

MARSHALL ISLANDS AIRPORTS AUTHORITY

INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2003



**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 Airports Authority:

We have audited the financial statements of the Marshall Islands Airports Authority (MIAA) as of and for the year ended September 30, 2003, and have issued our report thereon dated December 9, 2003. 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**

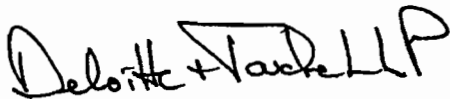
As part of obtaining reasonable assurance about whether MIAA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination 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*. However, we noted one immaterial instance of noncompliance, which we have reported to management of MIAA in a separate letter dated December 9, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered MIAA'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 MIAA'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 2003-1 and 2003-2.

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 2003-2 to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of MIAA in a separate letter dated December 9, 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.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

December 9, 2003

MARSHALL ISLANDS AIRPORTS AUTHORITY

Schedule of Findings  
Year Ended September 30, 2003

Revenues

Finding No. 2003-1

Criteria: Rental arrangements with airport tenants should be evidenced by valid lease agreements.

Condition: During the year ended September 30, 2003, MIAA did not have a valid lease agreement with two airport tenants. Additionally, rental agreements expired with five airport tenants as of September 30, 2002 and October 31, 2002. No renewal agreements were available for review.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is that MIAA has no legally binding written agreements in cases where disputes with tenants arise.

Recommendation: We recommend that management obtain lease agreements with all airport tenants.

Prior Year Status: Lack of valid lease agreements with airport tenants was reported as a finding in the audits of MIAA for fiscal years 2000 through 2002.

Auditee Response and Corrective Action Plan: Management agrees with the auditors' recommendation and will ensure that all airport tenants sign a lease agreement. The expired leases in question refer to airport premises that have been scheduled for renovation work in the latter part of CY 2003. Once renovation of these premises is complete, MIAA shall effect new lease agreements with the concerned tenants.

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Schedule of Findings, Continued  
Year Ended September 30, 2003

Accounts Payable

Finding No. 2003-2

Criteria: As a separate component unit of the Republic of the Marshall Islands (RepMar), MIAA is responsible for paying the utility bills of its airport facilities.

Condition: As of September 30, 2003, MIAA has recorded a payable to RepMar for prior year payment of utility bills in the amount of \$78,957. No formal agreement has been made with RepMar to establish the validity of this liability.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is the possible overstatement of liabilities.

Recommendation: We recommend that MIAA determine the propriety of its liability to RepMar.

Prior Year Status: Payment of utility bills by RepMar was reported as a finding in the audits of MIAA for fiscal years 2001 and 2002.

Auditee Response and Corrective Action Plan: MIAA held preliminary discussions on the issue with the Minister of Finance and was advised to prepare a Cabinet Paper requesting that the Government forgives MIAA of this liability.

**MARSHALL ISLANDS AIRPORTS AUTHORITY**

**Unresolved Prior Year Comments  
Year Ended September 30, 2003**

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