

May 28, 2003

CONFIDENTIAL

Mr. Danny Wase
Director
Marshall Islands Marine Resources Authority

Dear Mr. Wase:

In planning our audit of the financial statements of the Marshall Islands Marine Resources Authority (MIMRA) as of and for the year ended September 30, 2002, on which we have issued our report dated May 28, 2003, 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, 2002, MIMRA's leave records indicate thirty employees with sick leave exceeding 160 hours. Currently, MIMRA does not have an established limit for sick leave accrual. We recommend that MIMRA establish a maximum limit for which sick leave hours can be accrued. This matter was discussed in our previous letters dated March 19, 2002 and December 19, 2001.

(2) Receivable from Affiliates

At September 30, 2002, MIMRA recorded an advance of \$423,288 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) and is supported by a promissory note which specifies terms and conditions of the advance. The promissory note stated that payment to MIMRA was due on September 20, 2001 and that 16% and 24% interest and penalty shall apply if the loan remains unpaid at due date. As of May 28, 2003, MIMRA has not been reimbursed for this advance. Accordingly, \$423,288 has been recorded in the allowance for doubtful accounts against this balance. We recommend that MIMRA apply the \$423,288 from future transfers to RepMar.

(3) Purchases/Disbursements

Of twenty-three expenses tested, supporting documentation for one item (check # 5432) was not made available. We recommend that MIMRA ensure invoices are retained to support expenses incurred.

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(4) Purchases/Disbursements

Of twenty-three expenses tested, one item (check # 4382) was not supported by a purchase requisition. We recommend that MIMRA adhere to established policies for disbursements to be supported by a purchase requisition or request for payment.

(5) Purchases/Disbursements

There was no adequate supporting documentation for the \$16,385 grant that was given to Ebeye Fish Market through wire transfer made on October 16, 2001. We recommend that management ensure that disbursements made are adequately supported.

(6) Receipts

Daily cash reports did not bear the initials of the person who performed the review. Based on discussions with the Chief Accountant, we were informed that cash reports and deposits are reviewed on a daily basis. We recommend that MIMRA ensure that review of daily cash reports are evidenced by signature of the Chief Accountant.

(7) Minutes of Meetings

The Board of Directors' minutes of meetings that were initially provided to us did not have the necessary signatures of the Secretary and the Chairman of the Board. The signatures on the minutes were obtained during or after our fieldwork. We recommend for MIMRA to ensure that the minutes of meetings are signed in a timely manner by the Secretary and the Chairman of the Board.

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We have also communicated certain matters noted during our audit of the financial statements of MIMRA for the year ended September 30, 2002, which we considered to be reportable conditions in our report dated May 28, 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 engagement. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

