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

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

March 30, 2015

To the Commissioner Carlos M. Santini Rodríguez
Office of the Commissioner for Municipal Affairs
San Juan, Puerto Rico

In connection with our audit of the basic financial statements of the **Office of the Commissioner for Municipal Affairs (OCAM)** as of and for the year ended June 30, 2014, 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 test over the **OCAM's** 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 *SAS 115* "*Communicating of Internal Control Related Matters Identified in an Audit*". A separate report dated March 30, 2015 contains our report on significant deficiencies in the **OCAM's** internal control structure and separate report dated March 30, 2015 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 March 30, 2015 on the financial statements as of and for the year ended June 30, 2014.

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

Very truly yours,

Ángel Alfredo López Vega
President

López-Vega, CPA, PSC

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I. Financial Matters

A. Accounting Records and Expenditures for Goods and Services

During our cash disbursement test we examined forty (40) disbursement vouchers. The following will summarize the exceptions noted:

Deviation	Cases
• The purchase order was not in the file.	2
• The documents along the disbursement voucher were not marked as paid.	7
• There was no evidence or certification that the service was received.	3

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

Our test of fifteen (15) employee's files revealed the following:

Deviation	**Cases**
The regular vacations per Compensated Absences Cards did not agree with the regular vacations per Accrued Compensated Absences Detail prepared by the agency.	2
The employee's file did not include evidence of the policies and procedures to comply with the Drug-free Workplace Act.	2
We did not find evidence of the I-9 Form, in the employee's file.	1

Recommendation:

We recommend the OCAM to improve its internal control and procedures in order to assure that all transactions are properly supported and all disbursement vouchers include all the required supporting documents before the issuance of any payment.

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March 30, 2015

To the Commissioner Carlos M. Santini Rodríguez
Office of the Commissioner for Municipal Affairs
San Juan, Puerto Rico

In connection with our audit of compliance of the **Office of the Commissioner for Municipal Affairs** (**OCAM**) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each major federal programs for the year ended June 30, 2014 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Office of the Commissioner for Municipal Affairs** 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 Circular A-133.

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) Circular A-133 Compliance Supplement* applicable to each major federal programs for the year ended June 30, 2014, 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 SAS 117 "*Compliance Audit*". A separate report dated March 30, 2015 contains our report on compliance with the types of compliance requirements described in the *US. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and our report on internal control over such compliance requirements. This letter does not affect our report dated March 30, 2015 on the financial statements as of and for the year ended June 30, 2014.

We will 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
President
López-Vega, CPA, PSC

Calle Paraná #1686, El Cerezal, San Juan, P.R. 00926-3144 – Tel. (787) 777-8044 / Fax (787) 764-9377

II. Compliance Matters

A. Cash Management

Our Cash Management Test for Community Development Block Grant – State Program revealed the following:

Program	Deviation	Cases
14.228	The drawdowns were not requested before the payments. The OCAM made the requisitions between seven (7) to forty one (41) days after the payments.	6

Recommendation:

We recommend that management should strengthen its procedures to minimize the time elapsed between the transfer of funds from the federal entity and the disbursements made by the OCAM.

B. Procurement

Our Procurement Test for Community Development Block Grant – State Program revealed the following:

Program	Deviation	Cases
14.228	Contract did not include provision for retention of records for three (3) years, either the provision granting access to GAO or other federal agency to records.	2

Recommendation:

We recommend that management should strengthen its procedures to ensure that all the required federal provisions be included in the contracts made by the OCAM.

C. Reporting

Our Reporting Test for Community Development Block Grant – Sate Program revealed the following:

Program	Deviation
14.228	During our test over the reports submitted to the grantor agency, we found that date summited of Consolidated Annual Performance and Evaluation Report was not in file corresponding to fiscal year 2013-2014.