

May 8, 2006

CONFIDENTIAL

Ms Justina Langidrik
Secretary of Health
Republic of the Marshall Islands

Dear Mrs. Langidrik:

In planning and performing our audit of the financial statements of the Marshall Islands Health Fund, (the Fund) a special revenue fund of the Republic of the Marshall Islands (RepMar), as of and for the year ended September 30, 2004, on which we have issued our report dated May 8, 2006, 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) Cash Receipts

Cash collections should be deposited in a timely manner. Of twenty five (25) receipts tested, sixteen (16) were deposited late. We recommend that management ensure that deposits are made in a timely manner.

(2) Expenditures

Unbilled but incurred off-island health care expenditures should be properly provided for. Currently, the Fund does not reserve for nor accrue for such expenditures. Due to the fact that hospital billings are not received by the Fund on a timely manner, management should develop a method of estimating and providing for unbilled but incurred health care expenditures.

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We have also communicated matters noted during our audit of the financial statements of the Fund for the year ended September 30, 2004, which we considered to be reportable conditions in our report dated May 8, 2006.

This report is intended solely for the information and use of the Ministry of Health and management 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,

