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 15, 2019

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

In connection with our audit of the basic financial statements of the **Municipality of Juncos** 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 **Municipality of Juncos'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 15, 2019 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 15, 2019 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 March 15, 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,

Angel Alfredo López Vega, CPA
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. Expenditures for Goods and Services and Accounts Payable – Purchasing and Receiving

During our examination of the Municipality's procedures related to the purchasing and receiving process, we examined ten (10) disbursement vouchers of Child Care, one (1) disbursement voucher of Disaster Grants- Public Assistance and fifty (50) disbursement vouchers of the General Fund for a total of sixty-one (61) vouchers. The following will summarize the internal control exceptions noted:

Deviation	Cases
The payment was made before the purchase order	6
The disbursement vouchers did not include the required signatures	1
The disbursement documentation included only one (1) quotation.	3
The disbursement documentation included only one of the two disbursement vouchers required to justify the whole disbursement.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that disbursement vouchers contain all supporting documents and all signatures to approve the disbursement before making the payment. Also, we recommend that the Municipality implement internal controls to safeguard the disbursement vouchers.

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

Process, we examined fifteen (25) employee's files. The following will summarize the internal control exceptions note.

Deviation	Cases
The employee's file did not include the I-9 Form.	2
The I-9 form was not signed by the functionary or his representative	3

B. Payroll and Related Liabilities – Personnel, Employment and Rate Authorizations (Continued)

Deviation	Cases
The Assistance Card doesn't agree with the Compensated Absences Card	8
Regular and sick leave vacations days by Compensated Absences Cards don't agree with the License Report prepared by the Municipality.	1

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation. For the Assistance Card, we recommend that the Compensated Absences Card balance were maintained in accordance to de monthly employee Assistance Cards. Also, we recommend that the Human Resources Department should review the License Record Detail for guarantee that the balance presented were validate with the compensated absences card.

C. Cash Receipts

Our test of twenty-five (35) cash receipts revealed the following:

Deviation	Cases
The contract agreement for the computation of the tax was not available in the file.	1
The collections were not deposit the same day or in the next labor day of its collection.	2
The collection was not deposited in the bank account assigned for that purpose.	3

Recommendation:

We recommend that the Municipality implement internal controls to safeguard the Municipal License Tax files. Also, the Municipality must ensure that daily receipts were deposit the same day or the next business day of the collection in a separate bank account for specific purpose of the collection account.

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

In connection with our audit of compliance of the **Municipality of Juncos** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each major federal programs for the year ended June 30, 2018 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Juncos'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 (*OMB*) Super Circular.

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. 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, 2018, 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 SAS 117 "Compliance Audit". A separate report dated March 15, 2019 contains our report on 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,* and our report on internal control over such compliance requirements. This letter does not affect our report dated March 15, 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,

Angel Alfredo López Vega, CPA
President
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II. Compliance Matters

A. Cash Management

Our test of average balance for the bank account of the Child Care and Development Block Grant revealed the following:

CFDA No.	Deviation	Cases
93.575	Municipality took more than five days to reimburse to expenditures to general fund.	Overall
93.575	The average balance per month was excessive ($72,948).	Overall

Recommendation:

We recommend to the Program Management strengthen its controls and procedures in order to establish a procedure that permits disburse the fund in a reasonable lapse of time required by laws and regulations.

B. Allowable Activities – Eligibility

We performed an eligibility test related with the Child Care and Development Block Grant Program and found the following:

CFDA No.	Deviation	Cases
93.575	The eligibility request form was submitted after the participant received services.	5
93.575	The eligibility certification was not signed by the technical o eligibility assistance.	2
93.575	The eligibility certification was signed after the participant received services.	3
93.575	The calculation certification was not signed by the program functionary.	11
93.575	The family composition was not the same as the described in the eligibility and calculation certification.	1

C. Allowable Activities – Eligibility (Continued)

CFDA No.	Deviation	Cases
93.575	There no evidence of the family composition in the participant file.	3
93.575	The family contribution calculation was not in accordance to median income family.	2

Recommendation:

We recommend management to improve its internal controls in order to assure that the process of eligibility of participants was according to the Procedures Manual of the program. Also, they should verify all certifications issued of the program to be signed by officials. For the eligibility calculation, management should be performed according to family composition and to the median income family of the same size and reside with a parent who is working or attending a job-training or education program. The management should strength its controls and procedures to assure that the Program complies with all requirement documentation in the files as established by the Program.