



November 15, 2001

CONFIDENTIAL

Mr. Jack Chong Gum
General Manager
Marshall Islands Airports Authority

Dear Mr. Chong Gum:

In planning and performing our audit of the financial statements of the Marshall Islands Airports Authority (MIAA) as of and for the year ended September 30, 2001, on which we have issued our report dated November 15, 2001, we developed the following recommendations concerning certain matters related to MIAA's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Revenues

As of September 30, 2001, MIAA did not recognize landing fees for the month of September 2001, totaling \$12,527, which were billed in October 2001. An audit adjustment was proposed to record revenues in the correct accounting period. We recommend that management ensure that revenues are recognized in accordance with accounting principles generally accepted in the United States of America and be recorded in the correct accounting period.

(2) Disbursements

Section 5.4(2) of the Marshall Islands Airports Authority Act of 1999 (Public Law 1999-86) stipulates that expenditures must be only for the purpose of performing MIAA's functions. During the year ended September 30, 2001, MIAA funded travel expenses (check #s 232 and 821, for \$5,359 and \$500, respectively) for two employees of RepMar's Ministry of Transportation and Communications. As of November 15, 2001, MIAA had not been reimbursed for the advance of \$5,359. We recommend that MIAA comply with Public Law 1999-86 and ensure that all disbursements be directly related to MIAA's operations.

(3) Duplicate Check Numbers

All checks should be serially numbered and issued in sequence without any repeating check numbers. During the year ended September 30, 2001, check #s 144, 146, 147 and 703 through 742 were issued twice, due to improper check printing by a local bank. We recommend that management ensure that all serially numbered check ranges are issued no more than once and that checks with duplicate serial numbers be accounted for and destroyed. This matter was discussed in our previous letter dated December 29, 2000.

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(4) Board Meetings

Section 3.7(1) of Public Law 1999-86 requires the Board of Directors to meet at least once every two months. During the year ended September 30, 2001, the Board of Directors conducted four meetings. We recommend that MIAA's Board of Directors meet at least once every two months in accordance with Public Law 1999-86. This matter was discussed in our previous letter dated December 29, 2000.

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We have also communicated certain matters noted during our audit of the financial statements of MIAA for the year ended September 30, 2001, which we considered to be reportable conditions in our report dated November 15, 2001.

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.

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,

Deloitte & Touche