

February 28, 2005

CONFIDENTIAL

Mr. Jack Chong Gum
Director
RMI Ports Authority

Dear Mr. Chong Gum:

In planning and performing our audit of the financial statements of the RMI Ports Authority (RMIPA) as of and for the year ended September 30, 2004, on which we have issued our report dated February 28, 2005, we developed the following recommendations concerning certain matters related to RMIPA's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Fixed Asset

For the Seaport Division, VHF radios with a cost of \$3,121.28 were recorded to an expense account "Equipment Repair and Maintenance", while six Port Security Handbooks totaling \$2,565, were recorded to the "Office Equipment" fixed asset account.

We recommend that management ensure that assets acquired are properly capitalized.

(2) Fixed Asset

At September 30, 2004, the Seaport Division sold four computer units with a book value of \$3,760. The computer units were sold to several employees for \$455 and RMIPA recorded a loss on the sale of \$3,125 instead of \$3,305.

We recommend that management ensure that gains or losses on sales of fixed assets are calculated and recorded properly.

(3) Fixed Asset

Fixed assets have not been periodically inventoried or reconciled to the fixed asset subledger.

We recommend that all fixed assets be periodically inventoried and that additions to fixed assets represent valid fixed 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.

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(4) Notes Receivable

At September 30, 2004, the Seaport Division reflects notes receivable of \$100,000, originally due on September 30, 1998, from Tobolar Copra Processing Plant, Inc. including interest receivable of \$66,397. An accumulated amount of \$166,397 has been recorded as an allowance for doubtful accounts against these balances.

We recommend that management increase their efforts to collect these outstanding notes, including forwarding this matter to the Attorney General for collection.

(5) Meram, Inc.

On November 22, 2001, the Seaport Division advanced funds in the amount of \$173,555 to Meram, Inc. for boat operations. The November 20, 2001 minutes of the former 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. As of September 30, 2004, these amounts have not been repaid and a full allowance has been recorded against these balances.

We recommend that management increase their efforts to collect this outstanding advance, including forwarding this matter to the Attorney General for collection. Additionally, we recommend that management obtain a written agreement with the Ministry of Transportation and Communication documenting terms and conditions of the advance.

(6) Unrecorded Liability

In fiscal year 2005, check #s 1033 and 1043 were issued by the Seaport Division for services that relate to September 30, 2004 in the amounts of \$977 and \$1,000, respectively. These amounts were not accrued at September 30, 2004.

We recommend that management ensure that liabilities are recorded in the proper period.

(7) Receivables

At September 30, 2004, the aged accounts receivable subledger of the Airport Division indicated that customer accounts with balances greater than ninety days represented sixty-nine percent of the total balance. An audit adjustment was proposed to increase the allowance by \$43,137.

We recommend that management utilize its aged subledger to evaluate receivables and determine an appropriate allowance for doubtful accounts.

(8) Revenue

During the year ended September 30, 2004, the Airport Division billed an affiliated airline for rental of terminal space. The affiliate has disputed the billing based on a RepMar Cabinet Minute passed in February 1998, which authorized the transfer of the cargo hangar to the affiliate.

We recommend that management determine the propriety of this receivable.

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(9) Related Party Transactions

The financial statements disclose that the RMIPA seaport has transactions with RepMar-owned and affiliated entities. The current accounting system cannot quantify the dollar amount of transactions with related parties.

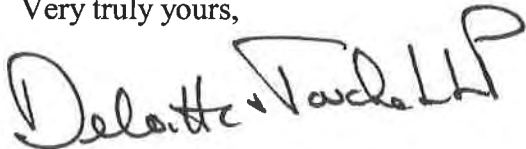
We recommend that a system be developed to quantify related party transactions for disclosure in the notes to financial statements.

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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,

A handwritten signature in cursive script that reads "Deloitte Touche LLP". The signature is written in dark ink and is positioned below the typed name "Deloitte Touche LLP".