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**Deloitte
Touche
Tohmatsu**

February 13, 2004

CONFIDENTIAL

The Board of Directors
Marshall Islands Social Security Administration

Dear Board Members:

In planning and performing our audit of the financial statements of the Marshall Islands Social Security Administration (MISSA) as of and for the year ended September 30, 2003, on which we have issued our report dated February 13, 2004, we developed the following recommendations concerning certain matters related to MISSA's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Outstanding Checks

At September 30, 2003, the bank reconciliation (A/c # 111-1036) included checks totaling \$82,576 that has been outstanding for over one year.

We recommend that MISSA investigate these outstanding checks and determine whether such represent valid outstanding checks. This matter was discussed in our previous letters dated November 7, 2002, February 18, 2002 and March 2, 2001.

(2) Cash and Cash Equivalents

At September 30, 2003, bank reconciliation (A/c #111-1036) included unidentified bank debits totaling \$7,614.

We recommend that MISSA investigate these bank debits and determine whether adjustments are necessary. This matter was discussed in our previous letters dated November 7, 2002, February 18, 2002 and March 2, 2001.

(3) Cash and Cash Equivalents

At September 30, 2003, the following bank accounts have been closed but the following balances are recorded in the general ledger:

<u>General Ledger Account</u>	<u>Amount</u>
111-1012	\$ 8,387
111-1022	\$ (3)
111-1038	\$ (8)
111-1100	\$ 322

(3) Cash and Cash Equivalents, Continued

We recommend that MISSA investigate these balances and determine the nature, if any, of adjustments to the general ledger. This matter was discussed in our previous letters dated November 7, 2002, February 18, 2002 and March 2, 2001.

(4) Receivables

At September 30, 2003, MISSA recorded notes receivable and court judgments pertaining to overdue employer contributions (A/c #s 111-1400 and 111-1500, totaling \$4,168,006) for which certain employers are not making payments in accordance with signed promissory notes. Audit adjustments were proposed to increase the allowance for uncollectible accounts relating to these receivables to \$3,550,786.

We recommend that MISSA improve monitoring and follow-up procedures to ensure the timely collection of notes receivable pertaining to outstanding employer contributions. This matter was discussed in our previous letters dated November 7, 2002 and February 18, 2002.

(5) Receivables

At September 30, 2003, MISSA recorded receivables from RepMar in the Retirement Fund (A/c # 111-1308, totaling \$154,019) that include amounts that have not been reimbursed in a timely manner. The receivable balance includes the purchase of vehicles by MISSA, totaling \$66,859, on behalf of various RepMar ministries in fiscal year 1995, and amounts not yet reimbursed relating to cumulative prior year audit fees of \$63,250. No audit adjustment was proposed to increase the allowance for uncollectible accounts of \$42,673 as the remaining balance was not considered material to the financial statements.

We recommend that MISSA pursue reimbursement from RepMar by establishing a repayment plan. This matter was discussed in our previous letters dated November 7, 2002 and February 18, 2002.

(6) Receivables

During the year ended September 30, 2000, the bank reconciliations for the Retirement Fund cash in bank general ledger accounts (A/c #s 111-1001 and 111-1038) included reconciling items relating to collections totaling \$182,804 and \$30,883, respectively, which represented undeposited employer contributions. During the year ended September 30, 2001, MISSA reclassified these balances as receivables due from employers. At September 30, 2003, MISSA recorded receivables due from employers relating to these undeposited contributions of \$30,161. No audit adjustment was proposed to record an allowance for uncollectible accounts as the balance was not considered material to the financial statements.

We recommend that MISSA increase efforts in obtaining replacement checks from employers. This matter was discussed in our previous letters dated November 7, 2002 and February 18, 2002.

(7) Receivables

At September 30, 2003, MISSA recorded advances and other receivables in the Retirement Fund of \$192,707 (A/c #s 111-1221, 111-1223 and 111-1230 totaling \$81,673, \$85,546 and \$25,488, respectively) due primarily from previous Board members and staff that have not been collected in a timely manner. A corresponding allowance for uncollectible accounts has been recorded relating to these receivable accounts in the amount of \$178,342.

We recommend that MISSA improve monitoring and follow-up procedures to ensure the timely collection of advances. This matter was discussed in our previous letters dated November 7, 2002 and February 18, 2002.

(8) Fixed Assets

At September 30, 2003, MISSA recorded fixed assets in the amount of \$512,834 within an account group. During the year ended September 30, 2003, MISSA implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. No adjustments were recorded to remove fixed assets from the account group and to restate opening net assets. Furthermore, fixed asset additions during the year were not recorded nor was related depreciation expense. Audit adjustments were proposed to restate opening net assets of \$277,812, to record fixed asset additions of \$190,753, and to record depreciation expense of \$113,175.

We recommend that MISSA ensure that fixed assets are correctly recorded in accordance with GASB Statement No. 34.

(9) Accounts Payable

At September 30, 2003, the following general ledger liability accounts included the following amounts that have been outstanding for greater than two years:

<u>General Ledger Account</u>	<u>Amount</u>
111-2004	\$ 80,332
111-2005	\$133,126

We recommend that MISSA investigate these outstanding balances and determine whether adjustments are necessary. This matter was discussed in our previous letter dated November 7, 2002.

(10) Contribution Receipts

Of twenty-five contribution cash receipts tested, the following exceptions were noted:

- For contributions received from one taxpayer (ID # 10763-04) on cash receipt # 24724, interest was incorrectly calculated based on 82 days late instead of 27 days late.
- For contributions received from one taxpayer (ID # 00069-04) on cash receipt # 23876, the quarterly return was not signed by the taxpayer declaring that the return is to the best of his knowledge true and correct.

(10) Contribution Receipts, continued

- Cash received in the amount of \$2,113 by MISSA's Ebeye office on September 1, 2003 was not deposited to bank until September 3, 2003.
- The cash receipts file, which included cash receipt # 1389, was missing and not made available for audit.

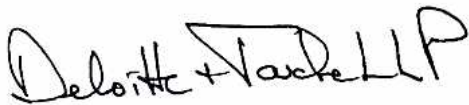
We recommend that MISSA ensure proper interest calculation, timely deposit of all cash receipts, and retention of all files for audit. Further, we recommend that MISSA ensure that all tax returns be signed to protect itself in case disputes arise.

* * * * *

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

We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

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