Management Letter 2016

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Puerto Rico Tourism Company

Communication of Internal Control Deficiencies
June 30, 2016

RSM

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To: Management and Board of Directors of
Puerto Rico Tourism Company

In planning and performing our audit of the financial statements of Puerto Rico Tourism Company (the Company) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control 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 properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

- The accounts receivable aging other than room tax (i.e. interest, individuals, corporations, etc.) does not reflect the amount recorded on books. It includes old balances that have been manually adjusted. The manual journal entries have not been evaluated to update the accounts receivable module and reconcile the aging to the general ledger. The practice of reconciling the subsidiary to the general ledger serves as a check on the accuracy of the recordkeeping process and maintain the accounts receivable on a more timely and accurate basis.

- Adjustments proposed in prior year audit were not recorded in the capital assets subsidiary, causing differences between the subsidiary and general ledger. The practice of reconciling capital assets subsidiary to the general ledger serves as a check in the accuracy of the recordkeeping process and maintain fixed assets on a more timely and accurate basis.

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- Capital assets that are fully depreciated and no longer in use are not written-off from the accounting records. We recommend Management to obtain the write-off approval from the Board of Directors.

- Management provided over fifteen (15) post-closing adjustments, which had an effect in change in fund balance. The practice of ensuring that timely and complete monthly reconciliation and closing procedures serves as a check on the accuracy of the recordkeeping process.

This communication is intended solely for the information and use of the Board of Directors, Management of Puerto Rico Tourism Company, and is not intended to be, and should not be used by anyone other than these specified parties.

San Juan, Puerto Rico
December 12, 2016.

For further information please contact
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