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October 5, 2009

Board of Directors
Marshall Islands Shipping Corporation

Dear Members of the Board of Directors:

In planning and performing our audit of the financial statements of the Marshall Islands Shipping Corporation (MISC), as of and for the year ended September 30, 2008 (on which we have issued our report dated October 5, 2009), 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 MISC'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 MISC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MISC'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 MISC's internal control over financial reporting and other matters as of September 30, 2008 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors and management, also dated October 5, 2009, on our consideration of MISC'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.

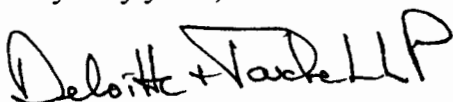
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with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

Very truly yours,



SECTION I – CONTROL DEFICIENCIES

We identified, and have included below, control deficiencies involving MISC's internal control over financial reporting as of September 30, 2008 that we wish to bring to your attention:

(1) Fuel Surcharge

During the year ended September 30, 2008, MISC recorded fuel surcharge revenue of \$15,000, which is not supported by adequate documentation. We recommend that management ensure that fuel surcharge revenue is adequately supported.

(2) Cash

At September 30, 2008, the checking account had reconciling items of \$88, \$13 and \$1,066, dated January 11, 2007, July 12, 2007 and February 19, 2008, respectively. We also noted undeposited collections amounting to \$677 dated June 13, 2008 that were deposited on October 2, 2008. Furthermore, monthly bank reconciliations are not independently reviewed and approved. We recommend that management establish policies and procedures requiring that bank accounts are promptly reconciled and are independently reviewed and approved. This matter was discussed in our previous letter for the audit of fiscal year 2007.

(3) Employee Advances

At September 30, 2008, MISC recorded advances to employee of \$6,042 (A/c # 1250). We were informed by management that advances are required to be repaid in full over three or four payrolls and the maximum advance allowed at one time is \$600; however, there is no written policy governing such advances. We recommend that management establish policies governing employee advances.

(4) Accounts Payable

The accounts payable subsidiary ledger is not periodically reconciled with vendor statements and/or invoices. Statements of accounts obtained during the audit indicated variances totaling \$15,840, for which no reconciliation was provided by management. We recommend that management ensure that the accounts payable subsidiary ledger is periodically reconciled.

(5) Accrued Expenses

Prior year accrued expenses were incorrectly debited to net assets when such were reversed in 2008. We recommend that management ensure that accrued expenses are accurately reversed in the subsequent year.

(6) Allotments Payable

At September 30, 2008, allotment payable (A/c # 2140) reflected a debit balance of \$5,274. We recommend that management ensure that allotments are accurately recorded.

(7) Payroll

The same individual performs all payroll functions, including maintenance of payroll master files. We recommend that management establish policies and procedures segregating payroll function duties. This matter was discussed in our previous letter for the audit of fiscal year 2007.

SECTION II – OTHER MATTERS

Our observations concerning other matters related to operations and best practices involving internal control over financial reporting that we wish to bring to your attention are as follows:

(1) Backup Files

MISC performs back-ups of its QuickBooks accounting system; however, the back-ups are not stored offsite. We recommend that management implement policies and procedures pertaining to the security of accounting system data, including offsite backup storage. This matter was discussed in our previous letter for the audit of fiscal year 2007.

(2) Tariff Rates

We noted freight rates charged that differed from or were not included in the tariff schedule. Furthermore, the various charter rates charged and discounts granted are not supported by an approved tariff schedule. We recommend that management ensure that rates for all items and services are set forth in the tariff schedule.

SECTION III – DEFINITIONS

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

MISC'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.