

March 20, 2006

Mr. Wilson Hess  
President  
College of the Marshall Islands:

Dear Mr. Hess:

In planning and performing our audit of the financial statements of the College of the Marshall Islands (the College) for the year ended September 30, 2005, on which we have issued our report dated March 20, 2006, we developed the following recommendations concerning certain matters related to the College's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Expenses

Of twenty-five non payroll expenses tested, one item (check # 15457) was not supported by a signed contract, and one item (check # 16788) was an actual prepayment for equipment and materials that was received subsequent to fiscal year 2005. Additionally, the trip report for one item (check # 14994) was not made available, and we were informed that none was required because the traveler only received a stipend. The College's travel policy does not specifically exempt travelers who receive stipends from submitting a trip report. We recommend that management ensure that all contract-related expenses are supported by signed contracts, that prepayments are properly recorded and that all policies are approved by the Board in writing.

(2) Rent revenue

The lease agreements for two tenants were not made available. We recommend that management ensure that properly approved lease agreements are maintained on file.

(3) Tuition receivables

Of twenty-five tuition and fees receivable accounts tested, fourteen included student charges at the College's bookstore for which copies of invoices held on file were not signed by the students to evidence permission to charge their accounts. We recommend that management ensure that invoices processed at the time of sale are signed by the students and maintained on file to ensure validity and accuracy.

(4) Inventory

Of six inventory items tested, one item ("Contemporary Business Communication" 6<sup>th</sup> edition textbook) was not included in the supporting count sheets. Alternative audit procedures were performed to ensure accuracy. We recommend that management ensure that all inventory items be supported by count sheets.

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(5) Investment

The College's Endowment Fund Investment Policy Statement (ISP) Section X requires that the Board of Regents meets periodically to monitor performance of the investment manager. We recommend that the Board consider documenting this review in applicable Board minutes.

(6) Annual Leave

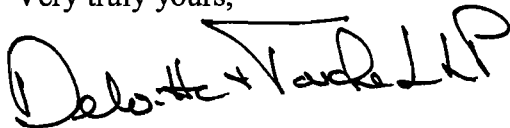
The College's Personnel Manual Section 436-437 allows 180 accrued annual leave hours to be carried forward at the end of the calendar year. Actual practice appears to be to carry forward up to a year's worth of accrued annual leave. We recommend that the actual practice conform to the policy or that the policy be amended.

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This report is intended solely for the information and use of management, the Board of Regents 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, appearing to read "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.