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

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

June 7, 2021

**To the Honorable Mayor**
**And the Municipal Legislature**
**Municipality of Toa Alta**
**Toa Alta, Puerto Rico**

In connection with our audit of the basic financial statements of the **Municipality of Toa Alta** 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 tests over the **Municipality of Toa Alta** 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 June 7, 2021 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated June 7, 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 June 7, 2021 on the financial statements as of and for the year ended June 30, 2020.

We 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 seventeen (17) disbursement vouchers of Community Development Block Grant, ten (10) of Section 8 Housing Choice Vouchers Program, ten (10) disbursement vouchers of General Fund, three (3) disbursement vouchers of Insurance and twenty (20) disbursement vouchers of Child Care for a total of sixty (60) vouchers. The following will summarize the internal control deviations noted:

| Deviation | Cases |
|---|---|
| The disbursement was classified in an incorrect account. | 2 |
| The disbursement voucher did not contain a copy of the cancelled check. | 1 |
| The purchase order did not contain all authorized signatures. | 2 |
| The disbursement voucher documents were not marked as paid. | 1 |
| The original invoice did not contain the signature from the supplier. | 1 |
| The disbursement voucher did not contain an acknowledgement of the receiving of goods or services. | 1 |
| The purchase order was created after receiving the invoice from the supplier. | 3 |
| The amount paid in relation to the invoice was the project total amount instead of the invoiced amount. | 1 |

**Recommendation:**

We recommend that the Municipality should improve its internal control, assuring that all disbursement vouchers are complete during the disbursement approval process, a progress system comparing amounts paid and amounts due for projects that are billed over time should be established, a check list system that details the approval process the concept of the payment, the key documents and amounts should promote a better internal control structure.

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

In this process, we examined twenty-five (25) employee's files. The following will summarize the internal control deviations noted:

| Deviation | Cases |
|---|---|
| Employee's gross wage per Change Report (OP-15 Form) did not agree to payroll register. | 1 |
| Employee's direct deposit number did not agree to the Transaction Detail Report. | 3 |
| The employee's I9 Form did not contain all required information per identification form. | 1 |
| Employee's salary did not agree to the Retribution Plan. | 6 |
| Employee's position did not agree to the Retribution Plan. | 2 |
| Employee's net amount paid per payroll did not agree to the net amount paid per direct deposit. | 1 |

**Recommendation:**

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation and for verification of employee information and documents that need revision. Also, we recommend that the Human Resources Department should review the License Record Detail for guarantee that the balance presented agrees with the compensated absences while also ensuring employee discounts are performed correctly each period. During the issuance of Change Reports and hiring's, employee compensation and positions should be agreed to the Retribution and Classification Plan.

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June 7, 2021

**To the Honorable Mayor**
**and the Municipal Legislature**
**Municipality of Toa Alta**
**Toa Alta, Puerto Rico**

In connection with our audit of compliance of the **Municipality of Toa Alta** 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 **Municipality of Toa Alta** 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*) Super Circular.

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 June 7, 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 June 7, 2021 on the financial statements as of and for the year ended June 30, 2020.

We 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

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## II. Compliance Matters

### A. Eligibility

We performed an eligibility test related to Child Care & Development Block Grant Program (CFDA 93.575) and we found the following:

| CFDA No. | Deviation | Cases |
|---|---|---|
| 93.575 | The Municipality did not document the family composition. | 4 |

**Recommendation:**

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

### B. Earmarking

We performed an earmarking test related to the Child Care & Development Block Grant Program (CFDA 93.575) and revealed the following:

| CFDA No. | Deviation | Cases |
|---|---|---|
| 93.575 | The Municipality did not reach the 70% in Direct Service costs. | Overall |

**Recommendation:**

We recommend that the Municipality strengthens its internal control procedures to expend the required amounts.

### C. Reporting and Special Test and Provisions

We performed a reporting and special test related to the Section 8 Housing Choice Vouchers Program (CFDA 14.871) and revealed the following:

| CFDA No. | Deviation | Cases |
|---|---|---|
| 14.871 | We found immaterial differences in the amounts reported in the VMS versus the amounts reported in the Financial Data Schedule. | Overall |

## C. Reporting and Special Test and Provisions (continued)

| CFDA No. | Deviation | Cases |
|---|---|---|
| 14.871 | The Unaudited Financial Data Schedule was submitted late. | Overall |

**Recommendation:**

We recommend that the Municipality prepare a monthly reconciliation between the accounting records and the amounts reported in the Voucher Management System (VMS) previous the submission.