

**TOBOLAR COPRA PROCESSING PLANT, INC.**

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL AND ON COMPLIANCE**

**YEAR ENDED SEPTEMBER 30, 2002**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED UPON THE AUDIT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Tobolar Copra Processing Plant, Inc.:

We have audited the financial statements of Tobolar Copra Processing Plant, Inc. (TCPPI) as of and for the year ended September 30, 2002, and have issued our report thereon dated August 5, 2003. We conducted our audit 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.

**Compliance**

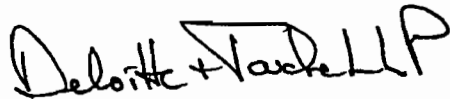
As part of obtaining reasonable assurance about whether TCPPI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings (pages 3 and 4) as item 2002-2. We also noted certain immaterial instances of noncompliance, which we have reported to management of TCPPI in a separate letter dated August 5, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered TCPPI's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect TCPPI's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of TCPPI in a separate letter dated August 5, 2003.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

August 5, 2003

TOBOLAR COPRA PROCESSING PLANT, INC.

Schedule of Findings  
Year Ended September 30, 2002

Receivables

Finding No. 2002-1

**Criteria:** The accounts receivable subsidiary ledger should be closely monitored and used as a tool for credit control.

**Condition:** At September 30, 2002, TCPPI recorded certain accounts receivable that have been outstanding for over five years. These amounts include a receivable from a director of TCPPI totaling \$6,890.

**Cause:** The cause of the above condition is the lack of follow-up from the Office of the Attorney General.

**Effect:** The effect of the above condition is further aging of the receivables and increased difficulty of collection.

**Recommendation:** We recommend that the Board and the management of TCPPI follow-up with the Office of the Attorney General with respect to receivable accounts previously forwarded for collection.

**Prior Year Status:** Lack of follow-up of receivables with the Office of the Attorney General was reported as a finding in the audits of TCPPI for fiscal years 1998 through 2001.

**Auditee Response and Corrective Action Plan:** This matter has once again been referred to the Tobolar Board of Directors for action.

TOBOLAR COPRA PROCESSING PLANT, INC.

Schedule of Findings, Continued  
Year Ended September 30, 2002

Local Noncompliance

Finding No. 2002-2

Criteria: Public Law 1992-2, enacted on February 17, 1992, established the Tobolar Copra Processing Authority (the Authority). Pursuant to this law, the Authority was specifically authorized and directed to enter into appropriate arrangements with TCPPI for the assumption of all rights and title to any and all assets, equipment, contracts, liabilities, rights, obligations, functions, powers, etc., that TCPPI may have or control, including all rights to the use of the name "Tobolar." This assumption was to occur once TCPPI had been liquidated.

Condition: TCPPI has not been liquidated and all rights and title to any and all assets, equipment, contracts, liabilities, rights, obligations, functions, powers, etc., that TCPPI has or controls have not been assumed by the Authority.

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is that TCPPI is in noncompliance with the requirements of Public Law 1992-2.

Recommendation: We recommend that management of TCPPI take steps to comply with the requirements of Public Law 1992-2. Such steps should include the consultation of legal counsel.

Prior Year Status: Noncompliance with the requirements of Public Law 1992-2 was reported as a finding in the audits of TCPPI for fiscal years 1994 through 2001.

Auditee Response and Corrective Action Plan: This matter continues to be referred to the Office of the Attorney General in inact said liquidation.

TOBOLAR COPRA PROCESSING PLANT, INC.

Unresolved Prior Year Findings  
Year Ended September 30, 2002

The status of unresolved prior year findings are disclosed within the Schedule of Findings section of this report (pages 3 and 4).