

BY ELECTRONIC MAIL

May 7, 2018

Natalie A. Jaresko
Executive Director
Financial Oversight and Management Board for Puerto Rico
PO Box 192018
San Juan, PR 00919-2018



Dear Ms. Jaresko:

In response to your letters dated March 8, 2018 and April 30, 2018, please be advised that the University of Puerto Rico has regularly submitted cash reports to AAFAF since October 2017. AAFAF and the University agreed on a monthly reporting frequency for cash reporting.

On several occasions since the last quarter of 2017, the University has also made available to AAFAF a cash liquidity or cash flow report developed in-house. This report is prepared on a monthly basis and its template contains, at a consolidated level for a determined timeline (typically one fiscal year), the University's actual cash beginning balances, particularized inflows and outflows, resulting ending cash balances, and a projection of such captions throughout the remaining of the fiscal year. At a high-level contrast between the UPR developed cash flow model and the one required by AAFAF, we should note that AAFAF's contains more granularity insofar as it relates to the outflows, particularly those made to third-party suppliers. Yet, both reports reach the same beginning and ending balances and practical purposes. Although the University agrees that AAFAF's cash flow template will facilitate consolidating the essentials you need for an integrated view of the Government's financial position, our alternate cash flow report is routinely prepared by management and is readily available.

Current barriers to source the AAFAF cash flow model are mainly the result of the way the University associates the movement of cash in bank to general ledger accounts, which ultimately group to form the entries disclosed in the model, as the operational linkage between the two is enabled by the University's financial and accounting processing system. Those barriers notwithstanding, management has undertaken affirmative steps and made progress toward the creation of a semi-automated tool that expedites this process. The University's current financial reporting process does not allow for follow-through of the sourcing process of the cash flow model to the desired reporting frequency. Management wishes to produce readily available financial information, but it will need to allocate more resources to close the time gap in producing financial reporting and achieving a more robust and efficient process. The University has hired a consulting firm (Almodóvar Consulting) to assist in this matter.

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Upon receiving your initial letter of March 8, 2018, University representatives met with AAFAF officials to discuss the situation and design strategies to enhance the existing UPR cash

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flow model to meet your requirements. We understand that the University and AAFAF must still work to assure that the information the University submits to AAFAF reaches you in a timely manner and in the required formats. Representatives of the University and AAFAF are fine tuning the formats to be used in order to establish the timeline for reporting. We request an extension until May 14, 2018 so that we may complete the process.

Sincerely,



Darrel F. Hillman Barrera, DMD
Acting President

CC: Christian Sobrino Vega
Gerardo Portela Franco
Walter Alomar Jiménez
UPR Governing Board