# MUNICIPALITY OF CIALES

## MANAGEMENT LETTER
## FOR THE YEAR ENDED
## JUNE 30, 2018

ORTIZ, RIVERA, RIVERA & CO.
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**Members:**
American Institute of Certified Public Accountants (AICPA)
AICPA's Private Companies Practice Section (PCPS)
Puerto Rico Board of Certified Public Accountants

March 21, 2019

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

Dear Sirs and madams:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Municipality of Ciales as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Municipality of Ciales's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipality of Ciales's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipality of Ciales's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

## A. CASH

1. The Municipality has some bank accounts inactive during the fiscal year 2017-2018. Those are:

| Account Name | Account Number |
|---|---|
| Parque Urbano | 063 260964 |
| PR en Forma | 063 221489 |
| Mantenimiento de Escuelas | 063 279975 |
| Ley 84 | 063 050579 |

Recommendation

The Finance Department should verify which bank accounts will be in use and then close the inactive bank accounts in order to avoid this situation.

2. We observed that some bank account reconciliations as of June 30, 2018, include checks outstanding made for more than six months. Based on the Municipal Administration Regulation, Chapter IV, Section 13, the outstanding checks for more than six months after made should be cancelled and the amount included in the cash balance. Those are:

| Account Name | Account Number |
|---|---|
| Cuenta Corriente | 063-867419 |
| Reciclaje | 063-070847 |
| Emergencias Médicas | 063-070057 |
| Nómina | 063-831368 |
| Section 8 - Vouchers | 063-831392 |
| Fema - Lluvias oct 2010 | 194-60349 |

Recommendation

Based on the Regulation for the Municipal Administration, Chapter IV, Section 13, that monthly, after the conciliation was made, the list of checks outstanding should be verified in relation to the checks with more than six months of made. Those checks should be reimbursement to the account with the corresponded procedure.


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## B. CONTRACT TEST

We observed some contracts of our sample were submitted to the Puerto Rico Comptroller's Office after the 15 days required. Those are:

| Contract Number | Date Signed | Date Submitted | Days in Excess |
|---|---|---|---|
| 2018-030 | July 11, 2017 | July 27, 2017 | 1 |
| 2018-032 | July 11, 2017 | July 27, 2017 | 1 |
| 2018-035 | July 11, 2017 | July 27, 2017 | 1 |
| 2018-039 | July 11, 2017 | July 27, 2017 | 1 |

Recommendation

The Municipality should be aware of the requirements of submission on time of the signed contract.

## C. INTERFUND BALANCES

The Finance Department obtained loans and/or paid expenses from other programs and then receives the reimbursements. Some of these transactions were not recorded on accounting books and debt balances cannot be clearly determined.

Recommendation

Interfunds balances should be carefully monitored by the accounting personnel. In addition, differences identified should be reconciled promptly to prevent misstatements in the financial records.

This communication is intended solely for the information and use of management, Mayor and Municipal Legislature, and others within Municipality of Ciales, and is not intended to be and should not be used by anyone other than these specified parties.

We believe that the implementation of these recommendations will provide the Municipality of Ciales with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

Cordially,

Ortiz, Rivera, Rivera & Co.

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