

May 18, 2006

CONFIDENTIAL

Ms. Justina Langidrik
Secretary of Health
Republic of the Marshall Islands

Dear Ms. Langidrik:

In planning and performing our audit of the financial statements of the Marshall Islands Health Fund (the Fund), a special revenue fund of the Republic of the Marshall Islands (RepMar), as of and for the year ended September 30, 2005, on which we have issued our report dated May 18, 2006, we developed the following recommendations concerning certain matters related to the Fund's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Deposits

During the course of our audit, we noted that the Fund did not have established procedures in monitoring deposits to Medpharm, its third party administrator. Schedules provided had to change whenever documents were found or received from Medpharm. We recommend that management ensure that monitoring and reconciliation of deposits to the third party administrator be regularly performed.

(2) Travel Advances

According to RepMar travel rules and regulations, travelers are to submit within 15 days of the end of travel, a travel voucher claim (TVC) to liquidate travel advances. Failure to submit a TVC within the aforementioned period results in a payroll deduction. However, travel advances as of September 30, 2005, indicated that eighteen (18) travelers have outstanding advances of over three months. Of this total, eight (8) are outstanding for over a year. We recommend that Fund management ensure that travel advances are liquidated in a timely fashion and travel policies are complied with.

(3) Expenditures

Unbilled but incurred off-island health care expenditures should be properly provided for. Currently, the Fund does not reserve for nor accrue for such expenses. Due to the fact that hospital billings are not received by the Fund on a timely manner, management should develop a method of estimating and providing for unbilled but incurred health care expenditures

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(4) Outer Island Medical Services

Currently, the allocation of expenditures for outer island medical services is recorded with other transactions under the Basic Health Fund. To better monitor funds for outer islands medical services, management should establish policies and procedures to ensure that these funds are accounted for separately from the Basic Health Fund.

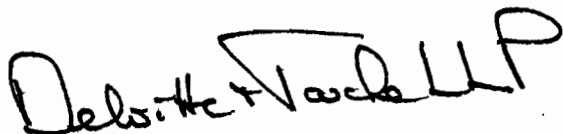
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We have also communicated matters noted during our audit of the financial statements of the Fund for the year ended September 30, 2005, which we considered to be reportable conditions in our report dated May 18, 2006.

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Deloitte & Touche LLP". The signature is written in a cursive, stylized font.