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July 13, 2009

Mr. Jack Chong Gum
Executive 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, 2008 (on which we have issued our report dated July 13, 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 the Authority'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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the Authority'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 July 13, 2009, on our consideration of the Authority'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 the Authority for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I –DEFICIENCIES

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

(1) Departure Fees

Our tests of departure fees noted the following:

- For two departure fees (receipts #192909 and #189931), collections reported per the daily sales reports exceeded the total of supporting receipts.
- For two departure fees (receipts #064111 and #184402), the total amount deposited is less than total collections reported in the daily sales reports. There was no documentation explaining the shortage on file.
- Further, for 6 sales reports tested (sales reports dated 12/11/07, 12/17/07, 4/29/08, 5/13/08, 7/10/08, and 8/13/08), the reports and deposits were not prepared or made on a daily basis.

We recommend that management ensure that receipts are issued for all departure fee collections and that daily receipts equate with totals per the daily sales reports. We recommend that variances between collections reported in the daily sales report and underlying deposits are reconciled. We further recommend that management ensure that all collections and daily sales reports are prepared and deposited on a timely basis. The matter of the difference between collections reported in the daily sales reports and the amount in the supporting departure receipts was discussed in our previous letter dated August 15, 2008.

(2) Leases

During the year ended September 30, 2008, RMIPA did not have valid lease agreements with thirteen airport tenants. These leases expired during fiscal year 2008, but the renewed lease agreements could not be provided.

We recommend that management execute signed agreements with all airport tenants. This matter was discussed in our previous letter dated August 15, 2008.

(3) Operating Revenues

Our tests of operating revenues noted the following:

- For five invoices (invoice nos. 58262, 56343, 57651, 56905 and 57429), supporting documentation of the invoice amounts charged to the vendor are not adequate. In addition, for two invoices (invoice nos. 58262 and 57651), the Transient Unscheduled Airport Tariff (TUAT) form was not signed by the pilot.
- For one invoice (invoice no. 57595) relating to an electricity billing, the amount charged to the customer exceeded the actual amount.
- For one invoice (invoice no. 56463), the runway lighting rate charged to the customer was lower than the established fee by $10.

We recommend that management strengthen procedures to ensure rates charged customers are accurate. We further recommend that management ensure that amounts or rates charged in the invoice are adequately supported and authorized.

(4) Operating Expenses

Our tests of operating expenses noted the following:

- For one travel expense (reference no. JV02-13/08), there was no boarding pass included to support that the traveler actually traveled. In addition, the daily stipend rate advanced to the traveler did not agreed with the established rate.

- For one travel expense (reference no. JV12-31/08), no boarding pass was present to support that travel actually occurred. In addition, ambassadorial rates advanced did not agree with established rates. Further, miscellaneous expenses of $2,725, which included $1,408 loss from unused airfare ticket, were not supported.

- For one travel expense (reference no. JV12-19/08), the per diem rate paid for two days was higher than established rates by $50.

We recommend that management ensure that boarding passes or equivalent documents are filed to support official travel and that stipends and ambassadorial rates paid are in accordance with established Travel, Meals and Entertainment policy. We further recommend that management ensure that per diem rates paid are in accordance with rates approved by the Cabinet. Finally, we recommend that management ensure that official travels are completed and monitored to avoid unnecessary losses.

(5) Journal Entries

Three journal vouchers (reference nos. JV02-18/08, JV10-18/08 and JV12-04/08) did not reflect evidence of review and approval.

We recommend that management document the review and approval of all journal vouchers. This matter was discussed in our previous letter dated August 15, 2008.

SECTION II — OTHER MATTERS

Our observations concerning other matters related to operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention at this time are as follows:

(1) Accounts Receivable with Credit Balances

Accounts receivable as of September 30, 2008 include the following credit balances:

Age Category	Total AR Credit Balance
1-30 days	$ 50
31-60 days	60
61-90 days	2,195
Over 90 days	3,500
Total	$ 5,805

We recommend that management ensure that the credits are reviewed and adjusted in a timely manner. This matter was discussed in our previous letter dated August 15, 2008.

(2) Advances to Suppliers

As of September 30, 2008, prior year advances paid suppliers of $160,345 remain outstanding. Additionally, these prior year advances include $159,240 paid for the purchase of equipment from a vendor that is in receivership. An allowance has been provided for this advance payment since management believes that the refund or receipt of the item is unlikely.

We recommend that management implement procedures to ensure that services or goods related to advance payments are actually received. Further, we recommend that management ensure that long-outstanding advances are reviewed and adjusted in a timely manner. This matter was discussed in our previous letter dated August 15, 2008.

(3) Employee Advances

As of September 30, 2008, prior year employee advances of $1,437 have not been liquidated. Further, employee advances include credit balances of $645.

We recommend that management review long outstanding advances and credits and that necessary adjustment occur in a timely manner.

(4) Receivable from a Related Party

During the year ended September 30, 2008, the Airport Division billed an affiliated airline for terminal space. The affiliate has disputed the billing based on a RepMar Cabinet Minute dated in February 1998, which authorized the transfer of the cargo hangar to the affiliate.

We recommend that management determine the propriety of this receivable. This matter was discussed in our previous letters dated March 31, 2006, June 20, 2007 and August 15, 2008.

(5) Inventory

Our tests of inventory did not provide evidence that a physical inventory count was conducted at September 30, 2008. We recommend that management ensure that physical counts of inventory are conducted on a regular basis. We further recommend that inventory count procedures are documented. This matter was discussed in our previous letter dated August 15, 2008.

(6) Payable to a Related Party

As of September 30, 2006 and 2007, the Authority recorded $134,725 as a payable to RepMar. No formal agreement has been executed with RepMar to establish the validity of this liability.

We recommend that management determine the propriety of this liability. This matter was discussed in our previous letters dated June 20, 2007 and August 15, 2008.

(7) Meram, Inc.

On November 22, 2001, Seaport Division advanced $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, 2008, these amounts have not been repaid and a full allowance has been recorded against these balances.

(7) Meram, Inc., Continued

We recommend that management continue collection efforts and coordinate with the Attorney General concerning this advance. Additionally, we recommend that RMIPA 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 letters dated March 31, 2006, June 20, 2007 and August 15, 2008.

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.

APPENDIX II

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

The Authority'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.