Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3911
USA
Tel: (671)646-3884
Fax: (671)649-4932
www.deloitte.com

April 15, 2010

Mr. Jemi Nashion
Chairman
Tobolar Copra Processing Plant, Inc.:

Dear Mr. Nashion:

In planning and performing our audit of the financial statements of the Tobolar Copra Processing Plant, Inc. (TCPPI) as of and for the year ended September 30, 2009 (on which we have issued our report dated April 15, 2010 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 TCPPI'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 TCPPI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TCPPI'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 TCPPI's internal control over financial reporting and other matters as of September 30, 2009 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated April 15, 2010, on our consideration of TCPPI'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 TCPPI for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving TCPPI's internal control over financial reporting as of September 30, 2009 that we wish to bring to your attention:

(1) Accounts Receivable

During the year ended September 30, 2009, audit adjustments were proposed to reconcile the Accounts Receivable general ledger account to the underlying subsidiary ledger. We recommend that management establish policies and procedures to require periodic reconciliation of subsidiary ledgers with general ledger accounts. This matter was discussed in our previous letters dated June 1, 2009, January 14, 2009 and May 14, 2007.

(2) Allowance for Doubtful Accounts

TCPPI does not implement a review process for receivables and related allowance for doubtful accounts. We recommend that management perform counterparty reconciliation, review and evaluate balances to ensure that uncollectable receivables are identified for the purposes of approval by the Board for write off and that doubtful accounts are adequately provided for. TCPPI should determine and document the methodology and assumptions to be used as basis for provisions. Balances should be evaluated, collective efforts be implemented, and provisions be provided as appropriate. Historical loss experience and publicly observable data on loss experience by the industry or risk profile of counterparty should be considered rather than provisioning based solely on aged analysis.

(3) Employee Receivables

At September 30, 2009, receivables from employees included credits of $6,603, which resulted from lack of proper monitoring of employee accounts. Additionally, suspense accounts maintained for temporary postings of employee charges and deductions had a credit balance of $4,208 at year-end. We recommend that management establish policies and procedures to govern monitoring and review of receivables from employees. This matter was discussed in our previous letter dated June 1, 2009.

(4) Inventory

It has been TCPPI's practice to record inventories as expense upon purchase and then record an inventory adjustment at year end based on annual physical count. We noted that although the following control procedures are maintained, deficiencies are present in the actions implemented.

The production department performs daily counts of copra raw materials and copra oil. However, no independent checks and verification of inventory on hand is performed nor are periodic reconciliations of book to actual inventory on hand carried out.

Previously, monthly inventory reports were prepared to assist production analysis. This practice assisted TCPPI's production efficiency; however, as the assigned employee resigned during the year, these reports were not constantly produced throughout the year.

Furthermore, completeness of inventory counts may be inaccurate due to items previously omitted during year end count procedures. At September 30, 2009, packing materials valued at $5,143 were included in inventory based on inventory count; however, these items were in existence from prior year but were not included in the 2008 year-end inventory count.

We recommend that adequate recordkeeping of inventory purchases be made, periodic cyclical counts be performed during the year, and complete and timely reconciliations be performed to properly account for available inventories. TCPPI should ensure that adequate internal controls over inventories are established to properly safeguard inventories against susceptibility of pilferage and misappropriation.

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) Cash

Based on inquiry with the operations manager, no specific person is responsible for the role of depositing cash to bank. Anyone who is available to go to the bank may be asked to deposit cash collections. We recommend that management establish adequate internal control policies and procedures over cash. Roles and responsibilities should be defined and assigned appropriately.

(2) Bank Account

A non-interest bearing bank account (# 0105-041284) has been inactive since fiscal year 2004 and has been incurring bank charges. We recommend that management assess the purpose of and need for this bank account to minimize bank charges. This matter was discussed in our previous letter dated June 1, 2009.

(3) Bank Reconciliations

Bank reconciliations are not independently reviewed and approved by an individual other than the preparer. Although bank reconciliations are prepared, reconciling items are not adequately investigated. Our test of September 2009 bank reconciliations revealed long-outstanding reconciling items dating back to 2005. An independent review is important to ensure that reconciliations are accurate, are prepared in a timely manner, and include valid reconciling items. We recommend that proper review and approval of bank reconciliations be performed.

(4) Inventory

Copra oil, copra cake and soap and materials are valued at lower of production cost, which includes raw copra, direct labor and factory overhead, or market (net realizable value). However, TCPPI has not established a methodology to determine the production cost, including overhead. The year-end inventory valuation is based on net realizable value without comparison to cost. We recommend that management adopt a methodology to determine the value of inventory at cost.

(5) Accrued Expenses

At September 30, 2009, accounts payable to treasurers for purchases of copra maintain a debit balance of $3,457. These accounts had no activity during fiscal year 2009 and prior years. We recommend that management verify whether the debit balance be removed from the books.

(6) Interest on Related Party Loan

During the year ended September 30, 2008, TCPPI removed interest payable of $81,410 to agree to a balance confirmed by the RMI Ports Authority (RMIPA). The aforementioned interest has not been formally forgiven. We recommend that management obtain written verification of the forgiveness of interest.

(7) Minutes of Board Meetings and Board Resolutions

During the year ended September 30, 2009, minutes of meetings and Board resolutions could not be provided on time. Lack of timely and appropriate documentation of Company transactions and management decisions, including proper documentation filing, would raise issues and concerns against transaction authorization and approval. We recommend that timely documentation of significant matters be done to provide reliable information for TCPPI transactions.

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

TCPPI'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.