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December 14, 2016

The Board of Directors
Marshall Islands Postal Service Authority

Dear Members of the Board of Directors:

In planning and performing our audit of the financial statements of the Marshall Islands Postal Service Authority (the Authority) as of and for the year ended September 30, 2016 (on which we have issued our report dated December 14, 2016) 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 as of September 30, 2016, that we wish to bring to your attention.

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 – CONTROL DEFICIENCIES

We identified, and have included below, control deficiencies involving the Authority's internal control over financial reporting as of September 30, 2016, that we wish to bring to your attention:

(1) Allowance for Doubtful Accounts

Management did not perform analyses of the allowance for doubtful accounts as of September 30, 2016, which resulted in a proposed audit adjustment of $27,983. We recommend management establish policies and procedures to assess the adequacy of allowance for doubtful accounts and that adequate collection procedures be implemented.

(2) Daily Cash Collections

For 7 of 75 daily cash collections tested, deposits were made on an average of 3 to 7 banking days after receipt. We recommend management establish policies and procedures requiring that cash collections be deposited on the next banking day.

Sign-offs on one daily cash collection and one journal voucher by the reviewer were not evidenced. We recommend that the signature and date of the reviewer be documented to substantiate the timeliness of the control procedure.

(3) Bonuses and cash awards were not subjected to taxes

Christmas bonuses and cash awards totaling $5,900 were provided to employees in December 2015 but were not subjected to corresponding withholding taxes. Bonuses and cash awards are included within the definitions of wages as defined by the Income Tax Act 1989.

We recommend management comply with applicable tax laws.

(4) Missing documents

Check no. 2591 payable to a related party ($5,600), dated 11/26/15, and the related invoice have not been located. We recommend management establish internal controls over filing accounting documents.

SECTION II – DEFINITIONS

The definition of a deficiency 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.

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.