

July 7, 2008

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, 2007, on which we have issued our report dated July 7, 2008, 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, 2007 indicated that sixteen (16) travel advances have been outstanding over 15 days. Of these, thirteen (7) 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, 2007, the Fund recorded receivables from RepMar of \$37,300. Of this amount, \$3,300 represents rewards paid to retired employees that are receivable from the Ministry of Finance. As of May 16, 2008, the \$3,300 has not been collected or billed. We recommend that management pursue collection of this receivable. We recommended the same in our letter to management for the audit of fiscal year 2006.

(3) Account Reconciliations

Reconciliations are performed for the following: accounts payable, travel advances, and bank accounts. However, we noted that no independent review occurs of these account reconciliations. We recommend that management establish policies and procedures to ensure that account reconciliations are reviewed by management personnel other than the preparer. We also recommend that reconciliation of accounts payable and travel advances be performed on a periodic basis.

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(4) Import Tax

Section 308 of the Health Care Revenue Fund (HCRF) Act of 1989 indicates that the Fund and related transactions are not subject to any tax, rate, charge or impost under any other law. However, the Fund expended \$56,598 for import taxes for purchases of various medical and pharmaceutical supplies during the year. We recommend that management reassess whether the Fund is subject to the import tax in view of the above-mentioned provision of the HCRF Act of 1989.

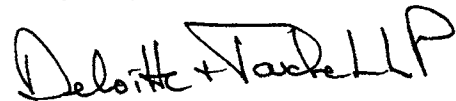
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We have also communicated certain matters noted during our audit of financial statements of the Fund for the year ended September 30, 2007, which we considered to be significant deficiencies in our report dated July 7, 2008.

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.