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March 31, 2006

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 (the Authority) as of and for the year ended September 30, 2005, on which we have issued our report dated March 31, 2006, we developed the following recommendations concerning certain matters related to the Authority's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Bank Reconciliation

As of September 30, 2005, a variance of $2,359 exists between the bank reconciliation and the general ledger. An audit adjustment was proposed to correct the balance. Additionally, we noted that bank reconciliations were not performed in a timely manner.

We recommend that management ensure that bank reconciliations are performed in a timely manner to ensure that fraud, irregularities and errors are detected in a timely manner.

(2) Unrecorded Revenue

We were provided a copy of invoice #52124 for $37,394 for services that were performed on September 3 and 4, 2005. We noted that the services were not billed until November 21, 2005 and that the revenues earned were not recorded at September 30, 2005. An audit adjustment was proposed to record this amount as revenues for the year ended September 30, 2005.

We recommend that management ensure that services are billed in a timely manner and that revenues are recorded as earned.

(3) Inventory

We noted a $23,012 issuance from inventory; however, this amount was not supported by an issuance slip. We were informed that no formal issuance slip is utilized. Additionally, we were informed that the ending balance of inventory of $15,544 was reconciled to the year-end count although no inventory count sheets have been made available.

We recommend that management ensure that issuance slips are utilized for inventory issuances and that count sheets are maintained to support year end inventory balances.

(4) 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 subledger should represent valid fixed assets acquired during the year. Furthermore, we recommend that prenumbered fixed asset identification tags be attached to the assets to facilitate maintenance of the fixed asset register. This matter was discussed in our previous letters dated February 28, 2005, December 19, 2003, January 8, 2003 and November 7, 2001.

(5) Fixed Assets

During tests of fixed assets, we noted that a computer system purchased in prior year per check # 698 was included as an addition to fixed assets in the current year.

We recommend that management ensure that fixed assets are recorded in the fixed asset register in the accounting period purchased.

(6) Gross Receipts Tax (GRT)

At September 30, 2005, the Authority recorded GRT tax payable in the amount of $3,716. We noted that $2,540 of the total relates to unpaid tax from a prior year.

We recommend that management ensure that taxes are paid in a timely manner.

(7) Notes Receivable

At September 30, 2005, the Seaport Division 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 $80,000. An accumulated amount of $180,000 has been recorded as an allowance for doubtful accounts against these balances.

We recommend that the Authority increase their efforts to collect these outstanding notes, including forwarding this matter to the Attorney General for collection. This matter was discussed in our previous letters February 28, 2005, December 19, 2003, January 8, 2003, November 7, 2001, and October 27, 2000.

(8) 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 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, 2005, these amounts have not been repaid and a full allowance has been recorded against these balances.

(8) Meram, Inc., Continued

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 the Authority obtain a written agreement with the Ministry of Transportation and Communication documenting terms and conditions of the advance.

(9) Unrecorded Liability

In our tests of subsequent payments, we noted that check # 1774 was issued for services that relate to September 30, 2005 in the amount of $4,221. This amount was not accrued at September 30, 2005. As this amount was not considered material to the financial statements, an audit adjustment was not proposed.

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

(10) Revenue

During the year ended September 30, 2005, the Airport Division billed an affiliated airline, rental for utilizing 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.

(11) Fixed Assets

Sale of fixed assets should be properly documented and approved. We noted that fixed assets were sold to several employees for a total of $1,615, however, there was no supporting documentation authorizing the sale. Furthermore, a total of $1,390 relating to the sale of these assets is recorded as receivable from employees. As of 12/14/05, no collection has been made from the employees.

We recommend that management ensure that sale of assets of the Authority is properly documented and approved. Additionally, we recommend management to pursue collection on these receivables.

(12) Related Party Transactions

The financial statements disclose that the Seaport Division 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.

(13) Prepaid Expense

Prepaid expenses should be reconciled on a regular basis. At September 30, 2005, the Airport Division recorded $11,909 in prepaid expenses for items that were received prior to year end. As this amount was not considered material to the financial statements, an audit adjustment was not proposed.

We recommend that management ensure that prepaid expenses are reconciled on a regular basis.

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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,

Deloitte & Touche LLP