

February 25, 2002

CONFIDENTIAL

Mr. Oscar DeBrum  
Chairman  
Marshall Islands Nuclear Claims Tribunal

Dear Mr. DeBrum:

In planning and performing our audit of the financial statements of the Marshall Islands Nuclear Claims Tribunal (the Tribunal) for the year ended September 30, 2001, on which we have issued our report dated February 25, 2002, we developed the following recommendations concerning certain matters related to the Tribunal's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Clerk of the Tribunal

Section 119 of the Marshall Islands Nuclear Claims Tribunal Act, 1987, requires that the employment of a Clerk be approved by Cabinet. Although management advised us that such approval was obtained at the commencement of operations of the Tribunal, no Cabinet Minute was made available. We recommend that the Tribunal obtain a copy of the Cabinet Minute approving the employment of the Clerk by the Tribunal. This matter was discussed in our previous letters dated March 9, 2001, March 24, 2000, January 25, 1999 and December 2, 1997.

(2) Purchases/Disbursements

All check vouchers should be numerically issued in sequence. During the year ended September 30, 2001, check numbers 17500 through 17999 were not issued. Based on discussions with the Finance Officer, this check number range was not provided to the Tribunal by the bank due to improper check printing. We recommend that the Tribunal monitor the sequential numbering of all check vouchers ordered.

(3) Employee Benefits

Of six travel-related expenditures tested, we noted per diem was paid on two travel advances (TA #s 912 and 936 for \$600 and \$2,200, respectively) where the travel was for medical purposes. Section 7 of the Tribunal's policies and procedures manual provides assistance for full-time employees of the Tribunal for off-island medical referrals. No documentation was made available to indicate that the travelers were approved off-island medical referrals. Accordingly, we were unable to determine the validity of the per diem paid to the employees relating to travel for medical purposes. We recommend that the Tribunal ensure that all travel-related costs pertaining to travel by employees for medical purposes are in accordance with established policies and procedures and relate to approved off-island medical referrals.

(4) Local Noncompliance

At September 30, 2001, the Tribunal owed the Government of the Republic of the Marshall Islands (RepMar) \$19,885 in income tax withholdings from employee wages. This amount is represented by income tax withheld from employee wages for pay periods ended November 10, 2000, November 24, 2000, June 22, 2001, July 6, 2001, August 3, 2001, August 17, 2001, August 31, 2001, September 14, 2001 and September 28, 2001. As of February 25, 2002, the Tribunal had made payments to RepMar in the amount of \$6,029 pertaining to these outstanding remittances. We recommend that the Tribunal comply with the Income Tax Act of 1989, as amended.

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We have also communicated certain matters noted during our audit of the financial statements of the Tribunal for the year ended September 30, 2001, which we considered to be reportable conditions in our report dated February 25, 2002.

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,

*Deloitte & Touche*