

February 7, 2003

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, 2002, on which we have issued our report dated February 7, 2003, 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) Local Noncompliance

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, 2002, 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 letters dated November 15, 2001 and December 29, 2000.

(2) Cash Disbursement

Of twenty-five cash disbursements tested, six were for goods received, of which two did not evidence the receipt of goods. We recommend that MIAA ensure that the receipt of goods is properly evidenced through signature.

(3) Accrued Leave

Of three employee accrued annual leave hours tested, two were not updated in the accrued annual leave subledger resulting in an overstatement of accrued leave hours at September 30, 2002. We recommend that MIAA perform periodic reconciliation of accrued leave hours taken to ensure accuracy.

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(4) Accounts Payable

Invoices are not entered into the accounting system as accounts payable vouchers, but are recorded using the direct payment method in the accounting software system as they become due. We recommend that MIAA utilize the Accounts Payable module of the current accounting software for proper monitoring of all vendor invoices and to prevent possible duplicate payment.

(5) Travel Advances

Travel advances are not recorded as receivables but are directly expensed. We recommend that MIAA establish travel policies and procedures to record travel advances as receivables.

(6) Revenue

During the year ended September 30, 2002, MIAA billed an affiliated airline, rental for utilizing terminal space. The affiliate has disputed the billing based on a RepMar Cabinet Minute passed in February 1998, which authorized the transfer of the cargo hangar to the affiliate. We recommend that MIAA determine the propriety of this receivable.

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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, 2002, which we considered to be reportable conditions in our report dated February 7, 2003.

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