MUNICIPALITY OF ARECIBO

MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2022

ORTIZ, RIVERA, RIVERA & CO., LLC
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August 10, 2023

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, 2022, 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. We observed that the General Bank Account reconciliation as of June 30, 2022, was not completely prepared. It includes only a detail of the checks outstanding observed for the financial statement. The adjustment and conciliation should be recorded on the system to made conciliation complete.

   Recommendation

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

2. We observed some bank account reconciliations as of June 30, 2022, 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.

Account Name	Account Number
Cuenta Corriente Oriental Bank	3201973251
Cuenta Nómina	3201270102
Violencia Doméstica	3201982979
Aportación Child Care	3201243422
Cuenta Corriente Fondos Federales	3201332978
HUD Nómina Oriental Bank	3201041264
Home Program	3201123700
Fondo Especial Oriental Bank	3201431595
Proyectos Especiales	3201036314
Child Care Program	3201404914
Centro Comunales	3201540019
Juventud del Ayer Gericultura	3201989406
Asistentes en el Hogar	3201150899
Miscellaneous Revenue Oriental Bank	3201008995
Fideicomiso Programa Home	3201864933
Desperdicios Sólidos	3201587898

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Account Name	Account Number
Emergencias Médicas 2	3201162410
Programa Oasis de Paz y Esperanza	3201771905
Gimnasios	3201257288
Guest House Caño Tiburones	3201177008
Multas Guardia Municipal	3201878640

Recommendation

The Municipality should evaluate the outstanding checks list monthly 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 Municipality must prepare and submit all financial reports required by the Legislative Assembly, the Puerto Rico Governor, and the Municipal Management Office.

C. DISBURSEMENT TEST

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
February 24, 2022	Hi Tech Pest Control	605	$ 27,324	Fema
June 2, 2022	Grupo Atabaya, LLC	21741	5,971	General
			$ 33,295	

Recommendation

Based on the Municipal Code of Puerto Rico, Chapter II Article 2.007 (c), the Finance Director is responsible for supervising the work of pre-intervention and the processing the disbursement.

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D. CONTRACT TEST

During our contract test, we observed the contract 2022-000393 was submitted to the Puerto Rico Comptroller's Office after the 15 days required after signed.

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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