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 7, 2016

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

In connection with our audit of the basic financial statements of the Municipality of Rio Grande as of and for the year ended June 30, 2015, 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 Municipality of Rio Grande'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 112 "Communicating Internal Control Related Matters Identified in an Audit". A separate report dated March contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 7, 2016 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 7, 2016 on the financial statements as of and for the year ended June 30, 2015.

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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Municipality of Río Grande
Single Audit 2014-2015
Management Letter

I. Financial Matters

A. Expenditures for Goods and Services and Account Payables – Purchasing and Receiving

We performed a cash disbursement test and examined a sample of sixty (60) disbursement vouchers. The following will summarize the situations noted:

Deviation	Cases
The purchase order was not signed by the Department Director.	29
We did not find a receiving report or the certification of the Municipality's employee who have knowledge of the receiving of the goods or services.	4
The functionary who asks for the quotations did not include its name, title, and signature in each stage of the quotation's process.	5
Invoice is not signed by the supplier.	1
The disbursement documentation such as Requisitions, Disbursement Vouchers, Purchase Orders, Invoices, and Receiving Reports was not mathematically accurate.	1
The purchase order was issued after the receiving of good or services.	2
Requisition was not included within the disbursement voucher documentation.	38
Disbursement voucher was not signed by the Mayor.	9
Disbursement voucher was not signed by the Director of Finance.	1
The purchase order was not made in accordance with applicable laws (at least three quotations for goods or services that do not exceed $100,000 during the fiscal year or at least three quotations for construction projects)	4
In the purchase order, the same person that signed as “Mayor or Authorized Representative” signed as “Department Director”.	3
Disbursement vouchers were not signed or approved in a proper manner.	16
Disbursement vouchers were not available for examination.	4

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that all disbursement vouchers contain all supporting documents before making the payment and are issued according to the applicable laws and regulations.

I. Financial Matters (Continued)

B. Payroll and Related Liabilities – Payroll Preparation and Timekeeping

Our test of twenty five (25) employee files revealed the following:

Deviation	Cases
The gross wage rate per payroll agrees do not agree with the gross wage rate included in the employee's file.	1

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation and perform periodically follow-up procedures in order to update such files.

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March 7, 2016

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

In connection with our audit of compliance of the Municipality of Rio Grande 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, 2015 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the Municipality of Rio Grande's 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, 2015, 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 112 "Communicating Internal Control Related Matters Identified in an Audit". A separate report dated March 7, 2016 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 7, 2016 on the financial statements as of and for the year ended June 30, 2015.

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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Municipality of Río Grande
Single Audit 2014-2015
Management Letter

I. Compliance Matters

A. Cash Management

Our test from the Community Development Block Grants - State's Program, revealed the following:

CFDA No.	Deviation	Cases
14.228	We found a delay of more than three (3) days between the day the Municipality received the funds and the disbursement day.	2

Recommendation:

We recommend Management strengthens its disbursement procedures to minimize the time elapsed between the transfer of funds and the disbursements made by the Municipality.

B. Eligibility

We performed an eligibility test and examined a sample of fifteen (15) participant files of the Section 8 Housing Choice Vouchers Program (CFDA No. 14.871). The following summarize the deficiencies found:

CFDA No.	Deviation	Cases
14.871	Privacy Act did not disclose date was signed by participant.	1
14.871	EIV is not signed by the PHA Staff.	6
14.871	In the EIV, the participant did not mark the box as he or she agrees with the income verification provided in the EIV.	3
14.871	We did not find evidence that the family corrected the cited HQS deficiencies within the specified time frame.	1
14.871	During the fiscal year 2014-2015, the PHA Staff did not verify the EIV to new participants after the 90 days required by HUD.	2
14.871	EIV is not signed by the participant.	1
14.871	Tenant file did not have determination for reasonable rent.	4

Recommendation:

We recommend Management strengthens its controls procedures in order to ensure that the participants' files include all documentation required by federal agencies.

I. Compliance Matters (Continued)

C. Procurement and Suspension and Debarment

In our contract test of the CDBG State Program we found the following deviations:

CFDA No.	Deviation	Cases
14.228	Contract did not include provision for granting access to GAO or other federal agency, to books, documents, etc.	9
14.228	Contract did not include provision for retention of all required records for three years.	9
14.228	Contract did not include provision compliance with executive order 11246 "Equal Employment Opportunity" (applicable construction contract in excess of $10,000)	1
14.228	Contract did not include provision compliance with Davis Bacon Act. (applicable to construction contracts in excess of $2,000)	1
14.228	Contract did not include provision for compliance with Sections 103 and 107 of the Contract Work Hours & Safety Standards Act.	1
14.228	Contract did not include provision for compliance with the Clean Air Act and Water Act. (applicable to contracts in excess of $100,000)	1
14.228	Contract did not include provision for compliance with Energy Policy and Conservation Act.	1
14.228	Contract did not include provision for compliance with the Copeland "Anti-Kickback". (applicable to contracts for construction or repair)	1

Recommendation:

We recommend to management to update the contracts samples so that all required clauses are included in a manner that can meet the procurement federal requirements.

I. Compliance Matters (Continued)

D. Special Test and Provisions – Housing Rehabilitation

During our examinations for the Community Development Block Grants - State's Program (CDFA No. 14.228), in fifteen (15) files related to the housing rehabilitation activities performed during fiscal year 2014-2015, we noted the following situations:

CFDA No.	Deviation	Cases
14.228	Pre-inspection was not documented.	1

Recommendation:

We recommend the Program's Management establishes an internal control procedure or monitoring process to ensure the completeness of the required information. It is necessary to maintain a complete documentation according with the proposal for the compliance of the federal laws and regulations.

E. Special Test and Provisions – Depositary Agreement

CFDA No.	Deviation
14.871	During our audit, we noted that the Municipality did not comply with the compliance requirement of Depository Agreements. The PHA is required to enter into depository agreement with their financial institutions in the form required by HUD. (Form HUD-51999).

Recommendation:

Procedures should be implemented to ascertain that the PHA complies with the established Federal Regulation, as prescribed by HUD.