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August 10, 2012

Ms. Deborah Barker-Manase
General Manager
National Environmental Protection Authority

Dear Ms. Barker-Manase:

In planning and performing our audit of the financial statements of the National Environmental Protection Authority Fund (EPA) as of and for the year ended September 30, 2011, (on which we have issued our report dated August 10, 2012) 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 EPA'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 EPA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of EPA'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 EPA's internal control over financial reporting and other matters as of September 30, 2011 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated August 10, 2012, on our consideration of EPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 EPA for their cooperation and assistance during the course of this audit.

Very truly yours,

Deloitte & Touche LLP

SECTION I - CONTROL DEFICIENCIES

We identified, and have included below, control deficiencies involving EPA's internal control over financial reporting as of September 30, 2011 that we wish to bring to your attention:

(1) Bank Reconciliations

At September 30, 2011, EPA recorded $17,170 in cash receipts that were received in October 2011 as cash in bank at year end. Instead, such represented subsequent collections on receivables and, accordingly, we proposed an audit adjustment to correctly state year end cash balances. In addition, we noted one check (check # 2163 for $1,508) dated 11/29/11 that was included as an outstanding check on the September 30, 2011 bank reconciliation. An audit adjustment was proposed in the total amount of $2,501 to reclassify checks issued subsequent to year end but included as outstanding checks to accounts payable. We recommend that bank reconciliations include only valid items pertaining to the fiscal year under audit.

(2) Accounts Receivable with Credit Balances

At September 30, 2011, the subsidiary ledger for accounts receivable included credit balances of $1,332. The nature of these items was not known. We recommend that EPA monitor the subsidiary ledger for accounts receivable and investigate unusual transactions, including credit balances.

(3) Expense Accrual

At September 30, 2011, audit adjustments were proposed in the aggregate amount of $15,295 to recognize accrued expenses. We recommend that proper cut-off be considered when recording expenses and related liabilities. Recurring expenses unbilled at year-end, payroll accrual, and subsequent payment for billings received before year-end should be appropriately accrued.

(4) Payroll Reconciliations

Payroll transaction reports and the summary of expenditures per budget reports from the Ministry of Finance are not reconciled. We recommend that EPA monitor, scrutinize and reconcile such related reports to determine that funding provided by RepMar is not misstated.

(5) Grant Monitoring

EPA received a grant award under the Japan International Research Center for Agricultural Science (JIRCAS) in the amount of $2,820. During the year ended September 30, 2011, EPA received grant revenues under this grant award of $1,847, of which $907 was not correctly recorded as JIRCAS grant revenues. As the amount was not consider material to the financial statements, no audit adjustment was proposed. We recommend that EPA establish procedures to facilitate the correct recording of grant revenues.

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) Grant Reporting

EPA's accounting/finance office did not make available copies of grant progress reports. Progress reports signed by an appropriate officer are required to be submitted by EPA to grantors. Reporting requirements include financial statements and narrative accounts of what has been accomplished through the expenditure of funds, including a description of progress made towards achieving project goals. We recommend that signed reports be maintained to facilitate compliance with grant reporting requirements and to track financial reporting progress.

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

EPA'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.