

December 19, 2003

CONFIDENTIAL

Captain Joseph Tiobech
Director
Marshall Islands Ports Authority

Dear Captain Tiobech:

In planning and performing our audit of the financial statements of the Marshall Islands Ports Authority (MIPA) as of and for the year ended September 30, 2003, on which we have issued our report dated December 19, 2003, we developed the following recommendations concerning certain matters related to MIPA's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Notes Receivable

At September 30, 2003, MIPA recorded notes receivable of \$100,000 due on September 30, 1998 from Tobolar Copra Processing Plant, Inc. that were in arrears, including interest receivable of \$56,397. An accumulated amount of \$156,397 has been recorded as an allowance for doubtful accounts against these balances. We recommend that MIPA increase their efforts in the collection of these outstanding notes receivable, including forwarding this matter to the attorney for collection. This matter was discussed in our previous letters dated January 8, 2003, November 7, 2001, October 27, 2000 and March 25, 2000.

Auditee Response:

We will consider forwarding this matter to the Office of the Attorney General for collection.

(2) Fixed Assets

Fixed assets have not been periodically inventoried or reconciled to the fixed asset subledger. We recommend that all fixed assets be periodically inventoried; additions to the fixed asset register should represent valid assets acquired during the year. Furthermore, we recommend that prenumbered fixed asset identification tags be attached to assets to facilitate maintenance of the fixed asset register. This matter was discussed in our previous letters dated January 8, 2003 and November 7, 2001.

(2) Fixed Assets, Continued

Auditee Response:

All fixed assets are tagged and labeled with property numbers; however, numbers were not on the fixed assets register. A physical inventory of fixed assets will be done and reconciled with the fixed assets register.

(3) Revenues

Of thirty-one revenue items tested, supporting documents for invoice # 47334b, totaling \$6,399, was not made available and invoice # 47445 was undercharged by \$20. We recommend that source documentation support all recorded revenues and that invoices are calculated accurately based on approved tariff. This matter was discussed in our previous letter dated January 8, 2003.

Auditee Response:

Supporting documents for invoices raised are filed in two separate files: one with the customer/shipping agent file and the other with the general details of vessel file. Calculations are based on the published and approved tariff. Invoice # 47445 was undercharged by \$20 due to typing error.

(4) Meram, Inc.

On November 22, 2001, MIPA advanced \$173,555 to Meram, Inc. (a corporation solely owned by the RepMar government) for boat operations. The November 20, 2001 minutes of the MIPA Board of Directors indicated that this advance was fully guaranteed by the RepMar Ministry of Transportation and Communication. No agreement exists with the Ministry of Transportation and Communication documenting terms and conditions of the advance. We recommend that MIPA obtain a written agreement with the Ministry of Transportation and Communication documenting terms and conditions of the advance. This matter was discussed in our previous letter dated January 8, 2003.

Auditee Response:

There is an agreement executed through a resolution by the Board of Directors of Meram, Inc., to authorize the borrowing of funds and payment of same by mid December 2001. The Ministry of Transport through the Minister of Transportation and Communication promised availability of funds for Meram, Inc. to pay back the Authority. Meram, Inc. has defaulted in its resolution and a follow-up will be made to pursue payment.

(5) Cash Disbursement

Our testing of cash disbursements noted that check #s 4469, 4470 and 4472, totaling \$2,870, \$3,570 and \$10,179, respectively, were issued for per diem for an off-island conference; however, there were no copies of tickets or other supporting documents available to evidence completion of the trip. We recommend that MIPA ensure that tickets and other supporting documents are obtained from travelers after completion of travel.

Auditee Response:

Travel documents like airline ticket copy, boarding passes, departure fee and the like will be required of each traveler to liquidate and justify travel expenses.

(6) Withholding Tax Payable

Our testing of withholding tax liability noted that check #s 4159, 4177 and 4392 for payment of RepMar withholding taxes were not supported by RepMar cash receipts. We recommend that MIPA ensure that cash receipts are obtained and filed to evidence income tax remittance.

Auditee Response:

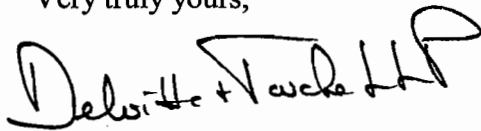
We will ensure that RepMar cash receipts are obtained for all payments and are filed to evidence remittance of taxes withheld.

* * * * *

This report is intended solely for the information and use of the Board of Directors and management 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,

Handwritten signature of Deloitte + Touche LLP in cursive script.