

January 13, 2008

Board of Directors
Pohnpei Port Authority:

In planning and performing our audit of the financial statements of the Pohnpei Port Authority (the Authority) for the year ended September 30, 2007, on which we have issued our report dated January 13, 2008, we developed the following recommendations concerning matters related to the Authority's internal control. Our recommendations are summarized below:

Travel Advances

Comment: The Authority recorded travel advances of \$10,083 at September 30, 2007. During our testing, we noted the following:

- A travel advance amounting to \$4,158 made to a Board member has not been liquidated as of September 30, 2007. The account balance is greater than 120 days old.
- Travel advances totaling \$433 related to two individual accounts indicate no movement since the previous year.

Recommendation: These advances were not liquidated due to insufficiency of liquidating documents. Although it is appropriate to record the advances, this condition results in an understatement of expenditures. The entity should consider recording an allowance for these advances. This matter was discussed in our previous letter dated January 30, 2007.

Payroll

Comment: The payroll register and payroll audit report is prepared by the payroll clerk and reviewed by the senior accountant before checks are printed.

Recommendation: We recommend the senior accountant initial the payroll register and audit report to evidence review and approval.

Operational Reports

Comment: Operational reports for both airport and seaport are prepared on a monthly basis. The reports, however, are not compared to actual recorded results.

Recommendation: We recommend that operational reports, prepared independently of accounting, be compared to actual recorded information.

Board of Directors
Pohnpei Port Authority
January 13, 2008

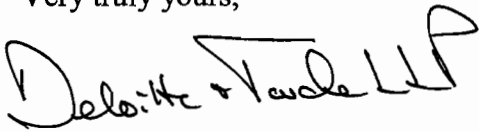
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This report is intended solely for the information and use of the Authority's Board of Directors and management.

We will be pleased to discuss the above comments with you and, if desired, to assist you in implementing the recommendations.

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,

A handwritten signature in black ink, appearing to read "Deloitte & Touche LLP". The signature is written in a cursive, stylized font with a large, sweeping initial 'D'.