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August 11, 2011

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, 2010 (on which we have issued our report dated August 11, 2011), 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, 2010 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated August 11, 2011, 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

APPENDIX I

SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving the Authority's internal control over financial reporting as of September 30, 2010 that we wish to bring to your attention:

(1) Departure Fees

Of eight departure fee revenue items tested, three sales reports dated 11/6/09, 4/17/10 and 9/6/10 were not performed daily. Furthermore, daily deposits were not performed with an average delay of 1 to 3 days. We recommend timely preparation and reconciliation of daily sales reports and timely deposit of collections. This matter was discussed in our previous letters for the audits for fiscal years 2007 through 2009.

(2) Leases

During the year ended September 30, 2010, the Authority did not renew agreements with seventeen airport tenants for leases that expired in 2008 and 2009. Furthermore, two lease agreements could not be located. We recommend timely completion of signed agreements with all tenants and documentation be maintained to support terms and agreement between obligating parties. This matter was discussed in our previous letters for the audits for fiscal years 2007 through 2009.

(3) Invoice Support, Receipts and Leave Forms Filing

Tests of the following accounts revealed missing supporting documentation.

- Check # 5276 - payment approval for $12,268 relating to airport restaurant renovations.
- Passenger boarding summary and reconciliation for departure fee revenue receipt # 220958.
- Leave form for a staff engineer.

We recommend that receipts, invoices, leave forms and other pertinent documents be maintained and be on file.

(4) Journal Entries

We noted erroneous entries, double postings, entry omission or wrong customer/vendor accounts being charged/credited which indicates inadequate review of journal entries and transactions. Furthermore, certain journal voucher entries did not reflect appropriate transaction descriptions or references. We recommend that management require that all journal vouchers be adequately supported, documented, reviewed and approved prior to posting. This matter was discussed in our previous audits for fiscal years 2007 through 2009.

(5) Airport Program Billings

Billings received after year-end contained $963,486 of expenses that were not accrued, which resulted in a proposed audit adjustment. We recommend that management require correct cut-off of transactions. Subsequent billings should be reviewed for recognition of amounts in the correct accounting period and year-end accruals should be evaluated for adequacy and reasonableness.

(6) Accounts Receivable

Based on confirmation replies received, two customers indicated an aggregate overstatement of $7,081; however, no reconciliation was provided to resolve the discrepancy. As this amount was not considered material to the financial statements, no audit adjustment was proposed. We recommend that management require that sales be correctly billed and recorded. Appropriate customer reconciliations should occur to facilitate timely resolution of discrepancies and disputed balances.

(7) Doubtful Accounts

One customer with an outstanding receivable balance of $16,675 has operations and a full allowance was provided due to the high probability of non-collection. No evaluation was made during the year to assess collectability of long outstanding balances and to record an additional provision for doubtful accounts. We recommend that management evaluate long outstanding customer balances and assess the adequacy of the allowance for doubtful accounts. Management should consider account write-offs if the probability of collection is remote. Appropriate documentation should be maintained to support the basis of the provision and attendant write-offs.

(8) CWIP Transfer to Fixed Assets

During the year ended September 30, 2010, construction work-in-progress reports were not evaluated for appropriate transfer to fixed assets. Transfers of $18,090,693 were adjusted through the audit process based on certifications of completed and substantially completed projects. We recommend periodic project monitoring and evaluation to identify completed projects.

(9) Closing of Books

The preliminary opening fund balance was not reconciled to prior year audited accounts. Prior year accruals were not reversed and current year-end accruals were not adjusted. We recommend that appropriate financial closing and reconciliation procedures, including related reversal of closing balances in the subsequent period, be implemented.

(10) Payroll

Sixteen of eighteen payroll samples indicated variances in the number of hours reported per individual time cards against the payroll register summary. Based on the discrepancies, the total extrapolated error is estimated to be $42,187. We recommend review and approval of time charges and payroll calculations.

(11) Grant Extension Approval

Based on the notification of grant award from the U.S. Department of the Interior, all work under the Operations and Maintenance Improvement Program (OMIP) grant shall be completed and any unexpended funds shall lapse on October 30, 2009. As of September 30, 2010, total grants of $64,874 were received. However, no formal grant extension notice was obtained to support the continuing implementation of the program. We recommend that program extensions be properly documented and approved.

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, 2010 include the following items with credit balances:

Age Category	Total AR Credit Balance
1-30 days	$ 1,331
31-60 days	-
61-90 days	559
Over 90 days	9,841
Total	$ 11,731

We recommend that management require that credit balances be timely reviewed and adjusted. This matter was discussed in our previous letters for the audits for fiscal years 2007 through 2009.

(2) Advances to Suppliers

As of September 30, 2010, prior year supplier advances 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 requiring that services or goods related to advance payments are actually received. Furthermore, we recommend that management require that long-outstanding advances are reviewed and adjusted in a timely manner. This matter was discussed in our previous letters for the audits for fiscal years 2007 through 2009.

(3) Employee Advances

As of September 30, 2010, employee advances of $19,254 have been outstanding for over a month and have not been liquidated. We recommend that management review long outstanding advances and that necessary adjustments occur timely.

(4) Receivable from a Related Party

During the year ended September 30, 2010, the Airport Division billed an affiliated airline for terminal space. The affiliate has disputed the billing based on a RepMar Cabinet Minute, 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 for the audits for fiscal years 2005 through 2009.

(5) Inventory

Tests of inventory did not provide evidence that a physical inventory count was conducted at September 30, 2010. We recommend that management require that physical inventory counts are conducted on a regular basis. We further recommend that inventory count procedures be documented. This matter was discussed in our previous letters for the audits for fiscal years 2007 through 2009.

(6) Payable to a Related Party

Since September 30, 2006, the Authority recorded a payable to RepMar of $134,725. 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 for the audits for fiscal years 2006 through 2008.

(7) RMI and MISSA Withholding Tax

We noted delays in the filing of tax returns and, in addition, RMI tax withheld for a period of 4 months was not remitted as of September 30, 2010. We recommend that timely remittance of taxes withheld to regulatory authorities occur.

(8) Leave Monitoring

Based on tests of accrued leave, recorded leave hours taken for one employee are understated by 32 hours. We recommend monitoring of leave hours to reflect accurate leave balances.

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.