We further recommend that daily sales reports be thoroughly reviewed and be reconciled with supporting manifests.

Management's Response: RMIPA agrees and will take corrective action.

SECTION I – DEFICIENCIES, CONTINUED

(6) Fixed Assets

Of the twenty-eight assets sighted for existence, we noted the following:

- three assets were either not properly tagged or tags were not updated on the fixed assets register; and
- four assets could not be located or sighted

We recommend RMIPA review old and fully depreciated assets to strengthen asset monitoring, maintenance procedures and disposals, if needed. RMIPA should also consider tagging all applicable property and equipment to facilitate accurate record keeping and accountability.

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) Adequacy of Documents

General journal documentation for recorded transaction on 10/01/2016 amounting $2,000 could not be provided.

Documentation should be on file to support all financial statement transactions.

SECTION III – DEFINITION

The definition of a deficiency that 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

The Authority'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 is 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.