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, 2006

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT 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, 2006 and have issued our report thereon dated March 24, 2009. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect MIVA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings (pages 3 through 7) as items 2006-1 through 2006-3 and 2006-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above 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 one instance of noncompliance and other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings as item 2006-4.

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.

March 24, 2009

Atnita Jonathan
Acting Auditor-General

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Schedule of Findings
Year Ended September 30, 2006

Finding No. 2006-1

Receivables

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) requires the utilization of the accrual basis of accounting by proprietary funds. Under this method, revenues are recorded when earned.

Condition:

At September 30, 2006, MIVA recorded taxes receivable of $14,059. This amount represented a prior year receivable as of September 30, 2005 for hotel taxes collected by the Government of the Republic of the Marshall Islands (RepMar) not remitted to MIVA. An audit adjustment was proposed in the amount of $4,955 to record hotel taxes collected by RepMar during the year ended September 30, 2006 not remitted to MIVA.

Cause:

The cause of the above condition is the lack of adequate policies and procedures requiring adherence to GAAP and the accrual of revenues when earned.

Effect:

The effect of the above condition is the misstatement of revenues and related receivables; however, such was corrected through proposed audit adjustments.

Recommendation:

We recommend that management establish policies and procedures to ensure adherence to GAAP requiring the accrual of revenues when earned.

Auditee Response and Corrective Action Plan:

MIVA will establish policies and procedures to ensure adherence to GAAP requiring the accrual of revenues when earned.

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Schedule of Findings, Continued
Year Ended September 30, 2006

Finding No. 2006-2

Fixed Assets

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) requires the depreciation of capital assets based on the estimated useful lives of the respective assets.

Condition:

No depreciation expense was recorded by MIVA for the year ended September 30, 2006. Based on the estimated useful lives of MIVA's capital assets, an audit adjustment was proposed in the amount of $12,895 to record depreciation expense and related accumulated depreciation.

Cause:

The cause of the above condition is the lack of adequate policies and procedures requiring adherence to GAAP and the depreciation of capital assets.

Effect:

The effect of the above condition is the misstatement of expenses and capital asset balances; however, such was corrected through a proposed audit adjustment.

Recommendation:

We recommend that management establish policies and procedures to ensure adherence to GAAP requiring the depreciation of capital assets.

Auditee Response and Corrective Action Plan:

MIVA will establish policies and procedures to ensure adherence to GAAP requiring the depreciation of captial assets.

Finding No. 2006-3

Accrued Liabilities

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) requires the utilization of the accrual basis of accounting by proprietary funds. Under this method, expenses are recorded at the time liabilities are incurred.

Condition:

At September 30, 2006, MIVA recorded the following liabilities:

Payroll liability – allotment payable	$ 1,000
Accounts payable	$ 17,610

These amounts represented prior year liabilities payable as of September 30, 2005 that were not corrected as of September 30, 2006. Audit adjustments were proposed to reverse the above amounts. In addition, an audit adjustment was proposed to record an accrual for unrecorded liabilities at September 30, 2006 in the amount of $12,569, which included the amount of $3,968 for accrued salaries and wages representing the last pay period of the fiscal year paid in October 2006.

Cause:

The cause of the above condition is the lack of adequate policies and procedures requiring adherence to GAAP and the accrual of expenses at the time liabilities are incurred.

Effect:

The effect of the above condition is the misstatement of expenses and related liabilities; however, such was corrected through proposed audit adjustments.

Recommendation:

We recommend that management establish policies and procedures to ensure adherence to GAAP requiring the accrual of expenses at the time liabilities are incurred.

Auditee Response and Corrective Action Plan:

MIVA will establish policies and procedures to ensure adherence to GAAP requiring the accrual of expenses at the time liabilities are incurred.

Finding No. 2006-4

Reporting

Criteria:

The Grant Agreement between MIVA and RepMar through the Ministry of Finance requires MIVA to provide quarterly and final SF-269 (Financial Status Reports) and SF-272 (Federal Cash Transaction Reports) within 15 days after the end of the quarter to which it applies.

Condition:

Our review disclosed that MIVA did not submit the SF-269 (Financial Status Reports) and SF-272 (Federal Cash Transaction Reports) within the deadline periods.

Cause:

The cause of the above condition is the lack of compliance with provisions of the grant agreement.

Effect:

The effect of the above condition is noncompliance with the grant agreement.

Recommendation:

We recommend that management comply with the grant agreement.

Auditee Response and Corrective Action Plan:

MIVA will comply with the grant agreement.

Finding No. 2006-5

Fixed Assets

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) requires the maintenance of a Fixed Assets Register (FAR) documenting the existence and ownership of fixed assets, and that such reconciles to amounts recorded within the general ledger.

Condition:

At September 30, 2006, we noted six items, representing two vehicles and four pieces of computer equipment, totaling $27,091, which were disposed of in prior year but were not removed from the FAR.

Cause:

The cause of the above condition is the lack of adequate policies and procedures requiring adherence to GAAP and the reconciliation of capital assets maintained in a FAR to the General Ledger.

Effect:

The effect of the above condition is the misstatement of capital assets maintained in the FAR.

Recommendation:

We recommend that management establish policies and procedures to ensure adherence to GAAP requiring the reconciliation of capital assets maintained in a FAR to the General Ledger.

Auditee Response and Corrective Action Plan:

MIVA will establish policies and procedures to ensure adherence to GAAP requiring the reconciliation of capital assets maintained in a FAR to the General Ledger.

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Unresolved Prior Year Findings
Year Ended September 30, 2006

There are no unresolved findings from prior year audits of MIVA.

"Appendix A"

Marshall Islands Visitors Authority
Independent Auditors' Report on
Internal Control and on Compliance
September 30, 2006

Responses Required To Clear Audit
From OAG Follow-up System

In order for this audit to be cleared from the OAG Follow-up system, written confirmation and/or documentation indicating action has been taken, as detailed below, should be submitted no later than May 4th, 2009.

Recommendation:	Action to be taken
1.	Provide copy of establish policies and procedures ensuring adherence to GAAP requirement of accrual revenues when earned.
2.	Provide copy of establish policies and procedures ensuring adherence to GAAP requirement of depreciation of capital assets.
3.	Provide copy of establish policies and procedures ensuring adherence to GAAP requirement of accrual of expenses at the time liabilities are incurred.
4.	Consider closed.
5.	Provide copy of establish policies and procedures to ensure adherence to GAAP requirement of reconciliation of Capital Assets maintained in a FAR to the General Ledger.