

January 18, 2006

CONFIDENTIAL

Mayor Jackson Ading
Enewetak/Ujelang Local Government
Republic of the Marshall Islands
Majuro, Marshall Islands 96960

Dear Mayor Ading:

In planning the engagement to audit the financial statements of the Enewetak/Ujelang Local Government (EULGOV) Food and Agriculture Support Program (the Program) for the year ended September 30, 2004, on which we have issued our report dated January 18, 2006, we developed the following recommendations concerning certain matters related to the Program's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

1) Salaries and Wages

Of sixteen salaries and wages tested, check # 1506 did not evidence an authorized employee allotment form. We recommend that management ensure that voluntary payroll deductions be supported by authorized allotment forms.

2) Expenditures

Of twenty-eight non-payroll expenditures tested, check # 18859 for \$5,991.50 was issued for payment of an invoice dated August 5, 2003. We recommend that management ensure that expenditures are recorded in the period incurred.

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We have communicated certain matters noted during the engagement to audit the financial statements of the Program for the year ended September 30, 2004, which we considered to be reportable conditions, in our report dated January 18, 2006.

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

We thank the accounting staff and management for their assistance during the course of the engagement to audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

