

November 7, 2001

CONFIDENTIAL

Captain Joseph Tiobech
Director
Marshall Islands Ports Authority

Dear Captain Tiobech:

In planning and performing our audit of the financial statements of the Marshall Islands Ports Authority (MIPA) as of and for the year ended September 30, 2001, on which we have issued our report dated November 7, 2001, we developed the following recommendations concerning certain matters related to MIPA's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Disbursements

Of twenty-five cash disbursements tested, we noted two payments (check #s 2928 and 3000, for \$320 and \$120, respectively) that were made to cash. Based on discussions with management, these payments were for janitorial services. Although timesheets were made available to support the payments, we recommend that all cash disbursements be made to the individual payees.

(2) Cash

As of September 30, 2001, the bank reconciliation for the Bank of Guam cash account (A/c # 1110) included three checks (check #s 2316, 2859 and 2962, for \$1,307, \$800 and \$1,695, respectively) that were subsequently voided. As these amounts were not considered material to the financial statements, an audit adjustment was not proposed. We recommend that outstanding checks include only checks actually issued.

(3) Fixed Assets

Of twenty-five fixed assets tested, three items (a HF radio, a Nissan forklift and an AST Advantage 9402 computer, totaling \$11,698) were no longer in working condition and not in use. We recommend that all fixed assets be periodically inventoried and that the fixed asset register be updated for inoperative equipment and other fixed asset disposals. Furthermore, we recommend that prenumbered fixed asset identification tags be attached to fixed assets in order to identify MIPA's fixed assets and to facilitate the maintenance of the fixed asset register.

(4) Payroll

Payroll master files within the QuickBooks Pro accounting system are not password protected, thus allowing unauthorized users the ability to change records. We recommend that MIPA establish password security over payroll master files and restrict access to payroll master files to designated employees. This matter was discussed in our previous letters dated October 27, 2000 and March 25, 2000.

(5) Notes Receivable

At September 30, 2001, MIPA recorded notes receivable of \$100,000 due on September 30, 1998 from Tobolar Copra Processing Plant, Inc. that were in arrears, including interest receivable of \$36,397. An accumulated amount of \$136,397 has been recorded as an allowance for doubtful accounts against these balances. We recommend that MIPA increase their efforts in the collection of these outstanding notes receivable, including forwarding this matter to the attorney for collection. This matter was discussed in our previous letters dated October 27, 2000 and March 25, 2000.

(6) Related Party Transactions

The financial statements disclose that MIPA has transactions with RepMar-owned and affiliated entities. The current accounting system can not 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 letters dated October 27, 2000, March 25, 2000 and September 1, 1999.

(7) Board Meetings

Section 3.7(1) of the Marshall Islands Ports Authority Act of 1999 (Public Law 1999-88) 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 MIPA's Board of Directors meet at least once every two months in accordance with Public Law 1999-88. This matter was discussed in our previous letters dated October 27, 2000 and March 25, 2000.

(8) Marshall Islands Port Authority Act of 1999

Section 7-4 of Public Law 1999-88 requires that all assets and liabilities of the Marshall Islands Port Authority become the assets and liabilities of MIPA, effective March 23, 1999. At September 30, 2001, the bank accounts and notes receivable from Tobolar Copra Processing Plant, Inc. were still in the name of Marshall Islands Port Authority. We recommend that MIPA change the name of the bank accounts and notes receivable to reflect Marshall Islands Ports Authority in accordance with Public Law 1999-88. This matter was discussed in our previous letters dated October 27, 2000 and March 25, 2000.

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We have also communicated certain matters noted during our audit of the financial statements of MIPA for the year ended September 30, 2000, which we considered to be reportable conditions in our report dated November 7, 2001.

Captain Joseph Tiobech
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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