

**MARSHALL ISLANDS MARINE RESOURCES
AUTHORITY**

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2004

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED UPON THE AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Marshall Islands Marine Resources Authority:

We have audited the financial statements of the Marshall Islands Marine Resources Authority (MIMRA) as of and for the year ended September 30, 2004, and have issued our report thereon dated August 15, 2005. 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

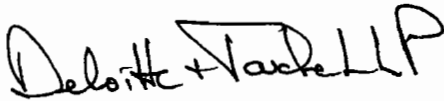
In planning and performing our audit, we considered MIMRA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 MIMRA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings (page 3) as item 2004-1.

A material weakness is a 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 believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of MIMRA in a separate letter dated August 15, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MIMRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Tuck LLP". The signature is written in a cursive, stylized font.

August 15, 2005

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Schedule of Findings
Year Ended September 30, 2004

Receivables

Finding No. 2004-1

Criteria: The aged accounts receivable subsidiary ledger should be monitored and used in credit control.

Condition: At September 30, 2004, the aged accounts receivable subsidiary ledger, excluding the receivable from RepMar of \$423,288 and undeposited collections of \$20,922, indicated that customer accounts with balances greater than 90 days represented approximately 83% of the total balance.

Cause: The cause of the above condition is the lack of established policies and procedures requiring past due accounts to be followed-up on a timely manner.

Effect: The effect of the above condition is an increase of \$127,386 in the allowance for doubtful accounts.

Recommendation: We recommend that management establish policies and procedures to ensure the review and monitoring of overdue accounts. Furthermore, we recommend that overdue accounts be forwarded to an attorney for collection.

Prior Year Status: Lack of established policies and procedures requiring past due customers to be followed-up in a timely manner was reported as a finding in the audits of MIMRA for fiscal years 2001 through 2003.

Auditee Response and Corrective Action Plan: For the RepMar receivable the Director has been told about it and it was verbally agreed by the Accountant and the Director that a Memorandum of Agreement will be put in place, with the approval by the MMRA-Board of Director. The MOU will state that the said receivable will be deducted from the amount MIMRA will be transferring to RepMar as fishing rights. The amount to be remitted to RepMar will be net of the \$423,288 receivable from them.

On the other hand, in regards to the undeposited collections of \$22,922 the Director instructed the Accountant to look into the documents related to the above amount. After the documents are found, we will have to inquire from the Attorney General Office if a case can be filed even if it is already after a couple of years. If the Attorney General will confirm to our inquiries, we will go ahead in filing a police report and eventually file a case.

All other receivable related to revenues is collected within a reasonable timeframe, e.g., at least two weeks after the invoice dates. There is a Promissory Notes in connection with the RepMar account, but so far as of to date no payment has been received. Follow-up and/or collection letter has been sent in regards to the above.

Since there is no MIMRA-Accounting Manual in place right now, there is no concrete policies and procedures in regards to receivable. The Accounting Manual will be the next project by the Accountant since MIMRA has already gained an unqualified opinion on their audit.

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Unresolved Prior Year Comments
Year Ended September 30, 2004

The status of unresolved prior year findings is disclosed within the Schedule of Findings section of this report (page 3).