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 28, 2018

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, 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 **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 28, 2018 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 28, 2018 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 28, 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,

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 fifteen (15) disbursement vouchers of Community Development Block Grant, five (5) disbursement vouchers of Child Care, five (5) disbursement vouchers of Food Program, five (5) disbursement vouchers of Section 8, five (5) disbursement vouchers of Housing Opportunities for Persons With AIDS Program, five (5) disbursement vouchers of Title III, fifteen (15) disbursement vouchers of Capital Project and Special Revenues Funds Local and ten (10) disbursement vouchers of the General Fund for a total of sixty-five (65) vouchers. The following will summarize the internal control exceptions noted:

Deviation	Cases
The Invoice was not marked as paid.	2
The disbursement vouchers don't have the date.	10
The Quotation Record for the disbursement voucher contains only one Supplier.	6
The disbursement vouchers don't contain the Requisition.	2
The Invoice was issue before the Purchase of Order.	10
The disbursement was for the payment of an invoice (certification), but the evidence of the work done that contains the file was for another invoice (certification).	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

During our examination of the Municipality's procedures related to the payroll and related liabilities

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

process, we examined fifteen (15) employee's files. The following will summarize the internal control exceptions noted:

Deviation	Cases
The direct deposit authorization was not in the employee's file.	3
The Assistance Card doesn't agree with the Compensated Absences Card.	3
The salary of the employee in the Change Report doesn't agree with the License Report prepared by the Municipality.	1
The position of the employee in the Change Report don't agree with the License Report prepared by the Municipality	2
Regular and sick leave vacations days by Compensated Absences Cards don't agree with the License Report 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.

C. Cash Receipts

Our test of twenty-five (25) cash receipts revealed the following:

Deviation	Cases
The amount of the payment is not the same as the calculation of the Municipal License Tax.	2
The collections were from federal program but the deposits were not made in a separate bank account established for that purpose.	2
The collections were not deposit the same day or in the next labor day of its collection. The deposits were made between one and six days later.	10
The evidence of calculation or agreement for the collections of the pass-due Municipal Licenses Tax was not in the file	2
The contract agreement for the calculation of the tax was not in the file.	2

C. Cash Receipts (Continued)

Recommendation:

We recommend that the Municipality implement internal controls to safeguard the Municipal License Tax files.

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March 28, 2018

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, 2017 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, 2017, 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 28, 2018 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 28, 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,

Angel Alfredo López Vega, CPA
President
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II. Compliance Matters

A. Cash Management

Our test of average balance for the bank account of the Section 8 Housing Assistance Payment Program revealed the following:

CFDA No.	Deviation
14.195	They requested more cash than the needed. The average balance of the account was $83,090.93.

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. Allowable Activities – Eligibility

We performed an eligibility test related with the Section 8 Housing Assistance Payment Program and found the following:

CFDA No.	Deviation	Cases
14.195	There was no evidence of income in the participant file.	1
14.195	The HAP 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.

C. Program Income

Our test of the Program Income received for Community Development Block Grants States Program revealed the following:

CFDA No.	Deviation	Cases
14.228	The Program Income Reports was submitted between sixteen (16) and one hundred eight (108) days late after the due date.	1

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. Reporting

Our test of reports of the Section 8 Housing Assistance Payment Program and Community Development Block Grant- State's Program revealed the following:

CFDA No.	Deviation	Cases
14.195	The Monthly Reports of Voucher for Payment and Operating Statement was submitted one (1) day late after the due date.	1
14.195	Difference between Accounting Records and the Monthly Reports of Voucher for Payment and Operating Statement	12
14.228	The Quarterly Reports was submitted between four (4) and eighteen (18) days late after the due date.	3

Recommendation:

We recommended management to strengthen its controls in order to assure that the Program complies with the deadlines of report submissions and implement the procedures to assure that the reports are prepare according to the accounting records.

E. Special Test and Provisions

Our special tests of the Section 8 Housing Assistance Payment Program Community Development Block

E. Special Test and Provisions (Continued)

Grant – State's Program revealed the following:

CFDA No.	Deviation	Cases
14.195	The Waiting List doesn't contain racial or ethnic designation of the head household.	N/A
14.228	Housing rehabilitation took more than 18 months and still in process during our audit procedures.	2

Recommendation:

We recommend that management to add a column on the waiting list to assure that the head household can establish the racial and the ethnic. Also, strengthen its internal controls to ensure that housing rehabilitation works were finalized on or before the deadline.