

MARSHALL ISLANDS VISITORS AUTHORITY

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2001



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING 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, 2001, and have issued our report thereon dated January 4, 2002. 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.

Compliance

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 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*.

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 and 4) as items 2001-1 and 2001-2.

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, of the reportable conditions described above, we consider item 2001-1 to be a material weakness.

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.

Deloitte & Touche

January 4, 2002

MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings
Year Ended September 30, 2001

External Financial Reporting

Finding No. 2001-1

Criteria: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as applied to government units, requires that the modified accrual basis of accounting be utilized.

Condition: Accounting records are being maintained on a cash basis. Audit adjustments were proposed to facilitate the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: The cause of the above condition is the lack of a financial accounting system that is capable of accommodating an accrual basis of accounting.

Effect: The effect of the above condition is nonconformity with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that management explore available financial accounting system software products and obtain an appropriate system to facilitate the modified accrual basis of accounting.

Prior Year Status: Lack of a financial accounting system that is capable of accommodating the modified accrual basis of accounting was reported as a finding in the audits of MIVA for fiscal years 1999 and 2000.

Auditee Response and Corrective Action Plan: MIVA has installed an accounting software system that facilitates the accrual basis of accounting. Moreover, MIVA has begun training personnel in the utilization of this accounting system. MIVA will continue to take steps to complete the set up process and begin utilizing this new system.

MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings, Continued
Year Ended September 30, 2001

Fixed Assets

Finding No. 2001-2

Criteria: A proper system of fixed assets management requires that fixed assets records include a description of the fixed assets, the acquisition date, the cost of fixed assets and the estimated useful life of such fixed assets.

Condition: A detailed fixed asset subsidiary ledger is not maintained for MIVA's fixed assets.

Cause: The cause of the above condition is the lack of established policies and procedures to record and maintain fixed assets.

Effect: The effect of the above condition is the possibility of misstatement and misappropriation of fixed assets.

Recommendation: We recommend that management establish policies and procedures to record and maintain a subsidiary ledger for fixed assets.

Prior Year Status: Lack of established policies and procedures to record and maintain fixed assets was reported as a finding in the audits of MIVA for fiscal years 1999 and 2000.

Auditee Response and Corrective Action Plan: MIVA will immediately take steps to utilize a fixed assets ledger already established. Moreover, MIVA's new accounting software system, once fully set up and utilized, will better facilitate management of fixed assets, including tracking and depreciation.

MARSHALL ISLANDS VISITORS AUTHORITY

Unresolved Prior Year Findings
Year Ended September 30, 2001

The status of unresolved prior year findings is disclosed within the Schedule of Findings section (pages 3 and 4) of this report.