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Certified Public Accountants / Management Advisors

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

April 28, 2023

The Governing Board and the Executive Director
Municipal Revenue Collection Center (CRIM)
San Juan, Puerto Rico

In connection with our audit of the financial statements of the **Municipal Revenue Collection Center (the Center)** as of and for the year ended June 30, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed tests over the **Center's** compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions.

As a result of our audit, we noted certain areas where financial matters should be considered, procedures improved and administrative controls strengthened. This memorandum summarizes our comments and suggestions. This letter does not affect our report dated April 28, 2023, on the financial statements as of and for the year ended June 30, 2022.

We will hope to provide our services to you in the next fiscal year audit. Thank you for your trust in our Firm.

Cordially,

Ángel Alfredo López Vega, CPA
President

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A. Accrual for Compensated Absences

Management does not properly recognize accrued compensated absences at interim accounting periods. These transactions are properly recorded in the **Center's** general ledger at the end of the accounting year as a result of the requirements of the annual external audit.

Recommendation

We recommend management to train the accounting personnel to enable them to properly account for all transactions of the **Center** on a timely basis and to maintain proper and complete accounting records.

B. Accounts Receivables – Commercial Banks and Uncollectible Tax Receivables

The accounts receivables of $705,540 included in governmental funds' balance consist mostly of amounts due for services charged to financial institutions for access through the web to the **Center's** tax system and sale of maps. These accounts receivables included some invoices outstanding for a period of over 365 days. Most of them are related to financial institutions that closed operations. As represented by management, an allowance for bad debts was not considered necessary, since these accounts receivable have been negotiated with the Federal Deposit Insurance Corporation ("FDIC") for its collections.

Also, during the year, the **Center** does not perform an analysis for uncollectible receivables from real and personal property taxes at interim accounting periods. This analysis is performed at the end of the accounting year as a result of the requirements of the annual external audit.

Recommendation

Management should follow up to the FDIC for their final determination regarding these accounts receivables. Accordingly, an allowance for bad debts should be established or invoices should be eliminated from accounting books, if necessary.

The Finance Department should review the existing policy which states the process and criteria to be followed for estimating the **Center's** allowance for bad debts. These accounts should be evaluated periodically in order to make the proper decisions, that might be: 1) eliminate them from the accounting books; or 2) to encourage the personnel of the collection department to made better collections efforts to reduce the pass due accounts.

C. Puerto Rico Public Buildings Authority Debt

The **Center** has certain balances in dispute with the Puerto Rico Public Buildings Authority amounting to $3,910,888, related to the lease of various office spaces located in the municipalities of Aguadilla, Arecibo, Caguas, Carolina, Mayaguez and Ponce. This amount is not recorded in books due to discrepancies between each party. However, it is presented as a possible contingency in the notes to the basic financial statements.

Recommendation

Management should provide special attention to this issue and take proper actions to reach a final agreement. Lease agreements have not been cancelled and this debt will continue to increase, resulting in a liability that would require future available financial resources for its payment, if the **Center** results unfavorable in future actions taken by the Authority.

D. Funds Not Received by the Center

Act No. 107 of August 14, 2020, as amended, provides for the distribution of the Municipal Public Works Fund, a fund that accounts for 2% of the collections from fines imposed under Act No. 22 of January 7, 2000, known as the Vehicle and Traffic Act of Puerto Rico, as amended. However, such funds are not being received by the **Center**.

Recommendation

We recommend the **Center** to enhance and continue with its efforts to make require the compliance with the provisions of all enacted laws that provide for funds to the **Center** for their distribution among the municipalities of Puerto Rico.

E. Disbursements Test

We performed a test of controls over 40 disbursements, to verify that transactions were supported by appropriate documentation and properly approved.

As a result of our test we noted the following situations:

- Three (3) disbursements do not have the paid stamp on the voucher.

Recommendation

Proper monitoring and supervision procedures should be followed in order to prevent duplicate payments.

F. Employee Files and Time Cards Detail

We selected a sample of 40 employees' files to examined procedures related to payroll disbursements, accrued compensated absences and documents that should be included in the employee file. As a result of our test, we noted the following situations:

- Two (2) I-9 forms were not signed by the employer.
- Five (5) salary review form was not signed by the Supervisor.
- One (1) accrued vacation and sick leave balance presented in the Compensated Absences Report was not updated in the employee time card.

Recommendation

The **Center's** Human Resources Department should review and update all employee files on a periodic basis. A checklist should be maintained with a list of all required and necessary information to be included in the files. Any missing documents and signatures should be requested and/or obtained from the employee and management. Proper monitoring and supervision procedures should be followed.

G. Contracts Test

As part of our audit procedures, we perform test of controls over seventeen (17) contracts granted as of June 30, 2022, to verify that the files document the significant history of the contract. We examine that contracts were made in compliance with the applicable state law and requirements. As a result of our test, we noted the following situations:

- Three (3) contracts were not signed the Legal Department.
- Three (3) contracts were not registered within the 15 days in the Office of the Comptroller.

Recommendation

Proper monitoring and supervision procedures should be followed by the Legal Department in order to comply with due dates established by regulatory agencies.

H. Other matters

Claim to the Puerto Rico Land Authority

On September 9, 2010, the Court issued a final determination on a lawsuit between the **Center** and the Puerto Rico Land Authority (the Authority). Accordingly, the Authority shall pay the **Center** the amount of $12,117,630 (including $6,687,160 for interests and charges). During fiscal year 2015-2016, the **Center** received the amount of $1,076,085 related to this lawsuit. This amount was distributed to thirty (30) Municipalities implied in the lawsuit. Also, during fiscal year 2016-2017, the **Center** received the amount of $105,947, which was not distributed. As of June 30, 2022, the Authority owed to the **Center** the amount of $10,935,598 in connection with this

determination.

H. Other matters (Continued)

Recommendation

Management shall periodically follow up and made collection efforts for the outstanding balance owed by the Authority.

Amounts Fully Reserved – Fiduciary Fund

The **Center's** fiduciary fund included accounts receivable balances amounting to $41,088,094 from several years ago. Most of these accounts have been reserved since prior years.

Recommendation

Management shall evaluate the status of those accounts in order to identify its possible collectability o to recommend a write off from the accounting records.

The information included on this letter is intended solely for the use of those charged with governance of the **Center** and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely appreciate the opportunity to provide services to the **Center** 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.