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Certified Public Accountants / Management Advisors

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

December 18, 2014

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, 2014, 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. These comments are not significant enough to be considered significant deficiencies as defined by SAS 122 "Communicating Internal Control Related Matters Identified in an Audit". This letter does not affect our report dated December 18, 2014, on the financial statements as of and for the year ended June 30, 2014.

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. Conversion from CIMA to Hansen

After the system conversion process from CIMA to Hansen, management was able to identify some transactions that either were not posted accurately or that were transferred incomplete to the Hansen system.

Recommendation

We recommend management to assign a team dedicated to revise these items.

B. Records and Physical Inventories of Property and Equipment

Management maintains the records of property and equipment in Excel spreadsheets. We also noted that physical inventories of property and equipment were not taken during the fiscal year ended on June 30, 2014.

Recommendation

We recommend management to use a property and equipment module with an interface with the Center's general ledger. The Center should take a physical inventory of property and equipment at least once in a year, as provided for in Article 14 of the *Regulations for the Control and Accounting of Property*, approved by the Center on December 13, 1995. All physical inventories should be reconciled with the accounting records.

C. Recording of Capital Lease Transactions and Accrual for Compensated Absences

Management does not properly recognize capital lease transactions and accrued compensated absences at interim accounting periods. These transactions are properly recorded in the Center's general ledger once in the year, as a result 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.

D. Uncollectible Tax Receivables

The Center does not perform analysis for uncollectable receivables from real and personal property taxes at interim accounting periods.

Recommendation

The Finance Department should also revise the existing policy which states the process and criteria to be followed for estimating the Center's allowance for bad debts. We also recommend management to increase the training to the personnel of the collection department in order improve to reduce the pass due accounts.

E. Funds Not Received by the Center

Act No. 80 of August 30, 1991, 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.

Act No. 162 of August 8, 2012 provides for certain additional funds to be distributed annually to the municipalities of Puerto Rico commencing with the fiscal year ended June 30, 2014. The additional funds amount to $25,000,000 per annum or the amount determined as a result of an independent audit to be annually performed by the Government Development Bank for Puerto Rico before the end of each fiscal year commencing with the fiscal year ended June 30, 2014. However, the Center did not receive any of these funds during the fiscal year ended June 30, 2014.

Recommendation

We recommend the Center to enhance its efforts to make other governmental entities comply with the provisions of all enacted acts that provide for funds to the Center for the distribution of said funds among the municipalities of Puerto Rico.

F. Outstanding Checks

Although all checks issued by the Center states that they are not valid after six months from the date of the check, during our audit of the bank reconciliations, we noted that some checks have been outstanding for unusual periods of time, as old as from March 1998.

Recommendation

The Center should establish procedures for the investigation of checks that have been outstanding for unusual periods of time and procedures for their proper disposition.

G. Documents in the Employee Files

As a result of our payroll tests, we noted that certain documents were not included and/or updated on the employee files, mainly the document corresponding to the authorization of the employees for the direct deposit of their net pay to their respective bank accounts.

Recommendation

The Center's Human Resources Department should review and update all employee files to make sure that all required documents are properly filed. Any missing documents should be requested from the employee.