

March 19, 2002

CONFIDENTIAL

Mr. Danny Wase
Director
Marshall Islands Marine Resources Authority

Dear Mr. Wase:

In planning our engagement to audit the financial statements of the Marshall Islands Marine Resources Authority (MIMRA) as of and for the year ended September 30, 2001, on which we have issued our report dated March 19, 2002, we developed the following recommendations concerning certain matters related to MIMRA's internal control. Our principal recommendations are summarized below:

(1) Compensated Absences

As of September 30, 2001, MIMRA recorded accrued annual leave, totaling \$31,940, including twenty-six employees with leave hours exceeding 208 hours. Furthermore, MIMRA's leave records indicate twenty-nine employees with sick leave exceeding 160 hours. Currently, MIMRA does not have a policy of mandatory vacations for its employees or an established limit for sick leave accrual. We recommend that MIMRA establish a mandatory vacation policy and a maximum limit for which sick leave hours can be accrued. This matter was discussed in our previous letter dated December 19, 2001.

(2) Receivable from Affiliates

At September 30, 2001, MIMRA recorded an advance of \$300,000 due from the government of the Republic of the Marshall Islands (RepMar). This advance was authorized pursuant to RepMar Cabinet Minute C.M. 188(2000) but is not supported by a loan agreement that specifies terms and conditions. As of March 19, 2002, MIMRA has not been reimbursed for this advance. Accordingly, \$300,000 has been recorded as an allowance for doubtful accounts against this balance. We recommend that MIMRA execute a loan agreement with RepMar for the advance that includes repayment terms and conditions.

(3) Related Party Transactions

As MIMRA is a component unit of RepMar, it is affiliated with RepMar and all RepMar-owned and affiliated entities. MIMRA's current accounting system cannot easily quantify the dollar amount of transactions with related parties. We recommend that a system be developed to quantify related party transactions for disclosure in the notes to financial statements. This matter was discussed in our previous letter dated December 19, 2001.

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We have also communicated certain matters noted during our engagement to audit the financial statements of MIMRA for the year ended September 30, 2001, which we considered to be reportable conditions in our report dated March 19, 2002.

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 engagement. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

Deloitte & Touche