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

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

April 30, 2021

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

In connection with our audit of the basic financial statements of the **Autonomous Municipality of Ponce** as of and for the year ended June 30, 2020, 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 Ponce'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 April 30, 2021 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated April 30, 2021 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 April 30, 2021 on the financial statements as of and for the year ended June 30, 2020.

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 thirty (30) disbursement vouchers of General Fund, ten (10) disbursement vouchers of Public Assistance Grants (FEMA), eight (8) disbursement vouchers of Workforce Innovation and Opportunity Act (WIOA), four (4) disbursement vouchers of Home Investment Partnership Program, one (1) disbursement vouchers of Federal Transit Investment Act and seven (7) disbursement vouchers of other funds for a total of sixty (60) vouchers. The following will summarize the internal control deviations noted:

Deviation	Cases
The disbursement voucher doesn't have original invoice.	2
The disbursement voucher doesn't have purchase order.	2
The disbursement doesn't have quotations.	2
The disbursement voucher was marked as 'paid'.	5

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that disbursement vouchers contain all supporting documents before making the payment and disbursement process is followed as established by law.

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

During our examination of the Municipality's procedures related to the payroll and related liabilities process, we examined sixty (60) employee's files. The following will summarize the internal control exceptions noted:

Deviation	Cases
The salary in the Change Report did not agree with the payroll register.	3
The employee file doesn't have a I-9 form.	1

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation. Also, we recommend that the Human Resources Department should review the employee file to update the payroll information to correct any discrepancy.

C. Cash Receipts

During our examination of the Municipality's procedures related to the cash receipts process, we examined sixty (60) receipts files, revealed the following:

Deviation	Cases
The collection deposit was made 10 days after the collection date.	3
The deposit sheet was not available for our inspection.	2
The supporting of the collection were not available.	1

Recommendation:

We recommend that the Municipality implement internal controls and ensure that they have all documentation up to date, in order to have the correct documents when needed.

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April 30, 2021

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

In connection with our audit of compliance of the **Autonomous Municipality of Ponce's** 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, 2020 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Autonomous Municipality of Ponce'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*) 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, 2020, 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 April 30, 2021 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 April 30, 2021 on the financial statements as of and for the year ended June 30, 2020.

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. Allowable Activities – Eligibility

We performed an eligibility requirement test for the Section 8 Voucher Program (14.871). The following will summarize the internal control deviation noted:

CFDA No.	Deviation	Cases
14.871	The inspection checklist was due in 30 days.	9

Recommendation:

We recommend the Municipality improves its internal control methods and procedures in order to ensure that the supporting documents are completed.