López-Vega, CPA, PSC
Certified Public Accountants / Management Advisors

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

September 21, 2018

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

In connection with our audit of the basic financial statements of the **Municipality of Rio Grande** 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 Rio Grande'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 September 21, 2018 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated September 21, 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 September 21, 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.

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

Municipality of Río Grande
Single Audit 2016-2017
Management Letter

I. Financial Matters

A. Cash Receipts

Our test of fifteen (15) cash receipts transactions revealed the following:

Deviation	Cases
Amount in Declaration of Business Volume does not match with amount per taxpayers' financial statements.	1
Copy of Municipal License Tax Certificate was not found in taxpayers' file.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that the cash receipts and revenue register procedures are documented as established by regulation.

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

We performed a cash disbursement test and examined a sample of sixty (60) disbursement vouchers. The following will summarize the situations noted:

Deviation	Cases
Disbursement vouchers did not include evidence of at least three (3) quotations.	27
Disbursement voucher did not include the requisition form.	17
The functionary who asks for the quotations did not include its name, title, and signature in each stage of the quotation's process.	5
There's no receiving report or certification of the Municipality's employee who have knowledge of receiving the goods or services	5
The disbursement documentation such as Requisitions, Disbursement Vouchers, Purchase Orders, Invoices, and Receiving Reports was not mathematically accurate.	1
The original invoice was not included in the justificants of the disbursement voucher.	5
The disbursement documentation such as Requisitions, Disbursement Vouchers, Purchase Orders, Invoices, and Receiving Reports were not marked as paid	14
The Disbursement Vouchers was not pre-numbered	5

I. Financial Matters (Continued)

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that all disbursement vouchers contain all supporting documents before making the payment and are issued according to the applicable laws and regulations.

Also, during our examination of the Municipality's procedures related to the purchasing and receiving process we examined five (5) bids for the acquisition of goods and services and we noted the following situations:

Deviation	Cases
Bid process file does not include evidence of publication of announcement on a general circulation newspaper ten (10) days before formal bid date.	4
The purchase order was not issued ten (10) days after adjudgment letter.	1

Recommendation:

We recommend management to improve its monitoring procedures to assure that contracts and bids files include all the supporting documents and approvals in compliance with laws and regulations.

C. Payroll and Related Liabilities – Payroll Preparation and Timekeeping

Our test of twenty five (25) employee files revealed the following:

Deviation	Cases
W-4 form not included in the employee file	6
I-9 form not included in the employee file	1
Employee information is not available in the Compensated Absence Detail provided by the Municipality	1

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation and perform periodically follow-up procedures in order to update such files.

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September 21, 2018

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

In connection with our audit of compliance of the **Municipality of Rio Grande** 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* 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 Rio Grande'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 the Uniform Guidance.

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.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 by AU Section 801 *"Compliance Audit"*. A separate report dated September 21, 2018 contains our report on compliance with the types of compliance requirements described in the *US. 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 September 21, 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.

Very truly yours,

Ángel Alfredo López Vega
President
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II. Compliance Matters

A. Cash Management

Our test of the Community Development Block Grants - Entitlement Program, revealed the following:

CFDA No.	Deviation	Cases
14.218	We found a delay of more than five (5) days between the day that the Municipality received the funds and the disbursement day.	1

Recommendation:

We recommend Management strengthens its disbursement procedures to minimize the time elapsed between the transfer of funds and the disbursements made by the Municipality.

B. Equipment and Real Property Management

Our Equipment and Real Property Management test revealed the following:

Program	Deviation	Cases
14.218	The property acquired during the year is not marked with property tag with its corresponding property number.	5

Recommendation:

We recommend the Municipality to strengthen its internal control procedures in order to assure that the program maintains proper records of the equipment to comply with program requirements and regulations.

C. Reporting

We performed a reporting test of the Child Care Development Block Grant Program. The following summarize the deficiencies found:

CFDA No.	Deviation	Cases
93.575	We could not obtain evidence that the quarterly and closing reports were submitted in a timely manner.	Overall

Recommendation:

We recommend management to strengthen its controls and procedures in order to assure that the submission of the reports are made in a timely manner.

II. Compliance Matters (Continued)

D. Special Test and Provisions – Housing Rehabilitation

During our examinations for the Community Development Block Grants - Entitlement Program, in fifteen (15) files related to the housing rehabilitation activities performed during fiscal year 2016-2017, we noted the following situations:

CFDA No.	Deviation	Cases
14.218	Rehabilitation did not meet the original due date (18 months)	7
14.218	The file did not include a copy of the purchase order	1
14.218	Rehabilitation contract was not included in the participants' file	1

Recommendation:

We recommend the Program's Management establishes an internal control procedure or monitoring process to ensure the completeness of the required information. It is necessary to maintain a complete documentation according with the proposal for the compliance of the federal laws and regulations.