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Certified Public Accountants / Management Advisors

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

March 14, 2018

To the Executive Director
Local Workforce Development Area La Montaña
Barranquitas, Puerto Rico

In connection with our audit of the basic financial statements of the **Local Workforce Development Area La Montaña (LWDA's)** as of and for the year ended June 30, 2017, 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 **LWDA'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 14, 2018 contains our report on the **LWDA's** internal control structure over financial reporting. Also, a separate report dated March 14, 2018 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 14, 2018 on the financial statements as of and for the year ended June 30, 2017.

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

Cordially,

Ángel Alfredo López Vega, CPA
President

López-Vega, CPA, PSC

Local Workforce Development Area La Montaña
Single Audit 2016-2017
Management Letter

I. Public Policy on Procurement Process- Training Services

During the test for proposal of eligible providers, we noted that all training services offered to participants are provided through contracts. In the case of Adults and Dislocated Workers, the law established that those services should be provided through the use of Individual Training Accounts (ITA) as required in the WIOA Act Section 134 (c) (3) (G) (i). However, training services may be provided pursuant to a contract services in lieu of an ITA if certain circumstances are present as established in Section 134 (c) (3), (G) (ii) and described below:

(II) such services are on-the-job training, customized training, incumbent worker training, or transitional employment;

(III) the local board determines there are an insufficient number of eligible providers of training services in the local area involved (such as in a rural area) to accomplish the purposes of a system of individual training accounts;

(IV) the local board determines that there is a training services program of demonstrated effectiveness offered in the local area by a community- based organization or another private organization to serve individuals with barriers to employment;

(V) the local board determines that— (aa) it would be most appropriate to award a contract to an institution of higher education or other eligible provider of training services in order to facilitate the training of multiple individuals in in-demand industry sectors or occupations; and (bb) such contract does not limit customer choice; or

(VI) the contract is a pay-for-performance contract.

Accordingly, the **LWDA** as a local rural area (III) and also under circumstances such as (IV) and (V) may provide training services through contracted services. We noted that the **LWDA** has developed a written public policy for the use of Individual Training Accounts (ITA) and the exceptions for the use of contracts when applicable to the Local Area. However, the use of the exceptions described in the public policy is not documented on the contract file, when the training services are provided through contracted services instead of ITA.

Recommendation:

We recommend to the **LWDA's** Local Board, properly document the exception used in the contract file, once approved by the Local Board.