López-Vega, CPA, PSC
Certified Public Accountants / Management Advisors

Member of:
- American Institute of Certified Public Accountants
- Puerto Rico Society of Certified Public Accountants

March 1, 2017

To the Honorable Mayor
and the Municipal Legislature
Municipality of Rio Grande
Rio Grande, Puerto Rico

In connection with our audit of the basic financial statements of the **Municipality of Rio Grande** as of and for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

Also, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatements, we performed test over the **Municipality of Rio Grande's** compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion or overall compliance with such provisions.

As a result of our evaluation, we noted certain areas where financial matters should be considered, procedures improved and administrative controls strengthened. This memorandum summarizes our comments and suggestions. These comments are not significant enough to be considered significant deficiencies as defined by AU Section 325. "Communicating Internal Control Related Matters Identified in an Audit". A separate report dated March 1, 2017 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 1, 2017 contain our report on compliance with laws, regulations, contracts, and grants based on an audit of the financial statements. This letter does not affect our report dated March 1, 2017 on the financial statements as of and for the year ended June 30, 2016.

We will hope to provide our services you in the next fiscal year audit. Thank you for your trust in our Firm.

Very truly yours,

Ángel Alfredo López Vega
President
López-Vega, CPA, PSC

Calle Paraná #1686, El Cerezal, San Juan, P.R. 00926-3144 – Tel. (787) 777-8044 / Fax (787) 764-9377

Municipality of Río Grande
Single Audit 2015-2016
Management Letter

I. Financial Matters

A. Expenditures for Goods and Services and Account Payables – Purchasing and Receiving

We performed a cash disbursement test and examined a sample of sixty (60) disbursement vouchers. The following will summarize the situations noted:

Deviation	Cases
The purchase order was not signed by the Department Director.	37
The invoice does not include supplier's statement about conflict of interest.	5
The functionary who asks for the quotations did not include its name, title, and signature in each stage of the quotation's process.	11
Invoice is not signed by the supplier.	6
The disbursement documentation such as Requisitions, Disbursement Vouchers, Purchase Orders, Invoices, and Receiving Reports was not mathematically accurate.	3
The purchase order was issued after the receiving of good or services.	4
The original invoice was not included in the justificants.	3
Disbursement voucher was not signed by the Mayor.	1
Disbursement voucher was not signed by the Director of Finance.	6
The functionary who authorized the purchase, did not prepare a certification that include its name, title and signature.	8
Original invoice was not marked as paid.	14
The requisition was not signed by Official Buyer.	1
Disbursement vouchers were not available for examination.	4

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that all disbursement vouchers contain all supporting documents before making the payment and are issued according to the applicable laws and regulations.

I. Financial Matters (Continued)

B. Payroll and Related Liabilities – Payroll Preparation and Timekeeping

Our test of twenty five (25) employee files revealed the following:

Deviation	Cases
The gross wage rate per payroll does not agree with the gross wage rate included in the employee's file.	1
Days taken by the employee for vacation were not discounted according to the employee's attendance card.	1
Days taken by the employee for sick level were not discounted according to the employee's attendance card.	1
Employee accumulated more than 2 ½ day per month per vacation concept.	4
Employee accumulated more than 1 ½ day per month for sick level.	4
Municipality doesn't provide evidence of employee attendance.	1

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation and perform periodically follow-up procedures in order to update such files.

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March 1, 2017

To the Honorable Mayor
and the Municipal Legislature
Municipality of Río Grande
Río Grande, Puerto Rico

In connection with our audit of compliance of the **Municipality of Rio Grande** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement in Accordance with the Uniform Guidance* applicable to each major federal programs for the year ended June 30, 2016 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Rio Grande's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As a result of our evaluation, we noted certain immaterial matters involving the internal control over compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement in Accordance with the Uniform Guidance* applicable to each major federal programs for the year ended June 30, 2016, as identified in the summary of auditors' results section of the schedule of findings and questioned costs, where procedures should be improved and administrative controls strengthened. This letter summarizes our comments and suggestions. These comments are not significant enough to be considered significant deficiencies by AU Section 801 "Compliance Audit". A separate report dated March 1, 2017 contains our report on compliance with the types of compliance requirements described in the *US. Office of Management and Budget (OMB) Compliance Supplement in Accordance with the Uniform Guidance*, and our report on internal control over such compliance requirements. This letter does not affect our report dated March 1, 2017 on the financial statements as of and for the year ended June 30, 2016.

We will hope to provide our services you in the next fiscal year audit. Thank you for your trust in our Firm.

Very truly yours,

Ángel Alfredo López Vega
President
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II. Compliance Matters

A. Cash Management

Our test of the Community Development Block Grants - Entitlement Program, revealed the following:

CFDA No.	Deviation	Cases
14.218	We found a delay of more than three (3) days between the day that the Municipality received the funds and the disbursement day.	4
14.218	We found a difference on the amount requested and the amount needed.	2

Recommendation:

We recommend Management strengthens its disbursement procedures to minimize the time elapsed between the transfer of funds and the disbursements made by the Municipality.

B. Reporting

We performed a reporting test of the Child Care Development Block Grant Program. The following summarize the deficiencies found:

CFDA No.	Deviation	Cases
93.575	Closing Report was not summited timely.	1

Recommendation:

We recommend management to strengthen its controls and procedures in order to assure that the submission of the reports are made in a timely manner.

C. Eligibility

We performed an eligibility test and examined a sample of fifteen (15) participant files of the Child Care Development Block Grant Program. The following summarize the deficiencies found:

CFDA No.	Deviation	Cases
93.575	Difference in the family contribution calculation.	4

Recommendation:

We recommend Management strengthens its controls procedures in order to ensure that the calculations of the family contribution were established by federal agencies requirements.

II. Compliance Matters (Continued)

D. Procurement and Suspension and Debarment

In our contract test of five (5) contracts of the Community Development Block Grants - Entitlement Program, we found the following deviations:

CFDA No.	Deviation	Cases
14.218	Contract did not include provision for granting access to GAO or other federal agency, to books, documents, etc.	4
14.218	Contract did not include provision for retention of all required records for three years.	4

Recommendation:

We recommend to management to update the contracts samples so that all required clauses are included in a manner that can meet the procurement federal requirements.

E. Special Test and Provisions – Housing Rehabilitation

During our examinations for the Community Development Block Grants - Entitlement Program, in fifteen (15) files related to the housing rehabilitation activities performed during fiscal year 2015-2016, we noted the following situations:

CFDA No.	Deviation	Cases
14.218	Final inspection was not documented.	9
14.218	Contract was not in the participant file.	1
14.218	There was no evidence of disability in the participant file.	4

Recommendation:

We recommend the Program's Management establishes an internal control procedure or monitoring process to ensure the completeness of the required information. It is necessary to maintain a complete documentation according with the proposal for the compliance of the federal laws and regulations.