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March 3, 2008

Board of Directors  
MiCare Plan, Inc.:

In planning and performing our audit of the financial statements of the MiCare Plan, Inc. (the Plan) for the year ended September 30, 2007, on which we have issued our report dated March 3, 2008, we developed the following recommendations concerning matters related to the Plan's internal control. Our recommendations are summarized below:

### Long Outstanding Accounts Receivable

Comment: As of September 30, 2007, MiCare recorded accounts receivable (GL # 171) totaling \$117,632 that include balances that have been outstanding for several years and were deemed doubtful accounts.

Recommendation: We recommend that management ensure timely disposition of these items.

### Timeliness of Deposits

Comment: Per MiCare policy, all daily collections should be deposited to the Plan's bank on the day received or immediately on the following working day. For 7 of 124 (6%) transactions tested, cash collected was not timely deposited. This condition was reported in the fiscal year 2006 and 2005 audits.

<u>Branch</u>	<u>ReceiptNo</u>	<u>Date</u> <u>collected</u>	<u>Date</u> <u>Deposited</u>	<u>Days</u> <u>elapsed</u>
Pohnpei	17460	05/03/07	05/07/07	4
Pohnpei	16558	12/19/06	12/21/06	2
Chuuk	C0974	11/07/06	11/09/06	2
Chuuk	C1001	01/03/07	01/05/07	2
Yap	Y2248	06/06/07	06/08/07	2
Yap	Y2289	06/30/07	07/06/07	6
Chuuk	C1108	07/16/07	07/18/07	2

Recommendation: We recommend that management strengthen internal control over the timely deposit of cash collections.

Board of Directors  
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**IBNR Deficiency**

Comment: The Plan does not have a formal IBNR process wherein it estimates associated medical referrals and tracks actual results against estimates. Rather, it relies on after the fact reporting by the health care providers wherein a very long time period is used to obtain underlying invoices. Therefore, without such a time period available to it, MiCare will not be able to project its actual liability at any point in time. This condition has been reported in the fiscal year 2006 and 2005 audits.

Recommendation: We recommend a full lag-analysis supported IBNR system be developed and implemented.

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This report is intended solely for the information and use of the Plan's Board of Directors and management.

We will be pleased to discuss the above comments with you and, if desired, to assist you in implementing the suggestions.

We wish to thank the staff and management of the Plan for their cooperation and assistance during the course of this engagement.

Very truly yours,

