

June 6, 2007

CONFIDENTIAL

Ms. Justina Langidrik
Secretary of Health
Republic of the Marshall Islands

Dear Ms. Langidrik:

In planning and performing our audit of the financial statements of the Health Care Revenue Fund, (the Fund) for the year ended September 30, 2006, on which we have issued our report dated June 6, 2007, we developed the following recommendations concerning certain matters related to the Fund's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Travel Advances

According to RepMar travel rules and regulations, travelers are to submit within 15 days of the end of travel, a travel voucher claim (TVC) to liquidate travel advances. Failure to submit a TVC within the aforementioned period results in a payroll deduction. However, travel advances as of September 30, 2006 indicated that there are twenty one (21) travel advances that have been outstanding over 15 days. Of these, thirteen (13) had been outstanding for over a year. We recommend that management ensure that travel advances are liquidated in a timely manner and that travel policies are complied with.

(2) Receivables

As of September 30, 2006, the Fund recorded receivables from RepMar amounting to \$22,300. Of this amount, \$3,300 represents rewards paid to retired employee receivable from Ministry of Finance and \$19,000 represents reimbursement of audit fees from Auditor General's Office. As of April 16, 2007, no funds were collected from RepMar as there were no billings made to indicate intention to collect. We recommend that management pursue collection of this receivable. We recommended the same in our letter to management dated March 31, 2006.

(3) Disbursements

We noted eleven (11) instances where payments were made based on a photocopy of vendor invoices, as follows:

<u>Invoice #</u>	<u>Invoice #</u>
SI00024457	SI00023783
3456	SI00022185
3001	404862
SI00024474	404126
SI00024475	3078
3072	

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(3) Disbursements, Continued

We recommend to management that adequate internal controls policies and procedures should be implemented to ensure that payments be made upon the original invoice and proper cancellation of the invoice to prevent duplicate payment.

(4) Due from Health Fund

Reconciliation of due from Health Fund is not regularly performed. As in the prior years, adjustments are performed at year end upon auditor's requests/reconciliations to reconcile the balance due from the Health Fund. We recommend that management ensure that a reconciliation of the due from Health Fund account be done regularly, at least on a quarterly basis.

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We have also communicated certain matters noted during our audit of financial statements of the Fund for the year ended September 30, 2006, which we considered to be reportable conditions in our report dated June 6, 2007.

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,

