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

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

February 21, 2020

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

In connection with our audit of the basic financial statements of the **Autonomous Municipality of Dorado** 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 **Autonomous Municipality of Dorado'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 February 21, 2020 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated February 21, 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 February 21, 2020 on the financial statements as of and for the year ended June 30, 2019.

We will hope to provide our services to you in the next fiscal year audit. Thank you for your trust in our Firm.

Very truly yours,

Angel 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. Cash Receipts

Our test of thirty seven (37) cash receipts transactions revealed the following:

Deviation	Cases
• The deposit was not made the same day or the following labor day after collection.	9

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that the cash receipts are deposited the same day it is collected or the following labor day.

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

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

Deviation	Cases
• Form I-9 was not available for examination.	1
• The balance included in the license detail does not agree with the balance in the cumulative cards.	10

Recommendation:

We recommend the Municipality to improve its procedures to assure that the Human Resources Department maintains updated employees' files.

C. Expenditures for Goods and Services and Accounts Payable – Purchasing

During our examination of the Municipality's procedures related to the purchasing and receiving process we examined one hundred and forty two (142) disbursement vouchers for the following programs and funds:

- General Fund-five (5)
- Special Revenue Funds-thirty six (36)
- Community Disaster Loan-thirty six (36)
- Head Start and Early Head Start programs-thirty one (31)
- Disaster Grants-thirty four (34)

During our procedures we found the following situations:

Deviation	Cases
• There was no evidence of quotation process in the disbursement voucher or purchase order.	96
• Disbursement voucher was not signed by Official Payer.	3
• The documents in the disbursement voucher were not marked as paid.	13
• The purchase order was made after the goods or services were received.	27
• Original invoice was not signed by supplier representative.	3
• The disbursement voucher do not include name and signature of the employee who received goods or services.	2

Recommendation:

We recommend management to improve its monitoring procedures to assure that disbursements include all the supporting documents and approvals in compliance with laws and regulations.

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February 21, 2020

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

In connection with our audit of compliance of the **Autonomous Municipality of Dorado** 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 **Autonomous Municipality of Dorado'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 as defined by AU Section 801 "*Compliance Audit*". A separate report dated February 21, 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 February 21, 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,

Angel Alfredo López Vega
President

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II. Compliance Matters

A. Cash Management- Days Elapsed

During our cash reimbursement test for the Child and Adult Care Food Program, we found the following situations:

Program	Deviation
10.558	In our test of claims for reimbursements for four (4) months, we identified differences between supporting documents and the claims for reimbursements. The months tested were September 2018, November 2018, February 2019 and April 2019.

Recommendation:

We recommend management to follow cash management system procedures developed by it in order to assure that funds requested are disbursed as required by regulation.

B. Eligibility

During our Eligibility requirement test for Section 8 Housing Choice Voucher Program, we found the following situation:

Program	Deviation	Cases
14.871	• Federally-prescribed general release form for employment information was not signed by member of household who is at least 18 years of age.	1

Recommendation:

We recommend management to strengthen its controls and procedures in order to assure that the documentation is completed and signed as required by regulation.

C. Equipment/Real Property Management Test

During our Equipment/Real Property Management Test of Child and Adult Care Food Program, we found the following situations:

Program	Deviation	Cases
10.558	• Property Subsidiary Ledger does not include all the information required by regulation.	5
	• Property tags numbers in subsidiary ledger are incorrect	2

Recommendation:

We recommend management to strengthen its controls and procedures in order to assure that the property subsidiary ledger include information as stated by regulation.