

April 21, 2008

CONFIDENTIAL

Mayor James Matayoshi
Rongelap Atoll Local Government
Republic of the Marshall Islands

Dear Mayor Matayoshi:

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Rongelap Atoll Local Government (RALGOV) for the year ended September 30, 2005, which collectively comprise RALGOV's basic financial statements and on which we have issued our report dated April 21, 2008, we developed the following recommendations concerning certain matters related to RALGOV's internal control and certain observations and recommendations on other accounting, administrative, and operating matters. Our principal recommendations are summarized below:

(1) Cash

An escrow bank account was established to deposit distribution payable to landowners' whose property ownerships are in dispute. However, cash account and corresponding accounts payable account was not recorded in RALGOV's accounting system. We recommend that management should ensure that all cash accounts and corresponding transactions are captured in the accounting system.

(2) Distribution Checks/Disbursements

Of forty two (42) distribution checks that we tested, we noted three instances where payees were not included in the distribution list used to calculate shares per recipient. These instances occurred due to an automatic system deletion, which was a system error, per management. The deletion caused errors in computation of shares per recipient. We recommend that management investigate the cause of this error and ensure that the distribution list is regularly reviewed and updated.

(3) Capitalization Policy

RALGOV currently does not have a formal capitalization policy for fixed assets. Further, RALGOV conducted a physical count of fixed asset inventory during the year but no reconciliation was performed to ensure that the fix asset register is updated. We recommend that management establish a formal capitalization policy for fixed assets and ensure that fixed asset register is reconciled to physical count.

Mayor James Matayoshi
Rongelap Atoll Local Government
April 21, 2008

Page 2

(4) Segregation of Duties

There appears to be lack of segregation of duties as far as processing transactions to reconciliations. City Manager may perform conflicting duties, from initiation to approval of transactions. While he signs checks, he can also prepare/write checks in the absence of other accounting staff. He also approves bank reconciliation, enter journal entries and post the entries. We recommend that management ensure counter signature on all approvals of the City Manager.

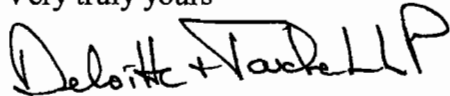
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We have previously communicated certain matters noted during our audit of the financial statements of RALGOV for the year ended September 30, 2005, which we considered to be reportable conditions, in our report dated April 21, 2008.

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

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.