

May 14, 2008

CONFIDENTIAL

Mr. James Myazoe
Chairman
Marshall Islands Scholarship Grant and Loan Board

Dear Mr. Myazoe:

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, 2007, on which we have issued our report dated May 14, 2008, we developed the following recommendations concerning certain matters related to MISGLB's internal control and certain observations and recommendations on other accounting, administrative, and operating matters. Our principal recommendations are summarized below:

(1) Travel Expenses

We were informed that MISGLB does not obtain price quotations for ticket purchases.

For one travel expenditure tested, the traveler did not submit receipts upon returning from the trip. Further, per diem and transportation amounts advanced to the traveler were expensed rather than recorded as a receivable.

We recommend that MISGLB adopt written policies and procedures requiring price quotations for ticket purchases. Additionally, we recommend that management ensure that travel advances are recorded as receivables until their liquidation.

(2) Loans Receivable

We examined one hundred thirty-two student loans issued during the year and noted the following:

- For check #s 7069, 8971, 9063, and 9065, the related student files were missing all or certain documents: applicant's essay, financial aid award letter, letter of acceptance, reference letter, student loan agreement, and TOEFL score certificate.
- For check #s 1609, 1611, 1663, 8968, 8990, 8992, 9008, and 9074, the related student files were missing the financial aid award letter and TOEFL score certificate. These relate to students attending the University of the South Pacific and we were informed that an exception is made for students attending this school; however, this exception is not formally documented in the policy manual.
- For check #s 7014, 7026, 7076, 7112, and 9044, the related student loan agreements were not signed by the recipients.
- For check #s 7109 and 9040, the related memo requests were not completely signed prior to check issuance.
- Check # 7052 was issued to a student whose grades did not meet policy manual requirements.

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We recommend that management ensure compliance with MISGLB's policies and procedures over required documents and grade point average (GPA). Additionally, we recommend that formal written policies and procedures regarding exceptions be adopted. Adherence with policies and procedures over required documents and GPA was discussed in our previous letter dated April 26, 2007.

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We have previously communicated certain matters noted during our audit of the financial statements of MISGLB for the year ended September 30, 2007, which we considered to be significant deficiencies in our report dated May 14, 2008.

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,

