INSTITUTE OF FORENSIC SCIENCES

MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2015

March 24, 2016

To the Board of Directors
Institute of Forensic Sciences
San Juan, Puerto Rico

In planning and performing our audit of the financial statements of Institute of Forensic Sciences as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 consider the following deficiencies in the Institute's internal control to be material weaknesses:

A. CASH

1. Reconciling bank accounts regularly

Condition – Our audit testing revealed numerous problems in the area of cash which could be avoided if the following procedures were adopted: All bank accounts should be reconciled monthly.

- Reconciliations should be prepared using the bank balance and the balance per the general ledger instead of to a cash book balance.

Recommendation – We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations.

2. Outstanding checks over a year

Condition – The institute maintain as outstanding check in bank reconciliation of bank accounts 226-041707 at June 30, 2015, checks dated over a year.

Recommendation – We suggest that, at least annually, all checks dated in the prior year be moved to the liability account for control purposes and to facilitate preparation of monthly bank reconciliations. These items should also be reviewed regarding whether they should be written off with appropriate stop orders placed with the bank.

B. Failure to perform year-end accounting

Condition – In performing our audit, we noted that the accounting staff lack the knowledge and/or training with the basic year-end bookkeeping and accounting procedures that are necessary to prepare the books for audit purposes. It is important to ensure that all financial activity for the year is accurately recorded in your accounts in the proper period. Matters such as internal control, systems processes, financial analysis, and budgeting are areas we feel could be improved if the accounting staff are able to efficiently prepare the year-end accounting.

Recommendation – We strongly suggest to the Institute to provide its accounting staff with the necessary training and incorporate efficient and effective processes for accounting that produce timely and accurate financial reports for use in decision-making.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe that material weakness yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Institute's internal control to be significant deficiencies:

A. Maintaining personnel files

Condition – During our payroll testing we noted that the following personnel files did not contain the job description form properly signed:

Voucher Number	Employee Name
147699	Maldonado Orama, Cruz A.
147718	Robles Candelaria, Angel L.
147735	Cintrón Marcano, Maritza
147834	Hernández Arroyo, Julia E.
147861	Miranda Rivera, John D.
147938	Casiano Agosto, Leslie
147941	Echevarría Rivera, Aracelis
147942	Fernández López, Militza

Recommendation – We recommend that personnel files be reviewed for all the existing employees and that proper supporting documentation be obtained for all payroll deductions.

Condition –The following personnel files did not contain the updated retention of salaries form (Formulario 499R-4)

Voucher Number	Employee Name
147674	Acosta García,Benjamín
147685	Delgado Huertas, José A.
147697	Lugo Dominguez, José Alberto
147894	Rivera Diez, Irma
147900	Rodríguez Colón, Mariam
147938	Casiano Agosto, Leslie
147941	Echevarría Rivera, Aracelis
147948	Serrano Santos, Jaisa
147729	Torres Roche, Edrick
147780	Bonilla, Rigoberto
147798	Cintrón Castellano, Alex

Voucher Number	Employee Name
147818	Falú Carranquillo, Yamayra
147834	Hernández Arroyo, Julia E.

Recommendation – We recommend that personnel files be updated with the "Certificado de exención para la retención" (Form 499 R-4)

B. Accounts Receivable with more than two years old

Condition – Accounts receivable between funds contains approximately $460,000 in receivable balances that comes from more than two years old.

Recommendation – Accounting records and balances must be kept accurate and updated in order to be a good source for external users. Net assets may be understated due to the uncertainty of payment on these old receivables. Management must analyze and consult with legal counselors about the nature of these transactions and adjust, if necessary.

C. Billing system information

Condition – Our audit revealed that the billing system used to process services of doping test provided is not meeting the financial and reporting needs of the Institute due to its inability to assess account aging and produce aged outstanding receivables reports. Also we noted that the accounts receivable subsidiary of the Special Fund is not routinely reconciled to the general ledger. This practice serves as a check on the accuracy of the record keeping process and maintains the accounts receivable on a more timely and accurate basis

Recommendation – The detail listing of accounts receivable should be reconciled to the general ledger control accounts at the end of each month. Any differences should be investigated and resolved as soon as possible.

D. Reconciling fixed assets to the general ledger

Condition – At the present time, there is no procedure for reconciling detailed fixed asset records to the general ledger on a regular basis. The lack of such a procedure has led to inaccurate reporting of fixed asset cost and depreciation expense in monthly financial statements.

Recommendation – To prevent the need for major adjustments to the property accounts at the end of each year, we suggest that the general ledger fixed asset accounts be reconciled to the detailed records on a monthly basis.

E. Cut-off procedures for purchases, accounts payables, and accruals

Condition – Approximately $78,000 for federal funds were included as audit adjustments for payments made after year-end, related to invoice and/or certifications received prior to year-end, which were not recorded in the proper accounting period. Failure to execute this process may indicate that the cut-off procedures are not being performed in accordance with the Institute's control activities, not reviewing invoices paid during July and August 2015 to ensure these were recorded on the correct accounting period.
Recommendation – We suggest that the Finance Director prepare written instructions to be included as a part of the Institute accounting policies and procedures manual which indicates basic concepts of proper cutoffs and the individuals responsible for accruing payables at the accounting period end.

F. Annual budget

Condition – It was noted during the audit that Institute of Forensic Sciences' annual budget does not easily compare to the actual financial statements. Because the expenditures are not adjusted, the budget compared to actual indicates that for the year ended June 30, 2015 the expenditures were understated, creating an operating deficit.

Recommendation – We strongly recommend that the structure of the annual budget be modified to more closely match the format of the financial statements. This will allow for more useful comparisons between budgeted and actual financial information as well as enable more meaningful and precise analysis of budget variances.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 21, 2016 on the financial statements of Institute of Forensic Sciences. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate member of management, are intended to improve the internal control or result in other operation efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comments are summarized as follows:

A. Staff training in use of software reporting functions

Condition – During our audit fieldwork, we found that the Institute's accounting staff needs additional training in the accounting software's reporting capabilities. Used properly, these programs can be extremely beneficial and save substantial time in assisting in the accounting and finance area. Under current conditions, however, the improper use and inaccurate spreadsheets will simply continue to cause errors in the financial information, reports and financial statements.

Recommendation – We strongly suggest that this situation should be corrected as soon as possible with improved training for all accounting department employees on the use of such software. Also, the Institute may consider engaging a consultant to review the application and use of this type of software in order to establish a consistent pattern of use that best meets their needs. Substantial benefits in efficiencies and cost savings will result from an improved use of the type of software.

We believe that the implementation of these recommendations will provide the Institute of Forensic Sciences 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 you in any way possible with their implementation.

This communication is intended solely for the information and use of management, those charged with governance, 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 Institute of Forensic Sciences 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.

Respectfully submitted,

Ortiz, Rivera, Rivera & Co.

ORTIZ, RIVERA, RIVERA & CO.
TYPING CONTROL SHEET

8/2015

Client name: Instituto de Ciencias Forenses Client number: 430 ☐ New ☑ Recurrent

Total contract: $ 22,000

Invoice #	Amount	Paid	Invoice #	Amount	Paid
	$			$	
	$			$	

Prepared by: _____

Partner in charge: _____

Date prepared: _____ Due date: _____

( ) Financial statement: ___Compiled ___Revised ___Audited

( ) Single Audit ( ) Letter ( ) Data Collection

(✓) Management letter 2015 ( ) Rep. letter ( ) Internet transmission

( ) Proposal ( ) Eng. letter ( ) Agreed upon Procedure

( ) Memorandum ( ) Contract

( ) Other specify: _____

( ) Income tax return ( ) Property tax

( ) Estimated return ( ) Corp. report

( ) Municipal tax ( ) 1040 PR

Financial statements required: ( ) YES ( ) NO

Typed by : _____

Started : _____

Completed : _____

Number of copies: _____

( ) With cover _____ ( ) Without cover _____

( ) Extra with cover _____ ( ) White copies _____

1rst review:	Correct. made:	2nd review:	Correct. made:	3rd review:	Correct. made:	4rth review:	Correct. made:
By _____	By _____	By _____	By _____	By _____	By _____	By _____	By _____
Date _____	Date _____	Date _____	Date _____	Date _____	Date _____	Date _____	Date _____

5th review:	Correct. made:	6th review:	Correct. made:	7th review:	Correct. made:	8th review:	Correct. made:
By _____	By _____	By _____	By _____	By _____	By _____	By _____	By _____
Date _____	Date _____	Date _____	Date _____	Date _____	Date _____	Date _____	Date _____

Working Papers Reviews:

Manager _____ Date _____

Partner in charge _____ Date _____

Job Evaluation Report by: _____ Date _____

Pre-Issuance Review _____ Date _____ Correct. by _____ Date _____

Quality Review _____ Date _____ Correct. by _____ Date _____

☐ Apply Engagement Quality Control Review _____ Date _____

	Delivery approval Date:	By:	Sent by Date:	Sign:	Delivery
Footings by _____ Date _____	Client Draft				
Spelling by _____ Date _____	2nd Draft				
Rep. letter signed _____	Client Final Copy				
Attorney letter received _____	Extra Final Copy				
MEETING DATE: _____	Other				

File name: (Ciencias forenses-mgl j15)

Comments Description Review Points	Cleared:	Date	Initials

Financial statement purpose: Scanning: By: