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 18, 2019

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

In connection with our audit of the basic financial statements of the **Local Area of Workforce Development Area La Montaña (LAWD's)** as of and for the year ended June 30, 2018, 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 **LAWD'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 18, 2019 contains our report on the **LAWD's** internal control structure over financial reporting. Also, a separate report dated March 18, 2019 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 18, 2019 on the financial statements as of and for the year ended June 30, 2018.

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

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I. Disbursement Test

As part of our audit procedures, we perform test of controls over 40 disbursements, to verify that transactions were supported by appropriate documentation and properly approved. As a result of our test we noted the following situation:

- One (1) disbursement did not contain the pre -intervention checklist. However, the disbursement voucher included all the necessary documents needed previous to the disbursement of funds and the pre-intervention stamp was noted.

Recommendation

Proper monitoring procedures should be followed by the Finance Department to make sure that necessary documents were properly filed with its respective disbursement voucher.

II. Payroll and Employee Files Test

We selected a sample of 10 employees' files to examined procedures related to payroll disbursements, accrued compensated absences and documents that should be included in the employee file. As a result of our test, we noted the following missing information:

- Three (3) employees' files did not contain the authorization for direct deposit.

Recommendation

Internal controls should be followed by the Human Resources Department in order to review and update the employees' files. Any missing documents should be requested from the employee.

III. Eligible Service Provider Proposals Test

We selected a sample of 15 service provider proposals to verify that the files document the significant history of the contracted services and that it include the necessary documents or certifications. As a result of our test, we noted the following:

- One (1) proposal of a service provider did not contain the Inspection Report and evidence of visit to the provider's facilities.

Recommendation

Internal controls should be followed by the Operations Department in order to review and complete all documents or reports at the time that is needed and properly file it in the service providers' files.

The information included on this letter is intended solely for the use of those charged with governance of the **LAWD** and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely appreciate the opportunity to provide services to the **LAWD** and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss any of the items further, please let us know.