MUNICIPALITY OF SAN SEBASTIÁN
MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2021

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American Institute of Certified Public Accountants (AICPA)
AICPA's Private Companies Practice Section (PCPS)
Puerto Rico Board of Certified Public Accountants

January 31, 2022

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Municipality of San Sebastian as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Municipality of San Sebastian'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 San Sebastian's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipality of San Sebastian'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.

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

We observed that the bank account reconciliation for account "Cuenta Nómina", as of June 30, 2021, 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

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.

The information in this letter is intended solely for the use of those charged with governance of Municipality of San Sebastian and is not intended to be and should not be used by anyone other these specified parties.

We sincerely appreciate the opportunity to provide services to Municipality of San Sebastian and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss any of the items further, please let us know.

Cordially,

Ortiz, Rivera, Rivera & Co., LLC

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