

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 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, 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) Other Receivables

Of \$77,082 in other receivables, \$70,497 are aged over six months to one year and no billing has been prepared to evidence collection efforts. This total includes a \$28,563 receivable for salary advances to an employee of Trinity Health International. We recommend that management establish policies and procedures to ensure collection of other receivables in a timely manner.

(2) Expenditures

A payment made through check# 2372 was not accurately calculated as the claims system did not capture the correct rate applicable for bills greater than \$75,000. This condition resulted in a payment adjustment upon the advice of the health care provider. We recommend that the default rates on the claims system be revisited to capture appropriate rates for patient billings that exceed \$75,000.

(3) Expenditures

The Fund did not have established procedures in place relative to monitoring and reconciling deposits/reimbursements to its Third Party Administrator. We recommend that monitoring and reconciliation of deposits to the Third Party Administrator be regularly performed. We recommended the same in our prior year letter dated May 18, 2006.

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(4) Expenditures

Unbilled but incurred off-island health care expenditures should be estimated and be reflected in the financial statements. Currently, the Fund does not reserve for nor accrue such expenditures. Rather, the Fund relies on after the fact reporting by healthcare providers in order to record these accruals. Due to the fact that hospital billings are not received by the Fund in a timely manner, management should develop a method of estimating and providing for unbilled but incurred health care expenditures. We recommended the same in our prior year letter dated May 18, 2006.

(5) Outer Island Medical Services

Currently, the allocation of expenditures for outer island medical services is recorded with other transactions within the Fund. To better monitor funds for outer islands medical services, management should establish policies and procedures to ensure that these funds are accounted for separately from other expenditures of the Fund. We recommended the same in our prior year letter dated May 18, 2006.

(6) Members Eligibility

A Members' Eligibility list is distributed on a periodic basis to officers in Majuro, Hawaii and Philippines to serve as reference for approving claims for patients under the Supplemental Health Plan. We noted that the following dependents of ineligible members were reflected as active members:

<u>Member No.</u>	<u>Member No.</u>
41560801	408640401
400953901	408640402
401730501	408640403
403205301	408640404
403379201	409546501
404209400	409546502
404682501	409933904
408568301	420531400

We recommend that management establish internal control policies and procedures that allow for adequate review of member eligibility and that the dependents of ineligible members are not listed as active members.

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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, 2006, which we considered to be reportable conditions in our report dated June 6, 2007.

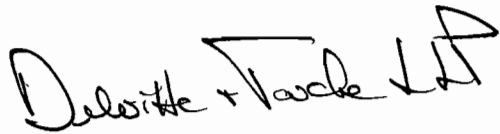
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This report is intended solely for the information and use of the Ministry of Health and management and is not intended to be and should not be used by anyone other than these specified parties.

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,

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