HLB PARISSI
Certified Public Accountants, Tax & Business Advisors

Board of Directors and Management
Puerto Rico Housing Finance Authority
PO Box 71361
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In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of Puerto Rico Housing Finance Authority (the Authority) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority'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 and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in Appendix A as significant deficiencies in internal control.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

- The Authority currently carries significant balances of loans between funds. As of June 30, 2015, interfund balances, in total, amounted to approximately $22.1 million. However, the Authority has not completed and documented a complete evaluation of the collectability of amounts due from one fund to the other, in order to assess the reasonability of maintaining such amounts presented as loans.

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

This communication is intended solely for the information and use of management Board of Directors, and others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

HPB Parson PSC

San Juan, Puerto Rico
March 18, 2016

Appendix A – Significant Deficiencies

2015-01 Deficiencies in reconciling the property physical inventory with the property accounting subsidiary

Condition

The Authority has a property subsidiary where they record the Authority's property and a physical inventory which is taken by personnel of the Administrative Services Department. During our procedures, we found that the accounting department does not reconcile their property subsidiary with the physical inventory taken by the Administrative Services Department. Therefore, there is a possibility that the property, plant and equipment on hand does not agree with the amounts recorded in the accounting records and also may not prevent or detect on a timely basis the unauthorized use or disposition of an asset.

Recommendations

The Authority should establish procedures to ensure that periodically reconciliations between the accounting subsidiary and the physical inventory are made, so they can be certain that all property is included in the subsidiary of property.

2015-02 Supporting documents were not complete

Condition

As part of our internal control tests, we selected a sample of 40 disbursements to test compliance with internal control procedures. During our procedures, we found the following:

- In one instance for $5,929, the request for payment did not contained the require signatures.
- In two instances, totaling $51,102, did not contain the Directors signature required for purchases over $10,000. Both instances, the purchases were over $10,000.
- In one instance for $28,500, the request for payment did not contained the authorized signature.

Recommendations

The Authority should establish procedures to ensure compliance with the internal controls procedures established for disbursements.