MUNICIPALITY OF GUAYAMA

MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2016

ORTIZ, RIVERA, RIVERA & CO.
CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES
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Puerto Rico Board of Certified Public Accountants

March 23, 2017

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Municipality of Guayama as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Municipality of Guayama 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 the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality'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 controls 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 matters involving the internal control and other operational matters that are presented for your consideration.

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.

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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 following deficiencies in internal control to be significant deficiencies:

A. CASH

1. The Municipality maintained inactive bank accounts during the fiscal year 2015-2016. Those were:

Empréstito $380,000	300030-430-001-528-01
Empréstito $4,590M	300030-430-001-510-04
Empréstito $425,000	300030-430-001-510-01
Empréstito $5,105M	300030-430-001-527-01
Empréstito $355,000	300030-430-001-520-01
Empréstito $825M	300030-430-001-510-03
Empréstito $1,810M	300030-430-001-520-05
Empréstito $960,000	300030-430-001-002-08
Empréstito $355,000	300030-430-001-002-02
Empréstito $400,000	300030-430-001-002-01
Empréstito $585,000	300030-430-001-002-03
Código de Órden Público	078-063256
Cimarona Villodas	078-029058

Recommendation

The Finance Department should close inactive bank accounts in order to avoid this situation.

B. PAYROLL TEST

The Municipality's system of internal control over payroll and personnel is effectively ensuring the completeness of the employees' files. The findings of this test were the following:

Employee Name	CONDITION
Elias S. Alvarado	3
Heriberto Colón Berios	1
Walter De Jesús Valles	3
Geraldo Díaz Soto	2

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Employee Name	CONDITION
Gabriel Díaz Vázquez	4
Nilmarie Guevarra Negrón	1,2
Sidney Harris González	1,3
Leslie Muñoz Rivera	4
Clarita Orengo Burgos	4

Legend

1. Copy of the social security not observed
2. Copy of the birth certificate not observed
3. Good behavior certificate not observed
4. Form I-9 not observed

Recommendation

The Human Resources Director should revise the employees' files and make every effort to complete the records.

The information in this letter is intended solely for the use of those charged with governance of Municipality of Guayama and is not intended to be and should not be used by anyone other these specified parties.

We sincerely appreciate the opportunity to provide services to Municipality of Guayama and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss any of the items further, please let us know.

Cordially,

Ortiz, Rivera, Rivera & Co.

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