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

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

September 30, 2022

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, 2021, 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 September 30, 2022, contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated September 30, 2022 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 September 30, 2022, on the financial statements as of and for the year ended June 30, 2021.

We hope to provide our services to 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 fifty (50) disbursement vouchers of Community Development Block Grant, thirty (30) of Section 8 Housing Choice Vouchers Program and sixteen (16) disbursement vouchers of Coronavirus Relief Fund for a total of ninety-six (96) vouchers. The following will summarize the internal control deviations noted:

Deviation	Cases
The disbursement voucher documents were not marked as paid.	12
The purchase order was prepared after receiving the invoice from the supplier.	3
The original invoice did not contain the signature from the supplier.	1
The prenumbered requisition was not signed by the Department Director.	1

Recommendation:

We recommend the Municipality to improve its internal control, assuring that all disbursement vouchers are complete during the disbursement approval process. The Municipality should implement a check list system that details the approval process to make sure that all signatures and documents are complete before the payment is made.

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

In this process, we examined eleven (11) employee's files from the Coronavirus Relief Fund, six (6) from the Office of Federal Programs and eight (8) from different offices of the Municipality, for a total of twenty-five (25) employee's files. The following will summarize the internal control deviations noted:

Deviation	Cases
Employee's regular vacation days card balances was not updated according to the employee assistance.	2
Employee's sick days card balances was not updated according to the employee assistance.	1
We did not find complete evidence of the employee's assistance.	11

Recommendation:

We recommend the Human Resources Department to review the License Record Detail to guarantee that the balances presented agree with the compensated absences while also ensuring employee discounts are performed correctly each period. On extraordinary events, as the pandemic of COVID-19, we recommend the Municipality to establish alternative procedures to support the employees' assistance, such as manual time assistance.

C. Bids

Our test of ten (10) bids files revealed the following:

Deviation	Cases
Contract amendments were not made to increase the project amounts as obligated on Purchase Orders.	1
The following documents that should be obtained before the formalization of the contract were not found in the Bid File:	
Municipal license's tax no debt certification	1
List of nongovernmental contracts for the past 2 years	1
Construction excises no debt certification	2
List of contracts with the government for the past 5 years	3

Recommendation:

We recommend that the Municipality establish a centralized bid file where all the required documentation can be found. The Bid Board should not proceed with the adjudication of the contract without having all the required documents from the bidders. Communication must be established between the Department of Finance and the Bid Board to make sure that all the order changes that exceed the original contract amount have the corresponding contract amendment.

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September 30, 2022

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, 2021 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, 2021, 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 Septemeber 30, 2022 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 September 30, 2022 on the financial statements as of and for the year ended June 30, 2021.

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 and Special Tests and Provisions - Housing Assistance Payment (HAP)

We performed an eligibility test related to Section 8 Housing Choice Vouchers Program (Assistance Listing No. 14.871) and we found the following:

Assistance Listing No.	Deviation	Cases
14.871	The income eligibility calculation was underestimated in comparison with the third-party verification documents. These differences are immaterial.	2

Recommendation:

We recommend the Municipality improves its internal control methods and procedures in order to ensure that the HAP calculation is made correctly.

B. Reporting and Special Test and Provisions – Rolling Forward Equity Balances

We performed a reporting and special test related to the Section 8 Housing Choice Vouchers Program (Assistance Listing No. 14.871) and revealed the following:

Assistance Listing 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

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 submission.