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 25, 2020

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, 2019, 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 25, 2020 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated May 25, 2020 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 25, 2020 on the financial statements as of and for the year ended June 30, 2019.

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

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
The Disbursement did not include the invoice	1
There's no receiving report or certification of the Municipality's employee who have knowledge of receiving the goods or services.	31
Disbursement vouchers did not include evidence of the acquisition process (bid or quotations).	30
The Purchase Order do not includes the Finance Director signature	2
The Purchase Order was issued after receiving the good or services.	37
Disbursement voucher did not include the mayor or his authorized representatives' signature.	21
Disbursement voucher did not include the requisition form.	46
The original invoice did not includes the supplier signature	5
Disbursement vouchers were not mark as paid	6
Disbursement voucher did not include the purchase order	2

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
The employee file did not include the W-4 Form	2
The employee file did not include the I-9 Form	1
Sick vacations days at 06/30/19 per Compensated Absences Cards did not agree with the License Record Prepared by Client.	8
Regular vacations days at 06/30/19 per Compensated Absences Cards did not agree with the License Record Prepared by Client.	7

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.

C. Cash Receipts

Our test of twenty-five (25) cash receipts revealed the following situations:

Deviation	Cases
The collections were not deposited in the same day or in the next labor day of its collection.	3

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that the cash receipts and revenue register procedures are documented as established by regulation.

D. Bids

Our test of ten (5) bids files revealed the following:

Deviation	Cases
The Bid was not adjudicated to the qualified lowest bidder	1

Recommendation:

We recommend the Municipal Secretary Office and the Bid Board to strengthen its procedures and document the Board decisions and adjudicating reasons for bids following regulations.

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May 25, 2020

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, 2019 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, 2019, 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 25, 2020 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 25, 2020 on the financial statements as of and for the year ended June 30, 2019.

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
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II. Compliance Matters

A. Reporting Test

In our Reporting Test of Community Development Block Grant / Entitlement Program, we found the following situations:

Program	Deviation	Cases
14.218	The HUD 60002, Section 3 Summary Report, Economic Opportunities for Low and Very Low Income Person was not submitted on time.	1

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.