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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, 2007

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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, 2007 and have issued our report thereon dated June 5, 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 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.

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 6) as items 2007-1 through 2007-4 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

June 5, 2009

Atmita Jonathan
Acting Auditor-General

MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses
Year Ended September 30, 2007

Finding No. 2007-1

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, 2007, MIVA recorded taxes receivable of $11,191. This amount represented a previous year receivable as of September 30, 2006 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 $6,236 to record hotel taxes collected by RepMar during the year ended September 30, 2007 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.

Prior Year Status:

Lack of established policies and procedures to ensure adherence to GAAP requirement of accruing revenues when earned was reported as a finding in the audit of MIVA for fiscal year 2006.

Auditee Response and Corrective Action Plan:

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

Finding No. 2007-2

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, 2007. Based on the estimated useful lives of MIVA's capital assets, an audit adjustment was proposed in the amount of $9,397 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.

Prior Year Status:

Lack of established policies and procedures to ensure adherence to GAAP requirement of depreciation of fixed assets was reported as a finding in the audit of MIVA for fiscal year 2006.

Auditee Response and Corrective Action Plan:

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

Finding No. 2007-3

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, 2007, MIVA recorded liabilities of $12,569, representing prior year liabilities payable as of September 30, 2006 not corrected. 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, 2007 in the amount of $13,811, which included the amount of $3,521 for accrued salaries and wages representing last pay period of the fiscal year paid in October 2007.

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.

Prior Year Status:

Lack of established policies and procedures to ensure adherence to GAAP requirement of accruing expenses at the time liabilities are incurred was reported as a finding in the audit of MIVA for fiscal year 2006.

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. 2007-4

Fixed Assets

Criteria:

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

Condition:

At September 30, 2007, 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 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.

Prior Year Status:

Lack of established policies and procedures to ensure adherence to GAAP requirement of maintenance of the FAR was reported as a finding in the audit of MIVA for fiscal year 2006.

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, 2007

The status of unresolved findings is discussed in the Schedule of Findings and Responses section of this report (pages 3 through 6).

"Appendix A"

Marshall Islands Visitors Authority
Independent Auditors' Report on
Internal Control and on Compliance
September 30, 2007

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 August 6th 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.	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.