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 Juncos
Juncos, Puerto Rico

In connection with our audit of the basic financial statements of the Municipality of Juncos 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 Juncos'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 27, 2017 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 27, 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 27, 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.

Cordially,

Angel Alfredo López Vega, CPA
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 Accounts Payable – Purchasing and Receiving

During our examination of the Municipality's procedures related to the purchasing and receiving process, we examined eleven (11) disbursement vouchers of Community Development Block Grant, eight (8) disbursement vouchers of Child Care, eleven (11) disbursement vouchers of Food Program, seven (7) disbursement vouchers of Capital Project and Special Revenues Funds Local and twenty-three (23) disbursement vouchers of the General Fund for a total of sixty (60) vouchers. The following will summarize the internal control exceptions noted:

Deviation	Cases
The Invoice was not marked as paid.	2
The disbursement voucher documentation does not include the certification of goods or services received.	6
The check amount was greater than the obligated amount in the Purchase Order.	1
The purchase was made by quotation, but had to be done by bid.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that disbursement vouchers contain all supporting documents before making the payment and disbursement process is followed as established by law.

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

Our test of fifteen (15) employee's files revealed the following:

Deviation	Cases
The I-9 was not in the employee's file.	2
According to the Assistance Card the employee worked all days, but on the Compensated Absences Card was discounted one day of vacation.	1
Regular and sick leave vacations days by Compensated Absences Cards don't agree with the License Record Prepared by the Municipality.	2

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation. Also, we recommend that the Human Resources Department should review the License Record Detail to correct any discrepancy.

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March 27, 2017

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

In connection with our audit of compliance of the Municipality of Juncos 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 Juncos'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 will hope to provide our services you in the next fiscal year audit. Thank you for your trust in our Firm.

Cordially,

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

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II. Compliance Matters

A. Cash Management

Our test of requisitions of the nine (9) requisition of Community Development Block Grant- State's Program and one (1) requisition of Child Care and Development Block Grant Program revealed the following:

CFDA No.	Deviation	Cases
14.228	They took more than 5 days between the deposit of the petition and the disbursement.	2
93.575	They requested more cash than the needed.	1

Recommendation:

We recommend to the Management of the Federal Program's to strengthen its controls and procedures in order to assure compliance with the agreement and to establish a procedure with the pass-through agencies that permits disburse the fund in a reasonable lapse of time required by laws and regulations. We recommend to the Federal Program's Management prepare a monthly reconciliation of checks paid against the funds received on each requisition to adjust the request of funds and reduce the cash balances in the account.

B. Equipment and Real Property Management

Our test of equipment and real property revealed the following:

CFDA No.	Deviation	Cases
10.760	The Municipality does not assigned a property number to a truck	1

Recommendation:

We recommended management to strengthen its internal controls and procedures in order to assure that all equipment acquired by the Municipality be assigned a number.

C. Reporting

Our test of quarterly and final reports of the Community Development Block Grant- State's Program revealed the following:

CFDA No.	Deviation	Cases
14.228	The Financial Quarterly Reports was submitted between three (3) and eight (8) days late after the due date.	3

Recommendation:

We recommended management to strengthen its controls and procedures in order to assure that the Program complies with the deadlines of report submissions.

D. Allowable Activities – Housing Rehabilitation Test

Our test of five (5) participants' files of the Community Development Block Grant – State's Program revealed the following:

CFDA No.	Deviation	Cases
14.228	Housing rehabilitation took more than 18 months and still in process during our audit procedures.	2

Recommendation:

We recommend that management to strengthen its internal controls to ensure that housing rehabilitation works were finalize on or before the deadline.

E. Allowable Activities – Eligibility

We performed an eligibility test related with the Child Care and Development Block Grant Program and found the following:

CFDA No.	Deviation	Cases
93.575	There was no evidence of family composition in the participant file.	4
93.575	There was no evidence of income in the participant file.	1
93.575	The participant monthly income calculation was not according to the Guide Program.	1

Recommendation:

We recommended management to strengthen its controls and procedures in order to assure that the Program complies with all requirement documentation in the files as established by the Program.