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 28, 2018

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

In connection with our audit of the basic financial statements of the **Municipality of Toa Baja** 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 Toa Baja'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 28, 2018 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated September 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 September 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.

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 Toa Baja
Single Audit 2016-2017
Management Letter

I. Financial Matters

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

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

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
The gross wage rate per payroll do not agree with the gross wage rate included in the employees' file.	1
I-9 form not included in the employee file	1
The regular vacations days at 06/30/17 per Compensated Absences Cards do not agree with License Records prepared by client.	7
The sick leave days at 06/30/17 per Compensated Absences Cards do not agree with License Records prepared by client.	17

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 28, 2018

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

In connection with our audit of compliance of the **Municipality of Toa Baja** 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 Toa Baja'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 28, 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 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.

Very truly yours,

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

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II. Compliance Matters

A. Cash Management

Our test of the Section 8 Housing Choice Voucher Program, revealed the following:

CFDA No.	Deviation	Cases
14.871	The average leasing rate of occupancy was 84% instead a 95% as required, this means that the program did not use all vouchers approved to the Municipality.	1

Recommendation:

The management must perform an exhaustive analysis of the Fair Market Rent used for HAP calculation in order to prevent an excessive cash balance in its books and to promote the program between potential unit lessees to assure the 95% leasing rate.

B. Special Test and Provisions-Housing Assistance Payment

In our Special Test and Provisions – Housing Assistance Payment we identified the following:

Program	Deviation	Cases
14.871	- Participant's address was not included in the HAP Register.	2
	- HAP Register do not include size of unit (# of rooms).	10

Recommendation:

We recommend management to improve its monitoring procedures in order to assure that an updated HAP Register is maintained that contains all applicable information about participant and housing unit owner.

C. Special Test and Provisions-Program Governance

In our Head Start Program/Early Head Start Program Special Test and Provisions Test– Program Governance, we identified the following:

Program	Deviation	Cases
93.600	The background of the Program Governance Board members was not available. We could not validate that any member of the Board had a background in fiscal management or accounting or was a licensed attorney.	1

Recommendation:

We recommend management to evaluate the preparation and experiences of the members selected to be part of the Program Governance Board.