Aquino, DeCórdova, Alfaro & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

*Jorge Aquino Barreto, CPA, CVA*
*Jerry De Córdova, CPA, ESQ*
*Eduardo González-Green, CPA, CFF, CFE*

September 30, 2019

To the Board of Directors of
Public Corporation for the Supervision and
Insurance of Cooperatives in Puerto Rico
San Juan, P.R.

We have audited the financial statements of the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico for the years ended June 30, 2019 and 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 6, 2019. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year 2019. We noted no transactions entered into by the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is:

- Management's estimate of the depreciation, fair value of investments, as well as estimate of the reserve for probable losses. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statements disclosures are particularly sensitive because of their significance to financial statements users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of investments in Note 4 to the financial statements was obtained from brokerage house statements and information provided by client.
- Fair value measurements in Note 2 were obtained from brokerage house statements.
- The disclosure of reserve for probable losses in Note 8 to the financial statements was obtained from the actuarial report and information provided by client.

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*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the information and use of the Board of Directors and management of the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

**AQUINO, DE CORDOVA, ALFARO & CO., LLP**

Eduardo González Green, CPA, CFF, CFE

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September 30, 2019

To the Board of Directors of
Public Corporation for the Supervision and
Insurance of Cooperatives in Puerto Rico
San Juan, P.R.

In planning and performing our audit of the financial statements of the business-type activities of the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico as of and for the years ended June 30, 2019 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico'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 Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico's internal control. Accordingly, we do not express an opinion on the effectiveness of the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico'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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management and Board of Directors within the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

**AQUINO, DE CORDOVA, ALFARO & CO., LLP**

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September 30, 2019

To the Board of Directors
Public Corporation for the Supervision and
Insurance of Cooperatives in Puerto Rico
San Juan, Puerto Rico

In planning and performing our audit of the financial statements of the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico (COSSEC) as of and for the years ended June 30, 2019 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered COSSEC'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 COSSEC'S internal control. Accordingly, we do not express an opinion on the effectiveness of COSSEC'S internal control.

However, during our audit we became aware of certain minor issues minor which are opportunities for strengthening internal controls and operating efficiencies. The accompanying memorandum summarizes our comments and suggestions regarding those issues. A separate report dated September 30, 2019 includes our communication about the internal control of COSSEC. This letter does not affect our report issued on September 30, 2019 regarding COSSEC'S financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various 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.

Sincerely,

**AQUINO, DE CÓRDOVA, ALFARO & CO., LLP**

Eduardo González-Green, CPA, CFF, CFE

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Our comments and recommendations are presented below. These comments were not considered deficiencies and/or weaknesses of internal controls.

Accounts payable

We observed that the accounts payable aging, is presenting some invoices in negative balance, which has the effect of reducing the balance of the report. As explained by Mr. Carrasquillo, difference is due to an error in the computer program. We recommend that the Corporation verifies Oracle in order to identify and correct the error in the system.

Reserve for Probable Losses

We noted that the Corporation registered the reserve for probable losses at the end of the year when the actuary report was available. We recommend the Corporation to evaluate the losses incurred during the last years and determine the reasonability of the balance in the reserve account. The Corporation could recognize in its books a monthly expense for reserve losses. In addition, the Corporation could ask for an interim actuarial report for estimating this reserve before the end of the fiscal year and recognize the expense in the interim financial statements.