

May 2, 2006

CONFIDENTIAL

Mr. Cent Langidrik
Chairman
Marshall Islands Scholarship Grant and Loan Board

Dear Mr. Langidrik:

In planning and performing our audit of the financial statements of the Marshall Islands Scholarship Grant and Loan Board (MISGLB) for the year ended September 30, 2005, on which we have issued our report dated May 2, 2006, we developed the following recommendation concerning a certain matter related to MISGLB's internal control and certain observations and recommendations on other accounting, administrative, and operating matters. Our principal recommendation is summarized below:

Loans Receivable

MISGLB's Program Policies and Procedures manual states that an applicant must submit a complete application form along with a personal essay, two letters of reference and a copy of the certified results of the TOEFL taken within the past two years. During our tests of twenty-five loans receivable, we noted one instance where a student was granted a scholarship award but these documents were not evident in the student's file. We were informed that the student's file was complete the first time he applied; however, his application was rejected and the documents were misplaced when he reapplied. We recommend that management comply with MISGLB policies and procedures.

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This report is intended solely for the information and use of management, and others within the organization 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,

