Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: (671)646-3884
Fax: (671)649-4932
www.deloitte.com

August 18, 2016

Mr. Hirobo Obeketang
General Manager
Majuro Resort, Inc.
P.O. Box 1319
Majuro, MH 96960

Dear Mr. Obeketang:

In planning and performing our audit of the financial statements of Majuro Resort, Inc. (MRI) as of and for the year ended September 30, 2015 (on which we have issued our report dated August 18, 2016), 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 MRI'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 MRI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MRI'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 MRI's internal control over financial reporting as of September 30, 2015 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated August 18, 2016, on our consideration of MRI'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 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 MRI for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte + Touche LLP

SECTION I - DEFICIENCIES

We identified the following deficiencies involving internal control over financial reporting as of September 30, 2015 that we wish to bring to your attention:

1. Fixed Assets

Comment: While management tracks the status of recorded fixed assets, such are not subjected to periodic inventories and impairment review. Furthermore, it is difficult to ascertain the location of fixed assets as a tag or other numbering system is not in use.

Recommendation: We recommended that fixed assets be subjected to periodic physical inventories and periodic review for impairment to facilitate physical inventories. Fixed assets should be assigned unique tag numbers.

2. Hotel System (Guest Tracker) Statistic Report

Comment: The "Statistic Report" generated from Guest Tracker does not provide accurate information as the system counts the house account (e.g. employees' use of restaurant etc.) as an occupied room. Therefore, the Front Desk Manager manually reconciles the daily "Current Occupied's Report" generated from Guest Tracker which shows all room detail information and inputs the data to a monthly "Schedule of Local Taxes", which shows the number of daily rooms occupied, tax exempt transactions, and room taxes. The monthly "Schedule of Local Taxes" is forwarded to the Financial Controller once a month to calculate room occupancy % and average room rate. Although the Financial Controller has been contacting Guest Tracker service personnel, the Company is not currently able to solve the problem so that Guest Tracker can create a correct "Statistic Report".

Recommendation: We recommend that management improve the guest tracker system to provide accurate information.

3. Hotel System back-up

Comment: Although systems back-up regularly occurs for Guest Tracker, Quick Books, Logicare, TCS and BPA systems, and is stored on an external hard drive, MRI does not currently keep the back-up data outside of the hotel. There is a risk of data loss in the event of an unexpected disaster.

Recommendation: We recommend that management keep the systems back-up data outside of the hotel in case of an unexpected disaster.

4. Guest Ledger

Comment: Examination of Guest Ledger Report noted that the balance includes accounts/customers that are no longer staying in the hotel but records are not yet transferred to the Direct Bill Report. Also, a 100% allowance is provided for total Guest Ledger outstanding as of September 30, 2015.

Recommendation: We recommend that management review the Guest Ledger accounts process and require that this balance contain only receivables from customers residing in the hotel as of September 30, 2015.

SECTION I - DEFICIENCIES, CONTINUED

5. Journal Voucher Preparation

Comment: Examination of journal vouchers noted no evidence of review and approval by a person other than the preparer.

Recommendation: We recommend that journal vouchers be reviewed and approved by an appropriate level of management before posting.

6. F&B Invoices

Comment: Examination of F&B Reconciliations noted that invoice listings were not summarized in numerical order; hence, it cannot be determined from the night audit pack whether invoices used within the day are complete and reported.

Recommendation: We recommend numerical listing of invoices to verify completeness of revenue transactions recorded.

7. Deposit of Daily Collections

Comment: Examination of validated deposit slips noted that cash/check collections are not timely deposited by the cashier on the next business day. The longest gap between receipt and deposit to bank is 6 working days.

Recommendation: We recommend management adopt internal control policies and procedures over the completeness of sales transactions and the timely deposit of collections.

8. Special Room Rates

Comment: Special room rates provided to some customers are not supported by written approval from an appropriate level of management.

Recommendation: We recommend management document written approvals for customer special rates and the rationale for such rates.

9. Check Signatories

Comment: Check #15349 was payable to the General Manager (GM) and was also signed by the GM.

Recommendation: We recommend that checks payable to the GM be signed and approved by a member of the Board of Directors.

10. Employee Listing

Comment: Terminated/resigned employees are still in the list of current year employees.

Recommendation: We recommend that the employee listing be updated annually to reflect new/terminated/resigned employees.

SECTION I - DEFICIENCIES, CONTINUED

11. Missing Documents

Comment:

Tests of various samples were not completed due to the following missing/misplaced documents:

(1) Two of thirty-three room revenue samples were not tested due to missing support, including folio invoices, guest registration cards, deposit slips/credit card receipts evidencing occurrence of transaction.
(2) One of fifty-eight F&B revenue samples were not tested due to a missing F&B recon.
(3) Three of eighteen samples were not tested due to missing personnel action forms, timecards and timesheets.

Recommendation: We recommend that management require proper filing and safekeeping of documents supporting financial transactions.

SECTION II - DEFINITIONS

The definition of a deficiency is as follows:

A *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 and correct 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 would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

MRI'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.