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

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

May 15, 2019

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

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

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 Río Grande
Single Audit 2017-2018
Management Letter

I. Financial Matters

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

We performed a cash disbursement test and examined fifty-three (53) Disaster Grants-Public Assistance and seven (7) from special funds for a total of sixty (60) disbursement vouchers. The following will summarize the situations noted:

Deviation	Cases
Disbursement voucher did not include the requisition form.	45
The disbursement documentation such as Requisitions, Disbursement Vouchers, Purchase Orders, Invoices, and Receiving Reports were not marked as paid.	25
The Disbursement Vouchers was not pre-numbered.	14
Disbursement voucher did not include the original invoice from the supplier.	26
There's no receiving report or certification of the Municipality's employee who have knowledge of receiving the goods or services.	45
Disbursement vouchers did not include the cancelled check.	1
Disbursement vouchers did not include evidence of the acquisition process (bid or quotations).	50
The Purchase Order was issued after receiving the good or services.	3
The functionary who authorized the purchase did not include its name, title, and signature in the certification.	5

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that all disbursement vouchers contain all supporting documents before making the payment and are issued according to the applicable laws and regulations.

I. Financial Matters (Continued)

B. Payroll and Related Liabilities – Payroll Preparation and Timekeeping

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

Deviation	Cases
Net amount per payroll did not agree with the copy of the direct payment stub.	2
Sick vacations days at 06/30/18 per Compensated Absences Cards did not agree with the License Record Prepared by Client.	3
Regular vacations days at 06/30/18 per Compensated Absences Cards did not agree with the License Record Prepared by Client.	2

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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May 15, 2019

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

In connection with our audit of compliance of the **Municipality of Rio Grande** 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, 2018 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Rio Grande'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, 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 by AU Section 801 *"Compliance Audit"*. A separate report dated May 15, 2019 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 May 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.

Very truly yours,

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

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II. Compliance Matters

A. 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/ Uniform Guidance) was not submitted timely.

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.