

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, 2008



REPUBLIC OF THE MARSHALL ISLANDS
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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, 2008 and have issued our report thereon dated December 29, 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 8) as items 2008-1 through 2008-6 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.

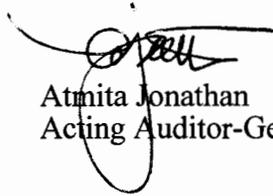
Compliance and Other Matters

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.

December 29, 2009

A handwritten signature in black ink, appearing to read 'Atnita Jonathan', is written over a circular stamp or seal.

Atnita Jonathan
Acting Auditor-General

MARSHALL ISLANDS VISITORS AUTHORITY

**Schedule of Findings and Responses
Year Ended September 30, 2008**

Finding No. 2008-1

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, 2008, MIVA recorded taxes receivable of \$11,191. This amount represented prior year hotel tax receivables for FY 2006 in which MIVA have received during FY 2008. An audit adjustment was proposed in the net amount of \$8,590 to reverse taxes receivable received and to record hotel taxes collected by RepMar during the year ended September 30, 2008 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 years 2006 and 2007.

Auditee Response and Corrective Action Plan:

See Appendix "B"

MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2008

Finding No. 2008-2

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, 2008, MIVA recorded liabilities of \$13,327, representing prior year liabilities as of September 30, 2007 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, 2008 in the amount of \$12,230, which included the amount of \$3,562 for accrued salaries and wages representing last pay period of the fiscal year paid in October 2008.

Cause:

The cause of the above condition is 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 years 2006 and 2007.

Auditee Response and Corrective Action Plan:

See Appendix "B"

MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses, Continued Year Ended September 30, 2008

Finding No. 2008-3

Local Non Compliance

Criteria: RepMar's Procurement Code states the following:

- (a) Section 124 – unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.
- (b) Section 127 – procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures promulgated by RepMar's Policy Office. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. RepMar's Ministry of Finance has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.
- (c) Section 128 – a contract may be awarded for a supply, service, or construction item without competition when it is determined in writing that there is only one source for the required supply, service or construction item.

Condition:

Of seven (7) non-payroll expenditures tested in the total amount of \$32,015.88, documentation was inadequate to evidence the competitive nature of the procurement process. We noted no supporting documentation that indicated competitive bidding or an indication of the basis of the sole-source procurement rationale, as required by Section 128. As no documentation was maintained indicating the history of procurement, including the rationale for and method of procurement, the vendor selection or rejection, and the basis for the purchase price, questioned costs of \$32,015.88 are reported.

Cause:

The cause of the above condition is the lack of adequate internal control policies and procedures requiring the documentation of procurement procedures to ensure compliance with RepMar's Procurement Code.

Effect:

The effect of the above condition is noncompliance with RepMar's Procurement Code.

Recommendation:

We recommend that MIVA establish adequate internal control policies and procedures to ensure compliance with RepMar's Procurement Code.

Auditee Response and Corrective Action Plan:

See Appendix "B"

MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2008

Finding No. 2008-4 (5/14/08)

Fixed Assets:

Criteria:

Account subsidiary ledgers are periodically reconciled to the general ledger on a timely basis.

Condition:

Account reconciliations are not prepared on a timely basis which resulted in numerous year-end correcting entries for fixed assets.

Cause:

The cause of the above condition is the lack of periodic reconciliation of subsidiary ledger.

Effect:

The effect of the above condition is potential misstatements of account balances.

Recommendation:

We recommend MIVA perform account reconciliations on a systematic basis throughout the year.

Auditee Response and Corrective Action Plan:

See Appendix "B"

MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses, Continued
Year Ended September 30, 2008

Finding No. 2008-5 (2008-09-2)

Grant Revenues

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) requires the recognition of grant contributions and related expenses as gross amounts within the general ledger.

Condition:

During the year ended September 30, 2008, we noted grant contributions received from the Republic of China of \$5,727 that were recorded as a credit to expense accounts associated with expenses incurred against this grant. We proposed a reclassification adjustment to correctly reflect this as grant revenues and related expenses.

Cause:

The cause of the above condition is the lack of adequate policies and procedures to ensure that grant revenues are properly recorded.

Effect:

The effect of the above condition is the possible misstatement of grant revenues and related expense accounts.

Recommendation:

We recommend that management establish policies and procedures to ensure adherence to GAAP requiring the recording of grant contributions as revenues in conjunction with charges against the grant as corresponding expenses.

Auditee Response and Corrective Action Plan:

See Appendix "B"

MARSHALL ISLANDS VISITORS AUTHORITY

Unresolved Prior Year Findings
Year Ended September 30, 2008

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

**Marshall Islands Visitors Authority
Independent Auditors' Report on
Internal Control and on Compliance
September 30, 2008**

**Responses Required To Clear Audit
From OAG Follow-Up System**

In order for this audit to be cleared from OAG Follow-up system, written confirmation and/or documentation indicating action has been taken, as detailed below, should be submitted no later than June 10, 2010.

Recommendation:

Action to be taken:

- | | |
|------------------|---|
| <u>1.</u> | Provide copy of establish policies and procedures ensuring adherence to GAAP requirement of accrual revenues when earned. |
| <u>2.</u> | Provide copy o f establish policies and procedures ensuring adherence to GAAP requirement of depreciation of capital assets. |
| <u>3.</u> | Provide copy of internal control policies and procedures ensuring compliance with RepMar's Procurement Code. |
| <u>4.</u> | Provide written assurance of account reconciliation on a systematic-basis. |
| <u>5.</u> | Provide copy of establish policies and procedures to ensure adherence to GAAP requiring recording of grant contributions as revenues in conjunction with charges against the grant as corresponding expenses. |

MARSHALL ISLANDS



VISITORS AUTHORITY

April 29, 2010

Ms. Atmita Jonathan
Acting Auditor-General
RMI Office of the Auditor General
Majuro, Marshall Islands

Iokwe Auditor-General:

I am providing herein our responses and corrective action plans for the findings in the MIVA FY2008 Independent Auditor's Report on Internal Control and Compliance.

Finding No. 2008-1

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

Finding No. 2008-2

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

Finding No. 2008-3

MIVA will establish adequate internal control policies and procedures to ensure compliance with RepMar's Procurement Code.

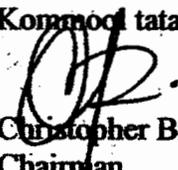
Finding No. 2008-4

MIVA will perform account reconciliations on a systematic basis throughout the year.

Finding No. 2008-5

MIVA will establish policies and procedures to ensure adherence to GAAP requiring the recording of grant contributions as revenues in conjunction with charges against the grant as corresponding expenses.

Kommoof tata,


Christopher Bing
Chairman
Board of Directors

Cc: MIVA General Manager
MIVA File