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June 5, 2014

Mr. Jorelik Tibon
General Manager
Majuro Atoll Waste Company
Republic of the Marshall Islands

Dear Mr. Tibon:

In planning and performing our audit of the financial statements of the Majuro Atoll Waste Company (MAWC) as of and for the year ended September 30, 2013 (on which we have issued our report dated June 5, 2014), in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, we considered MAWC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MAWC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MAWC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to MAWC's internal control over financial reporting and other matters as of September 30, 2013 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated June 5, 2014, on our consideration of MAWC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and the Office of the Auditor-General and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of MAWC for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I – CONTROL DEFICIENCIES

We identified, and have included below, control deficiencies involving MAWC's internal control over financial reporting as of September 30, 2013 that we wish to bring to your attention:

1. Allowance for Doubtful Accounts

   Receivables of $31,857 were deemed uncollectible as of September 30, 2013, which is 47% of total trade receivables. Our audit resulted in $18,698 of additional bad debt expense being proposed and recorded.

   We recommend management perform regular assessments of the collectibility of accounts receivable. Collection follow up procedures should be developed and an allowance for doubtful accounts should be provided for potentially uncollectible accounts.

2. Social Security and Withholding Taxes

   Expense tests revealed a delay of filing and remittance of social security and withholding taxes. Specifically, social security taxes for the quarter ended June 30 (due July 10) of $17,739 as well as withholding taxes of $10,620 for PPEs 6/17/13, 7/15/13, 8/12/13 and 9/9/13 (due 14 days after the respective PPE) were not filed and remitted. We recommend management file and remit withholding taxes in a timely manner to interests and penalties.

3. Revenues

   Of 14 revenue items tested, two items for $307 and $780 relating to the sale of recycled products were not evidenced by supporting invoices detailing the completeness of items sold and collections received. We recommend management adopt internal control policies and procedures over the completeness of sales transaction documentation.

4. Payroll

   At September 30, 2013, accrued annual leave was understated by $18,431. An audit adjustment was proposed to correct this misstatement.

   We recommend management proper monitor and complete recording of accruals at each year end.

5. Payroll

   Of 19 payroll expense items tested, one item evidenced improper classification of overtime hours to regular hours resulting in an understatement of $3.13. In addition, one item evidenced a different pay rate being applied other than the employment contract rate. Finally, 8 of 19 employees tested did not have an available employment contract. Thus, we were not able to verify approved pay rate.

   We recommend a proper review of payroll prior to disbursement processing. We also recommend management adopt internal control policies and procedures over the completeness of documentation of employee permanent files.

6. Bank Reconciliation

   The September 2013 bank reconciliation included $608 of stale checks reported as a reconciling item. It appears that the reconciliation process is not timely monitored to clear outstanding stale checks. We recommend management review long and outstanding reconciling items to present updated and relevant bank reconciliation.

SECTION II - DEFINITIONS

The definition of a control deficiency that is established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, is as follows:

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in *operation* exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

APPENDIX II

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

MAWC's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.