



## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of Center for the  
Reconstruction of the Habitat, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Center for the Reconstruction of the Habitat, Inc. (a Puerto Rico Non-Profit Organization) (the "Organization"), which comprise the statement of financial position as of December 31<sup>st</sup>, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2025.

### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-01 and 2023-02 of which 2023-01 is considered to be a material weakness.



## CENTER FOR THE RECONSTRUCTION OF THE HABITAT, INC.

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

YEAR ENDED DECEMBER 31, 2023

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#### SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

<b>Finding Reference</b>	<b>2023-01</b>
<b>Requirement:</b>	Financial Reporting System
<b>Type of Finding:</b>	<b>Material Weakness in Internal Control (MW), Significant Deficiency (SD)</b>
<b>Condition:</b>	The Organization lacked the accounting practices, policies, and internal controls to recognize transactions and prepare its financial statements on a timely basis, in accordance with Accounting Principles Generally Accepted in the United States of America (“GAAP”). Financial records were not sufficiently detailed to support amounts in general ledger for several areas.
<b>Criteria:</b>	The Organization must maintain a financial reporting system that provides for the preparation of financial statements in accordance with Accounting Principles Generally Accepted in the United States of America.
<b>Cause of Condition:</b>	The Organization’s financial reporting system did not provide adequate accounting records to recognize timely revenues and receipts, expenditures, and other financial resources, together with the related assets, liabilities, and changes in net position.
<b>Effect of Condition:</b>	Significant adjustments were necessary to properly reflect accounts receivable, long-term debts and expenditures, among others, and present the Organization’s financial position and operating results in accordance with GAAP.
<b>Recommendation:</b>	The Organization should design and implement an integrated accounting system that would allow for the preparation of monthly closings, as well as the preparation of year-end financial statements in accordance with accounting principles generally accepted in the United States of America.
<b>Management’s Response:</b>	The Organization established an accounting department with a hierarchy where each position has defined duties and responsibilities, allowing for adequate segregation of tasks. It has also employed an electronic accounting system where all program transactions are carried out. The accounting department implemented monthly closing procedures to ensure records are up to date. Regular meetings are also held to maintain both the timeliness and reliability of information, thereby strengthening the internal control system.