MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2009

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3911
USA
Tel: (671)646-3884
Fax: (671)649-4932
www.deloitte.com

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*

Board of Directors
Marshall Islands Postal Service Authority:

We have audited the financial statements of the Marshall Islands Postal Service Authority (the Authority) as of and for the year ended September 30, 2009, and have issued our report thereon dated May 2, 2011. 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 Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 generally accepted accounting principles 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses (page 3) as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or 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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 Authority in a separate letter dated May 2, 2011.

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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

Deloitte & Touche LLP

May 2, 2011

Building Lease Agreement

Finding No. 2009-1

Criteria: Lease commitments should be supported by valid underlying lease agreements between MIPSA and the landlord.

Condition: At September 30, 2009, a valid lease agreement for the Ebeye Post Office appears to be in existence that expires on July 31, 2011 with current monthly lease rental payments of $1,980 per month or $23,760 per year. Separate correspondence from the landlord, dated March 26, 2007, appears to indicate that the monthly lease rental payment is $1,227.48 per month. As of September 30, 2009, MIPSA has determined that they are delinquent in the payment of monthly lease rental payments in the total amount of $139,932, which is summarized as follows:

Lease Rental Period	
April 2000 – July 2001	$ 19,640
August 2001 – July 2006	73,649
August 2006 – September 2008	31,914
October 2008 – September 2009	14,729
	$ 139,932

It has further been determined that of the above amount, the General Fund of RepMar will liquidate a total of $85,473 on behalf of MIPSA with the remainder to be paid by MIPSA. Accordingly, MIPSA has recorded a liability of $54,459. In the event that the stipulated monthly lease rental payments per the valid lease agreement are adhered to, MIPSA may be liable for an additional $70,847 in lease rental payments.

Cause: The cause of the above condition is the lack of clarity between MIPSA and the landlord as to the agreed monthly lease rental payment.

Effect: The effect of the above condition is the possibility of understatement of liabilities pertaining to lease rental expense.

Recommendation: We recommend that MIPSA validate the lease agreement for the Ebeye Post Office through the execution of amended lease agreement.

Auditee Response and Corrective Action Plan: There is now a proposed Ebeye Building lease agreement with the Office Of the Attorney General.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Unresolved Prior Year Comments
Year Ended September 30, 2009

There are no prior year findings.