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 27, 2017

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

In connection with our audit of the basic financial statements of the **Municipality of Ponce** 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 tests over the **Municipality of Ponce'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 on 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 27, 2017 contains our report on significant deficiencies in the Municipality's internal control structure, and a separate report dated March 27, 2017 contains 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 27, 2017 on the financial statements as of and for the year ended June 30, 2016.

We will hope to provide our services for the next fiscal year's 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

I. Financial Matters

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

During our examination of the Municipality's procedures related to the purchasing and receiving processes, we examined fifty-two (52) disbursement vouchers pertaining to the General Fund. The following will summarize the internal control exceptions:

Deviation	Cases
The purchase order is signed by the Finance and Budget Secretary.	1
The disbursement voucher is not available in the single audit.	8

Recommendation:

We recommend the Municipality improves its internal control procedures in order to ensure that the disbursement vouchers are documented as required by regulation.

B. Payroll and Related Liabilities – Personnel, Employment and Rate Authorizations

Our test of thirty (30) employee's files revealed the following:

Deviation	Cases
We did not find evidence the updated report that states the employee's actual salary and position.	10

Recommendation:

We recommend the Municipality reviews the personnel files to ensure completeness of the required documentation and performs periodically follow-up procedures in order to update such files

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

In connection with our audit of compliance of the **Municipality of Ponce** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* 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 Ponce'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 (*OMB*) Super Circular.

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. 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 as defined by SAS 117 "Compliance Audit". A separate report dated March 27, 2017 contains our report on 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,* and our report on internal control over such compliance requirements. This letter does not affect our report dated March 27, 2017 on the financial statements as of and for the year ended June 30, 2016.

We hope to provide our services for the next fiscal year's 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 one (1) cash advances or requisitions from the Child and Adult Care Food Program (CFDA 10.558) revealed the following:

CFDA No.	Deviation	Cases
10.558	Differences in the calculation of the rations served in the month of October 2015	1
	The account generated charge of services in July 2015.	1

Recommendation:

We recommend that the Municipality should establish adequate control and procedures in order to assure that accounting records are maintained and accurate reports are submitted to the Federal and State programs. This situation, if unattended, could result in future reportable condition of material weakness for the Municipality.

B. Special Tests and Provisions – Quality Control Reinspections – Section 8 Housing Choice Voucher Program (CFDA 14.871)

CFDA No.	Deviation	Cases
14.871	The reinspection form is due to 30 days calendar.	6

Recommendation:

It is recommended to include in the Administrative Plan these procedures of quality control for the maintenance of the Quality Control Inspections; this will lead to the compliance of this requirement.

C. Procurement and Suspension and Debarment

In our audit of the contract procurement process of the Child and Adult Care Food Program (CFDA 10.558) we found the following deviations:

CFDA No.	Deviation	Cases
10.558	The contracts not include provision for retention of all required records for three years.	3

Recommendation:

We recommend the designated personnel of the procurement process improves its internal control methods and procedures in order to ensure that the information presented in the contracts is complete and clear and the proposal evaluations were celebrated in a reasonable order.