BUREAU OF FORENSIC SCIENCES

MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2017

ORTIZ, RIVERA, RIVERA & CO.
CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES
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September 20, 2018

To the Board of Directors
Bureau of Forensic Sciences
San Juan, Puerto Rico

In planning and performing our audit of the financial statements of Bureau of Forensic Sciences as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Bureau's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 consider the following deficiencies in the Bureau's internal control to be material weaknesses:

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A. Cash reconciling bank accounts regularly

Condition – During our test of the Bureau's bank reconciliations, we noted a number of reconciling items, often notes as "*Notas Explicativas a la Conciliación Bancaria*", which were from one to three years old. We also noted an unusual number of reconciling items that belongs to transfer among funds and bank charges that are not properly recorded in general ledger.

Recommendation – We recommend that bank accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations.

B. Failure to perform year-end accounting

Condition – In performing our audit, we noted that the accounting staff lack the knowledge and/or training with the basic year-end bookkeeping and accounting procedures that are necessary to prepare the books for audit purposes. It is important to ensure that all financial activity for the year is accurately recorded in your accounts in the proper period. Matters such as internal control, systems processes, financial analysis, and budgeting are areas we feel could be improved if the accounting staff are able to efficiently prepare the year-end accounting.

Recommendation – We strongly suggest to the Bureau to provide its accounting staff with the necessary training and incorporate efficient and effective processes for accounting that produce timely and accurate financial reports for use in decision-making.

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

A. Review of Salary Changes

Condition – During our payroll testing we noted that the gross salary according to the direct deposit paid to employee with social security number xxx-xx-4757 at 6/15/2017 was lesser than the salary according to the most recent change report approved on December 15, 2014 observed on employee file. As we calculate, the employee did not receive approximately $2,100 of salary, since the information was not updated in the payroll system.

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Recommendation – We recommend that the supervisor of the payroll department examine and verify that the payroll changes are entered correctly. The employee file should also contain all approved salary increases so that at any point in time the employee's current salary can be verified.

B. Accounts Receivable from prior years

Condition – Accounts receivable between funds contains approximately $839,092 in receivable balances that comes from prior years.

Recommendation – Accounting records and balances must be kept accurate and updated in order to be a good source for external users. Net assets may be understated due to the uncertainty of payment on these old receivables. Management must analyze and consult with legal counselors about the nature of these transactions and adjust, if necessary.

C. Accounts Payable balances

Condition – The Bureau carry 72 general ledger account payable balances with debit balances, which could either indicate accounting errors or incorrect application of payments of approximately $649,200 as of June 30, 2017.

Recommendation – These balances at year-end should be reviewed, analyzed and adjusted, as deemed necessary.

D. Accounts Payable Aging

Condition – Our audit procedures disclosed that the invoices are register into the accounts payable ledgers only when they are going to be paid and not when they are received. An open invoice file, however, is maintained for all open invoices that remain to be paid. This procedure does not maintain the books on an accrual basis and tends to be inefficient, since the personnel could not provide a reliable aging for accounts payable.

Recommendation – A practical alternative would be the use of the accounts payable system that is a component of the computer accounting package currently in use. Under this method, a vendor's invoice is recorded in an open invoice journal upon receipt and approval. At any given time, a listing of open/unpaid invoices can be produced from the system. This practice would allow for a much stronger control over the accounts payable and the amounts reflected in the financial statements.

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E. Billing system information

Condition – Our audit revealed that the billing system used to process services of doping test provided is not meeting the financial and reporting needs of the Bureau due to its inability to assess account aging and produce aged outstanding receivables reports. Also we noted that the accounts receivable subsidiary of the Special Fund is not routinely reconciled to the general ledger. This practice serves as a check on the accuracy of the record keeping process and maintains the accounts receivable on a more timely and accurate basis

Recommendation – The detail listing of accounts receivable should be reconciled to the general ledger control accounts at the end of each month. Any differences should be investigated and resolved as soon as possible.

F. Reconciling fixed assets to the general ledger

Condition – At the present time, there is no procedure for reconciling detailed fixed asset records to the general ledger on a regular basis. The lack of such a procedure has led to inaccurate reporting of fixed asset cost and depreciation expense in monthly financial statements.

Recommendation – To prevent the need for major adjustments to the property accounts at the end of each year, we suggest that the general ledger fixed asset accounts be reconciled to the detailed records on a monthly basis.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 20, 2018 on the financial statements of Bureau of Forensic Sciences. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate member of management, are intended to improve the internal control or result in other operation efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comments are summarized as follows:

A. Staff training in use of software reporting functions

Condition – During our audit fieldwork, we found that the Bureau's accounting staff needs additional training in the accounting software's reporting capabilities. Used properly, these programs can be extremely beneficial and save substantial time in assisting in the accounting and finance area. Under current conditions, however, the improper use and inaccurate spreadsheets will simply continue to cause errors in the financial information, reports and financial statements.

Recommendation – We strongly suggest that this situation should be corrected as soon as possible with improved training for all accounting department employees on the use of such software. Also, the Bureau may consider engaging a consultant to review the application and use of this type of software in order to establish a consistent pattern of use that best meets their needs. Substantial benefits in efficiencies and cost savings will result from an improved use of the type of software.

B. Segregations of Duties

Condition – Due to the limited number of people working for the Finance Department, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs most of the accounting functions. A foundation of strong internal controls requires separation of duties for certain tasks that conflict with each other.

Recommendation – To maintain good internal controls, we strongly suggest that the cash handling collection function, bank reconciliation and maintaining general ledger function be segregated. This modification to the procedures will greatly strengthen internal controls over this area.

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

This communication is intended solely for the information and use of management, those charged with governance, 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 Bureau of Forensic Sciences 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.

Respectfully submitted,

Ortiz, Rivera, Rivera & Co

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