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July 20, 2011

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, 2010, (on which we have issued our report dated July 20, 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 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, 2010 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated July 20, 2011, 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, and others within the organization 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, 2010 that we wish to bring to your attention:

(1) Fixed Assets

Lack of reconciliation of the fixed asset register to the general ledger and lack of review of fixed asset and depreciation schedules resulted in over recognition of depreciation expense and a negative net book value of $175. Further, this condition understated accumulated depreciation by $1,172. As this amount was not considered material to the financial statements, no audit adjustment was proposed. We recommend that EPA management require periodic reconciliation of fixed asset balances and related depreciation to the fixed asset register.

(2) Grants Receivable Monitoring

During the year ended September 30, 2010, EPA received a grant payment of $6,000 that was credited to revenue; however, a grant receivable was previously recognized for this amount. Accordingly, an audit adjustment was proposed to correct this condition. We recommend that EPA management require periodic reconciliation of grants receivable balances.

(3) Accounts Receivable with Credit Balances

At September 30, 2010, EPA recorded credit balances in receivables of $3,762. Lack of monitoring of receivables resulted in unusual debit/credit balances. Accordingly, a reclassification entry was proposed to present these credit balances as a liability within the financial statements. We recommend that EPA periodically monitor credit balances within the receivables subsidiary ledger and investigate unusual items.

(4) Accrued Expenses

EPA does not accrue for expenses incurred. We recommend that cut-off be considered when recording expenses. Recurring expenses unbilled at year-end and subsequent payments for billings received before year-end should be appropriately accrued. Based on our tests of subsequent disbursements, we noted $310 of certain expenses that were not accrued at year end. As this amount was not considered material to the financial statements, no audit adjustment was proposed. We recommend that EPA determine appropriate account balance cut-off and require expenses be recorded in the period that such are incurred.

(5) Bank reconciliations

Bank reconciliations for bank accounts are prepared at mid-month upon receipt of bank statements from the financial institution instead of at month-end. Such was resolved through alternative auditing procedures; however, we recommend that bank reconciliations be prepared at month-end to coincide with the bank reporting date.

(6) Travel Advance Liquidations

Travel advances of $1,200 were liquidated during the current year without supporting travel reports and receipts. We recommend that EPA comply with underlying travel advance procedures requiring the submission by travellers of trip reports and attendant receipts.

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.

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.