



February 26, 2004

CONFIDENTIAL

Mr. James Plasman
Chairman
Marshall Islands Nuclear Claims Tribunal

Dear Mr. Plasman:

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, 2003, on which we have issued our report dated February 26, 2004, 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) Local Noncompliance

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 January 18, 2003, February 25, 2002, March 9, 2001, March 24, 2000, January 25, 1999 and December 2, 1997.

(2) Local Noncompliance

At September 30, 2003, the Tribunal owed the Government of the Republic of the Marshall Islands (RepMar) \$7,713 in income tax withholdings from contract payments to U.S. contractors from May 16, 2001 to August 3, 2002. The Income Tax Act of 1989, Part VI, Non-Resident Income Tax, Section 18 "Liability of the Client" states, "the tax so deducted shall be paid on or before the last day of the month following each quarter." In addition, there were variances in the general ledger and sub-ledger for RMI withholding taxes payable and social security taxes payable of \$2,174 and \$1,572, respectively, for which the Tribunal was unable to provide an explanation. We recommend that the Tribunal comply with local tax laws and investigate variances in the RMI withholding and social security taxes payable. The matter regarding compliance with local tax laws was discussed in our previous letter dated January 18, 2003.

(3) Employment Contract

The employment contract of the Clerk of the Tribunal expired on May 30, 2003; however, renewal of a new employment contract was only processed after audit fieldwork. We recommend that the Tribunal ensure that employment contracts for officers are processed in a timely manner.

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(4) Claims Disbursements

Of twenty-five claims disbursements tested, the direct deposit authorization for two claim payments (Claim #s 23-00422 and 23-05260) was not made available to ensure that the deposit was made to the benefit of the claimant. We recommend that the Tribunal retain sufficient documentation to support all claim disbursements. This matter was discussed in our previous letter dated January 18, 2003.

(5) Accrued Vacation Leave

At September 30, 2003, annual leave balances for five employees exceeded available leave hours. Based on employee hourly rates, overdrawn annual leave amounted to \$1,147. We recommend that the Tribunal ensure annual leave taken is based on available leave hours. This matter was discussed in our previous letter dated January 18, 2003.

(6) Prior Year Audit Adjustments

As of September 30, 2003, there were certain audit adjustments proposed and approved for the fiscal year 2002 audit that were not properly recorded by the Tribunal. We recommend that the Tribunal ensure that all approved audit adjustments are properly recorded in the General Ledger. This matter was discussed in our previous letter dated January 18, 2003.

(7) Payables

The Tribunal is not utilizing the Accounts Payable Module within the accounting system to ensure proper recording and monitoring of vendor invoices. We recommend that the Tribunal utilize the Accounts Payable Module to ensure proper recording and maintenance of vendor invoices. This matter was discussed in our previous letter dated January 18, 2003.

(8) Transfer of Funds

At September 30, 2003, the transfer of funds from the Compensation Fund did not agree with corresponding amounts recorded in the Operations Fund. Audit adjustments were proposed to correct amounts recorded as transfers from the Compensation Fund to the Operations Fund. We recommend that the Tribunal ensure that transfer accounts are reconciled at year-end.

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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,

