FPV & GALINDEZ LLC

January 31, 2019

To Board of Directors
Puerto Rico National Guard Institutional Trust (FIGNA)
Brigadier General José J. Reyes, Principal Executive Officer
Mr. Epifanio Jiménez, Executive Director
Puerto Rico National Guard Institutional Trust
San Juan, PR

In planning and performing our audit of the financial statements of the business-type activities and aggregate remaining fund information of the Puerto Rico National Guard Institutional Trust (FIGNA), a component unit of the Commonwealth of Puerto Rico, for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered FIGNA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FIGNA's internal control. Accordingly, we do not express an opinion on the effectiveness of FIGNA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration in Exhibit I. This letter does not affect our report dated January 31, 2018, on the financial statements of FIGNA.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Also, revise our SAS 114 delivered to you.

This communication is intended solely for the information and use of management, to the Board of Directors, and others within Puerto Rico National Guard Institutional Trust and Commonwealth of Puerto Rico and is not intended to be and should not be used by anyone other than these specified parties.

FPV & Galíndez, LLC

Rafael Nieves Pérez

Rafael Nieves, CPA
Partner

TRUSTworthy

EXHIBIT I
Other Matters
JUNE 30, 2017

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1. **Accounting trails and records**

   Condition – The entity does not keep supporting documents for journal entry transactions. This matter causes that the entity did not have trails and documentation for such procedures.

   Recommendation – Maintain records and supporting documentation for each transaction that affects the accounting of the entity. We suggest physical or electronic record with its requisition (proposing) and authorization documenting the source and effect on the accounting records. This will ensure proper accounting recognition with trails and explanation of those transactions.

2. **Members Contribution Monitoring**

   Condition – The entity does not have a reconciliation of the payments made by each member. In other words, no match is made to each member and their contribution to maintain a record of the total contribution received by each member. The entity receives the report and the money and records the total transaction in the general ledger for the amount transferred.

   Recommendation – Reconcile the payments with the members detail to recognized in the system and maintain the files with amounts already paid and benefits earned by each member.

3. **Improper Accounting Reconciliation (Fiduciary Fund)**

   Condition – The entity has a fiduciary responsibility and custody of funds without adequate monitoring and accounting. Although, such funds only have few activities during the year; basically, regarding accreditation of interests and payment of fees, it is not clear the role of FIGNA regarding such funds.

   Recommendation – Reconcile the accounting records, at least on a quarterly basis, with the external reports received by the entity and clarify the responsibility of FIGNA for the funds.

4. **Cash Restricted**

   Condition – There is no general ledger account for cash received related to money maintained in a fiduciary capacity.

   Recommendation – The entity should record and maintain a separate cash general ledger account and a separate bank account, if possible, for the money received for PRNG's programs. These funds must be recorded as a cash restricted separated from FIGNA operational accounts. A liability account is maintained by the entity which mitigate the accounting of the funds.

5. **Payments of Education Benefits**

Condition – There is not a singular or an established procedure in each service center. In addition, the entity does not match the liability with the payment. We noted that at the end of the year an adjustment was made to correct the expenses duplicity for this concept. Also, a file selected for examination was never found. We were not be able to validate the expenses and payment for this selection.

Recommendation – The entity should establish unified procedures at the services centers. Also, improve the procedure to organize and store files. The entity must provide training and specific instructions to the personnel to prevent and minimize account errors.

EXHIBIT II
SUGGESTIONS TO INTERNAL CONTROLS
JUNE 30, 2017

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1. **Cut off**

   Condition – Improper cut off. The entity should revise the general ledger on a timely basis to avoid possible duplicate or missing checks.

   Recommendation – The entity issues a minimum quantity of checks, most payments are thru electronic transfers. Although, the entity should maintain a proper accounting and controls over checks issued.

2. **Securities presented in General Ledger and other matters**

   Condition – We noted that the investments were recorded in general ledger based on their Fair Market Value, instead of its cost and the unrealized gain or loss in separate accounts. The percentage distribution of the investments for each fund has an immaterial difference with the investment requirement by law. Also, the entity is not in compliance with the entity's investments policy allocation and with the securities rates.

   Recommendation – Records in a separate general ledger's account the cost of the securities to maintain a more precise securities accounting and corrections of percentage with law requirements. Update or amend the entity's policy to adjust the entity's reality and securities options in the market.