MUNICIPALITY OF FLORIDA

MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2020

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Puerto Rico Board of Certified Public Accountants

June 16, 2021

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

Dear Sir and Madam:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Municipality of Florida as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Municipality of Florida's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipality of Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipality of Florida'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

A. CASH

1. The Municipality has some bank accounts inactive during the fiscal year 2019-2020. Those are:

Account Name	Account Number
Centro de Recursos Referidos Child Care	075-146770
Amas de Llaves CSBG	075-243431
Centro de Envejecientes	075-251183
Mantenimiento de Carreteras Terciarias	075-129450

Recommendation

The Finance Department should verify which bank accounts will be in use and then close the inactive bank accounts in order to avoid this situation.

2. We observed that some bank account reconciliations as of June 30, 2020, include checks outstanding made for more than six months. Based on the Municipal Administration Regulation, Chapter IV, Section 13, the outstanding checks for more than six months after made should be cancelled and the amount included in the cash balance. Those are:

Account Name	Account Number
Cuenta Corriente	075-831015
Aportaciones Estatales	075-868008
Aportacion Padres CC	075-867982
Seccion 8 Vouchers	075-831325
Seguros Municipio Huracan Maria	075-266253
Préstamo CDL	075-269538

Recommendation

The Municipality should evaluate the outstanding checks list on a monthly basis and investigate the checks that have not been cleared with the bank for an unreasonable period of time (i.e. three to six months), contact the payee and determine the underlying reasons as to why these have not been presented to the bank for payment.

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B. DISBURSEMENT TEST

1. One disbursement voucher observed on our sample was not signed by the Finance Director and/or the Pre-Interventor as approved. It is the voucher payee to Guaraguao Truck with wire transfer 1105 on May 15, 2020 for $4,507.

   Recommendation

   Based on the Regulation for the Municipal Administration, Chapter IV, Section 1, the Finance Director is responsible to verify and certify documents for payment.

2. We observed the invoice included in the disbursement voucher was not stamped as paid, in the following:

Date	Payee	Check Number	Fund	Amount
05/15/20	Guaraguao Trucks Sales, Inc.	WT-1105	General	$ 4,507
05/02/20	Future Technology Inc.	WT-1095	General	4,220
05/21/20	Quality Auto Air	WT-1112	General	215
				$ 8,942

   Recommendation

   Based on the Regulation for the Municipal Administration, Chapter IV, Section 15, after the payment is made, the invoice should be signed or stamped by paid, to avoid duplicity.

3. We do not observe the three quotations that must accompany the disbursement voucher in the following:

Date	Payee	Check Number	Fund	Amount
15-May-20	Guaraguao Trucks Sales, Inc.	WT-1105	General	$ 4,507
02-May-20	Future Technology Inc.	WT-1095	General	4,220
21-May-20	Quality Auto Air	WT-1112	General	215
				$ 8,942

   Recommendation

   Based on the Regulation for the Municipal Administration, Chapter IV, Section 1, the Finance Director is responsible to verify and certify documents for payment.

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4. We observed the required purchase order was made after the invoice, in the following:

Date	Payee	Check Number	Fund	Amount
02-May-20	Future Technology Inc.	WT-1095	General	$ 4,220
08-Jul-19	Pure Sound	38983	General	2,000
21-May-20	Quality Auto Air	WT-1112	General	215
				$ 6,435

Recommendation

Based on the Regulation for the Municipal Administration, Chapter IV, Section 1, the Finance Director is responsible to verify and certify documents for payment.

C. INTERFUND BALANCES

The Finance Department obtained loans and/or paid expenses from other programs and then receives the reimbursements. Some of these transactions were not recorded on accounting books and debt balances cannot be clearly determined.

Recommendation

Interfund balances should be carefully monitored by the accounting personnel. In addition, differences identified should be reconciled promptly to prevent misstatements in the financial records.

This communication is intended solely for the information and use of management, Mayor and Municipal Legislature, and others within Municipality of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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

Cordially,

Ortiz, Rivera, Rivera & Co., LLC

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