

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A GOVERNMENT FUND OF THE REPUBLIC OF THE
MARSHALL ISLANDS)**

**INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2009

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Chairman
Marshall Islands Nuclear Claims Tribunal:

We have audited the financial statements of the Marshall Islands Nuclear Claims Tribunal (the Tribunal) as of and for the year ended September 30, 2009 and have issued our report thereon dated March 25, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tribunal's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tribunal's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tribunal's internal control over financial reporting.

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 *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

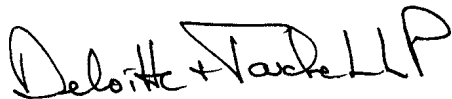
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tribunal's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Tribunal in a separate letter dated March 25, 2010.

This report is intended solely for the information and use of the management of the Tribunal, federal awarding agencies, pass-through entities, the cognizant and other federal agencies, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

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

March 25, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Chairman
Marshall Islands Nuclear Claims Tribunal:

Compliance

We have audited the compliance of the Marshall Islands Nuclear Claims Tribunal (the Tribunal) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its one major federal Tribunal for the year ended September 30, 2009. The Tribunal's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (page 7). Compliance with the requirements of laws, regulations, contracts, and grants applicable to its one major federal program is the responsibility of the Tribunal's management. Our responsibility is to express an opinion on the Tribunal's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tribunal's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Tribunal's compliance with those requirements.

In our opinion, the Tribunal complied, in all material respects, with the requirements referred to above that are applicable to its one major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the Tribunal is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Tribunal's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tribunal's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

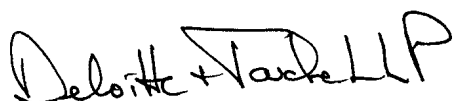
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Tribunal as of and for the year ended September 30, 2009, and have issued our report thereon dated March 25, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 5) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the Tribunal's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Tribunal, federal awarding agencies, pass-through entities, the cognizant and other federal agencies, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



March 25, 2010

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A GOVERNMENTAL FUND)**

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2009

	<u>Prior Year's Unexpended Funds</u>	<u>2009 Funds Received</u>	<u>Total Funds Available</u>	<u>2009 Funds Expended</u>	<u>Excess of Funds Available Over Funds Expended</u>
<p>Funds passed through the Republic of the Marshall Islands per the agreement between the Government of the United States and the Government of the Marshall Islands for the implementation of Section 177 of the Compact of Free Association (CFDA #15.875, U.S. Department of the Interior)</p>	\$ <u>95,264</u>	\$ <u>196,498</u>	\$ <u>291,762</u>	\$ <u>289,336</u>	\$ <u>2,426</u>

See accompanying notes to schedule of expenditures of federal awards.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A GOVERNMENTAL FUND)**

Notes to Schedule of Expenditures of Federal Awards
September 30, 2009

(1) United States Department of the Interior, Compact of Free Association

The Marshall Islands Nuclear Claims Tribunal (the Tribunal) is a subrecipient of funds received through Section 177 of the Compact of Free Association (the Compact) from the Republic of the Marshall Islands. These funds must be distributed in accordance with the agreement concerning procedures for the implementation of United States economic assistance, programs and services provided in the Compact between the Government of the United States and the Government of the Republic of the Marshall Islands dated July 21, 1986. Additionally, it has been determined these funds are not subject to general U.S. federal requirements such as OMB Circulars A-102 and A-87, but rather must be expended in compliance with local laws and regulations and Compact intent.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Tribunal and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A GOVERNMENTAL FUND)**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

A. Summary of Auditor's Results

1. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the Tribunal.
2. No significant deficiencies in internal control were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the Tribunal were disclosed during the audit.
4. No significant deficiencies in internal control were disclosed by the audit of the major federal award program.
5. The Independent Auditors' Report on compliance for the major federal award program for the Tribunal expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The Tribunal's one major program was:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Compact of Free Association, Title I, Article VII, Section 177	15.875

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Tribunal qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

B. Findings Relating to the Financial Statements, Which are Required to be Reported in Accordance with GAGAS

No matters are reportable.

C. Findings and Questioned Costs - Major Federal Award Program Audit

No matters are reportable.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A GOVERNMENTAL FUND)**

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2009

There are no unresolved findings and questioned costs or matters of noncompliance from prior year audit reports of the Tribunal.