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

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

June 12, 2018

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

In connection with our audit of the basic financial statements of the **Autonomous Municipality of Dorado** 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 **Autonomous Municipality of Dorado'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 June 12, 2018 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated June 12, 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 June 12, 2018 on the financial statements as of and for the year ended June 30, 2017.

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

Very truly yours,

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

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

Deviation	Cases
• The balance included in the license detail does not agree with the balance of the cumulative cards.	5

Recommendation:

We recommend the Municipality to improve its procedures to assure that the Human Resources Department maintains updated employees' files.

B. Expenditures for Goods and Services and Accounts Payable – Purchasing

During our examination of the Municipality's procedures related to the purchasing and receiving process we examined sixty (60) disbursement vouchers and we noted the following situations:

Deviation	Cases
• Disbursement voucher was not available for examination.	1
• The purchase requisition amount does not agree with disbursement documentation.	1
• The functionary who asked for quotations did not include its name, title and signature in each stage of quotation process.	2
• The functionary who authorized the purchase did not sign the quotation record.	2
• Purchase order was not included in disbursement documentation.	1
• Original invoice was not included in disbursement documentation.	1
• Purchase requisition was not included in disbursement documentation.	1
• No evidence of receiving report or certification of the Municipality's employee who have knowledge of the receiving of goods and services.	1

• Disbursement voucher was not signed by Official Payer.	2
• There was no evidence of quotation process.	2
• The invoice was not marked as paid.	1
• The purchase order was made after the goods or services were received.	5

Recommendation:

We recommend management to improve its monitoring procedures to assure that disbursements include all the supporting documents and approvals in compliance with 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
• One (1) contract, related to housing rehabilitation, did not include evidence of paid Municipal License Tax, Municipal Excise Tax and copy of the general liability insurance.	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.

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June 12, 2018

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

In connection with our audit of compliance of the **Autonomous Municipality of Dorado** 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 **Autonomous Municipality of Dorado'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 as defined by AU Section 801 "*Compliance Audit*". A separate report dated June 12, 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 June 12, 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,

Angel Alfredo López Vega
President

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II. Compliance Matters

A. Cash Management- Days Elapsed

During our Cash Management-Days Elapsed Test of Early Head Start Program, we found the following situations:

Program	Deviation	
93.600	The program disbursed amounts more than five (5) days after receiving cash requests. Days elapsed between six (6) and fifteen (15) days.	8

Recommendation:

We recommend management to follow cash management system procedures developed by it in order to assure that funds requested are disbursed as required by regulation.

B. Cash Management- Average Balance

During our Cash Management Test of Early Head Start Program, we found the following situations:

Program	Deviation
93.600	During four (4) months the bank reconciliations reflects overdrafts.

Recommendation:

We recommend management to follow cash management system procedures developed by it in order to assure that funds requested are disbursed as required by regulation.

C. Reporting Test

In our Reporting Test of Section 8 Housing Choice Voucher Program, we found the following situations:

Program	Deviation
14.871	The report (REAC- Unaudited/ A133) was submitted 168 days after due date.

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.