December 11, 2020

To the Board of Directors of the
Corporación Pública para Supervisión y Seguro
de Cooperativas de Puerto Rico
San Juan, P.R.

In planning and performing our audit of the Financial Statements of the Corporación Pública para Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the COSSEC's internal control. Accordingly, we do not express an opinion on the effectiveness of the COSSEC'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 11, 2020 on the Financial Statements of the Corporación Pública para Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC). We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Our comments are summarized as follows:

1) Item 2020-001 – Rollforward for Investment Premium and Discount Balances

   Observation

   During our audit of area of Investments, we noticed that the Corporation does not include in the investments rollforward for the year ended June 30, 2020 the balances of premium and discounts.

Recommendation

COSSEC may establish a procedure in preparing a rollforward for premiums and discounts at June 30, 2020 either in a separate or in the same report as the investments rollforward. This action helps maintaining better control over balances and account movement during the year.

Management Response

As part of the monthly closing process, we will include the preparation of a rollforward schedule of premiums and discounts starting in January 2020.

2) Item 2020-002 – Property Plant and Equipment accounts not recorded in PRIFMA

Observation

During our examination of Property, Plant and Equipment, we found that:

1. PRIFMA does not have a module for Property, Plant and Equipment.

2. Property, Plant and Equipment is kept in the FAS accounting software and this program has no interface with PRIFMA.

3. Some fully depreciated assets are kept in a separate ledger and are not included with the rest of the balances in FAS accounting

Recommendation

We recommend the following:

1. Obtain the module for Property, Plant and Equipment for PRIFMA, the main accounting software, since FAS accounting does not perform interface with PRIFMA.

2. Establish the preparation of a fixed assets detail that includes all assets with their beginning balances, additions during the year, retirements during the year, ending balance, and accumulated depreciation movements.

Management Response

We will include in the 2021-2022 Budget a request for the acquisition of the fixed assets module.

3) Item 2200-003 – Accrued Vacation Balances

Observation

During our examination of accrued vacation balances, we found several employees that appear with accrued balances over a year.

Recommendation

We recommend management to consider evaluating accrued vacation balances as those should reflect what the Corporation owes to the employee for the current year in addition to encourage employees to take vacation days.

Management Response

In order to reinforce internal control over accrued days excess, we shall establish a plan along with Human Resources to closely monitor and encourage employees to take vacation days as set forth in the corresponding policies and procedures.

4) Item 2020-004 – Aging Balances

Observation

During our search for unrecorded liabilities, we noted that the accounts payable aging includes invoices with dates that go back as far as to the year 2011.

Recommendation

We recommend management to review the contents of the accounts payable aging to identify the actual status of those amounts as those should be either paid off with or written off.

Management Response

As part of the monthly closing procedures, we will include a review of the accounts payable aging to identify old balances over a year and determine their validity. Currently, the necessary documentation related to those balances is being gathered in order to assess whether the Corporation is still obliged to satisfy those liabilities.

We believe that the implementation of these recommendations will provide with a stronger system of internal control while also making its operations more efficient. We will be glad to discuss the details of these recommendations with you at your convenience.

This communication is intended solely for the information and use of management, the Board of Directors of the Corporación Pública para Supervisión y Seguro de Cooperativas de Puerto Rico, and others within the COSSEC, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

FPV & Galíndez
San Juan, Puerto Rico