MUNICIPALITY OF ARECIBO

MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2021

ORTIZ, RIVERA, RIVERA & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES
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Puerto Rico Board of Certified Public Accountants

October 17, 2022

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

Dear Sirs:

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 Arecibo 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 Arecibo'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 Arecibo's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipality of Arecibo'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 2020-2021. Those are:

Account Name	Account Number
Justicia Casa Protegida Luisa Capetillo	3201973770
Corporación Arecibo Repagos	3201593087
Oriental Child Care ARRA - Mun Arecibo	3201707672
Corporación Ganancias - Negocio	3201312392
Aport. Participantes Villa Campestre	3201306683

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 the General Bank Account reconciliation as of June 30, 2021, did not was completely prepared. It includes only the detail of the checks outstanding observed for the financial statement. The adjustment and conciliation should be recorded on system in order to made conciliation complete.

Recommendation

The Finance Department should prepare the monthly conciliation in a reasonable time and record the differences on system to maintain on system a conciliated balance.

3. We observed some bank account reconciliations as of June 30, 2021, that included outstanding checks made for more than six months. Based on the Municipal Administration Regulations, Chapter IV, Section 13, checks pending for more than six months after being made must be cancelled and the amount included in the cash balance. Some of these conciliations were updated for the financial statements preparation but the adjustments have not been included in the accounting system yet.

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Account Name	Account Number
Cuenta Corriente Oriental Bank	3201973251
Cuenta Nómina	3201270102
Violencia Doméstica	3201982979
Aportación Child Care	3201243422
Fondo Especial Oriental Bank	3201431595
Proyectos Especiales	3201036314
Child Care Program	3201404914
Juventud del Ayer Gericultura	3201989406
Asistentes en el Hogar	3201150899
Sección 8 Vouchers	3201712809
Guest House Cayo Tiburones	3201177008
Casa Protegida Luisa Capetillo	3201869684

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.

B. REPORT

The Finance Department is in process to update the "Model 4A" Financial Report in order to summarize the income and the expenditures by month and the available amount in cash at the end of the month for all the funds.

Recommendation

Based on the Municipal Code of Puerto Rico Chapter IX Article 2.108(d), the Mayor must prepare and submit all financial reports required by the Legislative Assembly, the Puerto Rico Governor and the Municipal Management Office.

C. DISBURSEMENT TEST

1. During our test, some disbursement vouchers lack some necessary signatures as approvement, in the following:

Date	Supplier	Check Number	Amount	Fund
July 10, 2020	Administrador Servicios Generales	16472	$ 15,570	General
December 21, 2020	Arecibo Tire Center	18126	5,350	General
July 21, 2020	Anibal Torres Pagan	WT-2909	297	General
			$ 21,217	

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Recommendation

Based on the Municipal Code of Puerto Rico, Chapter VIII Article 2.090, the Finance Director is responsible to legality, accuracy, correction of documents and all expenses by payment any concept.

2. During our test, we observed the invoice was not included in the disbursement voucher, in the following:

Date	Supplier	Check Number	Amount	Program or Fund
August 17, 2020	Power Sport Warehouse	16748	$ 37,848	General
September 2, 2020	PR Wire Products	16882	16,200	General
October 28, 2020	Gomera Las Brisas	17644	10,050	General
December 21, 2020	Arecibo Tire Center	18126	5,350	General
July 21, 2020	Anibal Torres Pagan	WT-2909	297	General
September 16, 2020	Office Shop	17011	105	General
			$ 69,850	

Recommendation

Based on the Municipal Code of Puerto Rico, Chapter VIII Article 2.090, the Finance Director is responsible to legality, accuracy, correction of documents and all expenses by payment any concept.

3. The disbursement voucher does not available at time of test are the following:

Date	Supplier	Check Number	Amount	Program or Fund
September 16, 2020	Ahorro Muebles #11	17004	$ 26,340	General
August 14, 2020	La Casa del Trimmer	16731	9,800	General
December 11, 2020	Jose A. Maldonado	18010	1,440	General
December 1, 2020	Retiro Deduccion Incapacidad	WT-3419	912	General
March 26, 2021	Fondos Unidos	18704	43	General
			$ 38,535	

Recommendation

Based on the Municipal Code of Puerto Rico, Chapter VIII Article 2.090, the Finance Director is responsible to legality, accuracy, correction of documents and all expenses by payment any concept.

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4. During our test, we observed some disbursement vouchers that the required purchase order was made after the invoice, those are:

Date	Supplier	Check Number	Amount	Fund
August 17, 2020	Power Sports Warehouse	16748	$ 37,848	General
September 2, 2020	PR Wire Products	16882	16,200	General
October 28, 2020	Gomera Las Brisas	17644	10,050	General
December 21, 2020	Arecibo Tire Center	18126	5,350	General
July 21, 2020	Anibal Torres Pagan	WT-2909	297	General
July 21, 2020	Arecibo Hydraulic Center	16531	275	General
September 16, 2020	Office Shop	17011	105	General
May 28, 2021	Antilles Office Supply	19059	96	General
			$ 70,221	

Recommendation

Based on the Municipal Code of Puerto Rico, Chapter II Article 2.007©, the Finance Director is responsible to supervise the work of pre-intervention and the processing the disbursement.

D. HUMAN RESOURCES

We observed, during our test, two of forty employee files sample did not include the appointment and swearing-in form according to the salary paid.

Recommendation

The employee files should be documented with updated forms according to correct and actual information.

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E. CONTRACT TEST

During our contract test, we observed some contracts were submitted to the Puerto Rico Comptroller's Office after the 15 days required after signed. Those are:

Contract Number	Date Signed	Date Submitted	Days in Excess
2021-000036	July 2, 2020	August 26, 2020	40
2021-000063	July 10, 2020	August 27, 2020	33
2021-000091	July 28, 2020	August 27, 2020	15
2021-000607	November 23, 2020	December 16, 2020	8
2021-000994	January 4, 2021	April 12, 2021	83
2021-001205	June 30, 2021	July 23, 2021	8
2021-000094	July 28, 2020	August 27, 2020	15
2021-000101	July 28, 2020	August 27, 2020	15
2021-000106	July 27, 2020	August 27, 2020	16
2021-000109	August 3, 2020	September 17, 2020	30
2021-000179	September 1, 2020	October 14, 2020	28
2021-000206	September 9, 2020	October 20, 2020	26
2021-000207	September 9, 2020	October 20, 2020	26
2021-000285	September 15, 2020	October 23, 2020	23
2021-000285	September 21, 2020	October 28, 2020	22
2021-000301	September 23, 2020	December 4, 2020	57
2021-001209	June 30, 2021	August 2, 2021	18

Recommendation

Based on the Law 18 by October 30, 1975, The Municipality should be aware of the requirements of submission on time of the contract signed fifteen days after the granted.

This communication is intended solely for the information and use of management, Mayor and Municipal Legislature, and others within Municipality of Arecibo, 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 Arecibo 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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