

OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES

AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL

AREA DE ARCHIVO DIGITAL

MUNICIPIO DE SAN LORENZO

AUDITORIA 2001-02

30 DE JUNIO DE 2002

OFICIO DEL COMISIONADO
DE AUDITORES MUNICIPALES

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**COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF SAN LORENZO, PUERTO RICO**

**INDEPENDENT AUDITORS' REPORTS ON
GENERAL-PURPOSE COMBINED FINANCIAL STATEMENTS**

JUNE 30, 2002

**(WITH THE ADDITIONAL REPORTS AND INFORMATION
REQUIRED BY THE GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133)**

COMMONWEALTH OF PUERTO RICO
MUNICIPALITY OF SAN LORENZO, PUERTO RICO
INDEPENDENT AUDITORS' REPORTS ON
GENERAL-PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2002
(WITH THE ADDITIONAL REPORTS AND INFORMATION
REQUIRED BY THE GOVERNMENT AUDITING STANDARDS
AND THE OMB CIRCULAR A-133)

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PART I
FINANCIAL



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INDEPENDENT AUDITORS' REPORT

**To the Honorable Mayor and
Member of the Municipal Legislature
Municipality of San Lorenzo, Puerto Rico**

We have audited the accompanying general-purpose financial statements of the **Municipality of San Lorenzo, Puerto Rico (Municipality)**, as of and for the Fiscal Year Ended June 30, 2002, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the **Municipality's** management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The **Municipality** accounting system and records of property, plant and equipment did not include all transactions that should be capitalized and evidence of ownership in some real property on the General Fixed Assets Account Group. We were unable to obtain sufficient competent evidential matter through audit procedures to satisfy ourselves regarding the reasonableness of the amounts presented in the accompanying general-purpose financial statements. Therefore, we do not express an opinion on such amount represent in the General Fixed Assets Account Group.

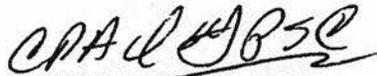
In our opinion, except for the effect, if any, as might have determined to be necessary had we been able to audit the fixed assets of the General Fixed Assets Account Group, as explained in above paragraph, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Municipality**, as of June 30, 2002, and the results of operations and changes in the fund balances for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2002 on our consideration of the **Municipality's** internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITORS' REPORT

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Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit the basic general-purpose financial statements taken as a whole.



CPA DIAZ-MARTINEZ, PSC
Certified Public Accountants

Caguas, Puerto Rico
November 15, 2002



MUNICIPALITY OF SAN LORENZO, PUERTO RICO

COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ASSETS AND OTHER DEBITS:							
Cash and Investments (Notes 1 E and 2)	\$ 3,343,658	\$ 3,021,035	\$ -	\$ -	\$ -	\$ -	\$ 6,364,693
Cash with Fiscal Agent (Note 1 E)	-	339,041	337,428	1,163,974	-	-	1,840,443
Receivables							
Property Taxes (Note 8)	-	-	-	13,749	-	-	13,749
Federal Grants (Note 10)	-	51,715	-	-	-	-	51,715
Governmental Units	-	282,931	-	-	-	-	282,931
Others Funds (Note 3)	425,682	821,993	444,180	-	-	-	1,691,855
Property, Plant and Equipment (Note 5)	-	-	-	-	15,919,867	-	15,919,867
Amount Available in Debt Service Fund (Note 7)	-	-	-	-	-	1,175,697	1,175,697
Amount to be Provide for Payment of:							
General Long-Term Debt (Note 6)	-	-	-	-	-	3,033,620	3,033,620
Advance Property Taxes (Note 8)	-	-	-	-	-	618,766	618,766
Intergovernmental Advance (Note 10)	-	-	-	-	-	280,272	280,272
State Health Insurance Plan (Note 6)	-	-	-	-	-	627,912	627,912
Solid Waste Disposal Debt (Note 6)	-	-	-	-	-	397,222	397,222
Vested Compensated Absences (Note 1 I)	-	-	-	-	-	654,646	654,646
TOTAL ASSETS AND OTHER DEBITS	\$ 3,769,340	\$ 4,516,715	\$ 781,608	\$ 1,177,723	\$15,919,867	\$ 6,788,135	\$32,953,388

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

COMBINED BALANCE SHEET –
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
LIABILITIES AND FUND EQUITY							
LIABILITIES:							
Accounts Payable and Accrued Liabilities	\$ 61,717	\$ 69,148	\$ -	\$ -	\$ -	\$ -	\$ 130,865
Due to:							
Government Units (Note 4)	32,976	-	-	-	-	-	32,976
Other Funds (Note 3)	1,167,423	522,406	-	2,026	-	-	1,691,855
Deferred Revenues:							
Volume of Business Tax (Note 9)	1,322,236	-	-	-	-	-	1,322,236
Federal Grants (Note 10)	-	1,329,637	-	-	-	-	1,329,637
Long-Term Debts:							
General Obligations Bonds (Note 6)	-	-	-	-	-	2,705,000	2,705,000
Special Obligations Notes (Note 6)	-	-	-	-	-	1,504,317	1,504,317
Advances of Property Taxes (Note 8)	-	-	-	-	-	618,766	618,766
Intergovernmental Advances (Note 10)	-	-	-	-	-	280,272	280,272
State Health Insurance Plan (Note 6)	-	-	-	-	-	627,912	627,912
Solid Waste Disposal Debt (Note 6)	-	-	-	-	-	397,222	397,222
Vested Compensated Absences (Note 1 I)	-	-	-	-	-	654,646	654,646
TOTAL LIABILITIES	<u>2,584,352</u>	<u>1,921,191</u>	<u>-</u>	<u>2,026</u>	<u>-</u>	<u>6,788,135</u>	<u>11,295,704</u>

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

COMBINED BALANCE SHEET –
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
FUND EQUITY:							
Investment in Property, Plant and Equipment (Note 5).....	\$ -	\$ -	\$ -	\$ -	\$15,919,867	\$ -	\$15,919,867
Fund Balance:							
Reserved for Encumbrances (Note 1 L)	571,699	-	-	-	-	-	571,699
Unreserved:							
Designated for Debt Service (Note 1L).....	-	-	-	1,175,697	-	-	1,175,697
Designated for Future Expenditures	-	2,595,524	781,608	-	-	-	3,377,132
Undesignated.....	<u>613,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>613,289</u>
TOTAL FUND EQUITY	<u>1,184,988</u>	<u>2,595,524</u>	<u>781,608</u>	<u>1,175,697</u>	<u>15,919,867</u>	<u>-</u>	<u>21,657,684</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,769,340</u>	<u>\$ 4,516,715</u>	<u>\$ 781,608</u>	<u>\$ 1,177,723</u>	<u>\$15,919,867</u>	<u>\$ 6,788,135</u>	<u>\$32,953,388</u>

The accompanying notes to general-purpose financial statements are an integral part of this statement.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
REVENUES					
Property Taxes (Note 8).....	\$ 2,267,929	\$ -	\$ -	\$ 790,577	\$ 3,058,506
Volume of Business Taxes (Note 9).....	1,865,778	-	-	-	1,865,778
Federal Assistance (Note 10).....	-	1,458,942	-	-	1,458,942
Intergovernmental (Note 10).....	4,693,457	1,203,026	-	-	5,896,483
Licenses and Permits.....	982,418	-	-	-	982,418
Miscellaneous.....	670,031	11,053	-	-	681,084
TOTAL REVENUES	<u>10,479,613</u>	<u>2,673,021</u>	<u>-</u>	<u>790,577</u>	<u>13,943,211</u>
EXPENDITURES					
Current:					
Mayor and Municipal Legislature	645,572	-	-	-	645,572
General Government.....	3,726,378	1,456,438	-	-	5,182,816
Public Safety	371,589	87,643	-	-	459,232
Public Works	1,643,426	-	-	-	1,643,426
Culture and Recreation	350,455	-	-	-	350,455
Sanitation	724,158	-	-	-	724,158
Solid Waste Disposal	-	459	-	-	459
Human Services and Welfare	-	874,015	-	-	874,015
Urban Development	-	96,215	218,816	-	315,031
Capital Outlays	74,174	26,347	-	-	100,521
Amortization of Property Taxes Advances	1,484,760	-	-	-	1,484,760
Debt Service:					
Principal Retirement (Notes 6 and 7).....	-	-	-	541,063	541,063
Interest Payment.....	-	-	-	272,072	272,072
TOTAL EXPENDITURES	<u>9,020,512</u>	<u>2,541,117</u>	<u>218,816</u>	<u>813,135</u>	<u>12,593,580</u>
EXCESS (DEFICIENCY) of Revenues					
Over (Under) Expenditures	<u>1,459,101</u>	<u>131,904</u>	<u>(218,816)</u>	<u>(22,558)</u>	<u>1,349,631</u>

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
OTHER FINANCIAL SOURCES (USES):					
Property Taxes Advances (Note 8)	\$ 1,451,881	\$ -	\$ -	\$ -	\$ 1,451,881
Proceed of Note	-	-	-	-	-
Intergovernmental Advances	-	-	-	-	-
Operating Transfer In	-	1,379,564	218,816	343,055	1,941,435
Operating Transfer Out	(1,722,619)	(218,816)	-	-	(1,941,435)
TOTAL OTHER FINANCING SOURCES (USES)	(270,738)	1,160,748	218,816	343,055	1,451,881
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	1,188,363	1,292,652	-	320,497	2,801,512
Fund Balances (Deficit) as Restated at Beginning of Year (Note 13)	(709,518)	1,302,872	781,608	1,561,343	2,936,305
Residual Equity Transfer	706,143	-	-	(706,143)	-
FUND BALANCES AT END YEAR	\$ 1,184,988	\$ 2,595,524	\$ 781,608	\$ 1,175,697	\$ 5,737,817

The accompanying notes to general-purpose financial statements are an integral part of this statement.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
ENCUMBRANCES AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – GENERAL AND DEBT SERVICE FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GENERAL			DEBT SERVICE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Property Taxes Advances	\$ 2,123,749	\$ 2,123,749	\$ -	\$ 635,965	\$ 790,577	\$ 154,612
Volume of Business Taxes	1,850,714	1,865,778	15,064	-	-	-
Intergovernmental	4,483,160	4,140,430	(342,730)	-	-	-
Licenses and Permits	547,422	982,418	434,996	-	-	-
Miscellaneous	452,192	668,005	215,813	-	-	-
TOTAL REVENUES	9,457,237	9,780,380	323,143	635,965	790,577	154,612
EXPENDITURES AND ENCUMBRANCES						
Mayor and Municipal Legislature	901,761	794,016	107,745	-	-	-
General Government:						
Finance	3,829,792	3,246,596	583,196	-	-	-
Personnel	201,400	178,561	22,839	-	-	-
Insurance	164,133	164,133	-	-	-	-
Public Safety	446,166	427,517	18,649	-	-	-
Public Works	1,962,623	1,879,282	83,341	-	-	-
Culture and Recreation	513,159	377,222	135,937	-	-	-
Sanitation	856,802	724,158	132,644	-	-	-
Capital Outlays	169,059	74,174	94,885	-	-	-
Amortization of Property Tax Advance.....	32,880	32,879	1	-	-	-
Debt Services	-	-	-	635,965	813,135	(177,170)
TOTAL EXPENDITURES AND ENCUMBRANCES	9,077,775	7,898,538	1,179,237	635,965	813,135	(177,170)
EXCESS OF REVENUES Over (Under)						
Expenditures and Encumbrances	379,462	1,881,842	1,502,380	-	(22,558)	(22,558)

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
ENCUMBRANCES AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – GENERAL AND DEBT SERVICE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GENERAL			DEBT SERVICE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCIAL SOURCES (USES):						
Operating Transfer In (Out)	(\$ 379,462)	(\$ 343,055)	\$ 36,407	\$ -	\$ 343,055	\$ 343,055
Excess of Revenues and Other Sources (Uses) Over Expenditures and Other Uses	\$ -	1,538,787	\$ 1,538,787	\$ -	320,497	\$ 320,497
Adjustment Required Under Generally Accepted Accounting Principles:						
Net Change in Encumbrance		338,148				
GAAP Adjustments to Revenue		2,026			-	
Accrual Liability for Certain Debts not Recognized in Budget		(8,241)			-	
Change in Non budget Items		(682,357)			-	
Fund Balances (Deficit) as Restated at Beginning of Year (Note 13)		(709,518)			1,561,343	
Residual Equity Transfer		706,143			(706,143)	
FUND BALANCE AT END OF YEAR.....		\$ 1,184,988			\$ 1,175,697	

The accompanying notes to general-purpose financial statements are an integral part of this statement.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO THE GENERAL PURPOSES FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **Municipality of San Lorenzo, Puerto Rico (Municipality)** was founded in the year 1811, and operates as a governmental unit of the Commonwealth of Puerto Rico, under the Law Number 81 of August 30, 1991, known as "Autonomy Municipalities Law of the Commonwealth of Puerto Rico". The governmental system of the **Municipality** is composed of the executive and legislative bodies. The Mayor is the Chief Executive Officer and is elected every four years in the general elections of the Commonwealth of Puerto Rico. The legislative body consists of 14 municipal legislators also elected in the general elections of Puerto Rico for a four-year period.

The **Municipality** provides services such as: health, public works, sanitation, aids and services to low-income and elderly citizens, public safety, housing and urban development, culture and recreation, planning, zoning and other general and administrative services.

The accounting policies of the **Municipality** conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

A. Financial Reporting Entity

The general-purpose financial statements of the **Municipality** have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is a standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

The general-purpose financial statements present the financial position of the various fund types and accounts groups and the results of operations of the various fund types of the **Municipality**. This includes the organizations units governed by the Executive Officers and members of the Municipal Legislature of the **Municipality**. In evaluating the **Municipality** as a reporting entity, management has addressed all the potential component units. The decision to include a potential component unit in the reporting entity was made by applying the provisions of **GASB Number 14**.

The basic, but not the only criterion for including a potential component unit within the reporting entity is if elected officials of a primary government are financially accountable for the entity. Financial accountability exists if the primary government appoints a voting majority of the entity's governing body, fiscal dependency of the potential component units and if either one of the following conditions exist: the primary government can impose its will on the other entity or the potential exists for the other entity to

(1) provide specific financial benefits to or (2) impose specific financial burdens on the primary government. A second criterion used in evaluating potential component units is if the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete.

The relative importance of each criteria must be evaluated in light of specific circumstances in order to determine which components units are to be included as part of the reporting entity. Our specific evaluations of the criteria applicable to the **Municipality** indicates that the reporting entity consists of all funds and accounts groups included in the combined balance sheet, therefore, no organizations, activities or functions are required to be included in the reporting entity.

Amounts in the "Totals Memorandum Only" column in the combined financial statements represent a summation of the combined financial statements line items of the fund types and account groups, and are presented for the analytical purposes only. The summation include fund types and account groups that use different basis of accounting includes interfund transactions that have not been eliminated and the caption "amounts to be provided", which is not an asset in the usual sense. Consequently, amounts shown in the "Totals Memorandum Only" column are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures of the **Municipality**.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the **Municipality** are financed. The acquisition, use, and balances of the **Municipality's** expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following are the **Municipality's** governmental fund types:

General Fund – This is the general operating fund of the **Municipality**. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund – This is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund – This is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interests.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

B. Basis of Presentation (continuation)

Capital Projects Fund – This is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Special Revenue Fund). Completed assets of a stewardship nature are transferred to the general fixed assets account group.

ACCOUNT GROUPS

Account groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records for the general long-term obligations. Account groups are used to establish accounting control and accountability for the Municipality's general fixed assets and the unmatured principal of its general long-term debts and other long-term obligations. The following is a description of the Account Group of the Municipality:

General Fixed Assets Account Group – This account group is used to account for all general fixed assets of the Municipality.

General Long-Term Debt Account Group – This account group is used to account for all long-term debt including bonds, notes and other long-term liabilities of the governmental fund type of the Municipality.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures are recognized in the accounts and reported in the general-purpose financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental fund types follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter, normally within sixty days, to be used to pay liabilities of the current period. Revenues collected in advance of the fiscal year to which they apply are recorded as deferred revenues and recognized as revenues in the years to which they apply.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially three types of these revenues. For one type, moneys must be expended on the specific purpose or project before any amounts will be paid to the Municipality; therefore, revenues are recognized based upon the expenditures recorded.

For the second type, moneys are received in advance and recorded as deferred revenues until the appropriate expenditures are made, at which time the revenues are recorded.

For the third type, revenues are virtually unrestricted as to purpose of expenditure and nearly irrevocable or revocable only for failure to comply with the prescribed requirements, such as equal employment opportunity provisions. These resources are reflected as revenues at the time of receipt or earlier if they meet the "available" criteria.

Property taxes are recognized as revenues when collected by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico, even though a portion of the taxes may be collected in subsequent years. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when collected, because they are generally not measurable until actually received.

Expenditures and related liabilities are generally recorded in the accounting period in which the liability is incurred. Exceptions to this general rule include: (1) vacation, sick leave, disallowance, and litigation are recorded in the general long-term debt account group; (2) expenditures and related liabilities for principal and interest on long-term obligations, which are recorded when due; (3) landfill obligation is included in the General Long-Term Debt Account Group since it will not be funded with available expendable financial resources.

D. Budgetary Accounting

The Municipality's Annual Budget is prepared on the budgetary basis of accounting and represents departmental appropriations recommended by the Mayor and approved by the Municipal Legislature prior to the beginning of the fiscal year. Budgetary control is maintained at the department level for each individual appropriation. Amendments to the budget, including transfers, require the approval of the Municipal Legislature. Unencumbered appropriations lapse at the end of the next fiscal year.

The Municipality follows these procedures, in accordance with law, in order to establish the budgetary data reflected in the general-purpose financial statements:

1. Prior to May 15 of each fiscal year, the Mayor submits to the Municipal Legislature a proposed budget for the fiscal year commencing the following July 1 in addition to a budget message.
2. The budget document is available for public inspection prior to its approval by the Municipal Legislature.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

D. Budgetary Accounting (continuation)

3. The Commissioner of Municipal Affairs examines the budget to verify if it complied with the law's standards and sends it to the Mayor for any comments or recommendation before the limited date establishes by the Law.
4. Prior to June 13, the annual budget is legally enacted through passage of the annual appropriation ordinance.
5. Subsequent to the enactment of the annual appropriation ordinance, the Municipal Legislature has the authority to make necessary amendments made during the fiscal year and are reflected in the budget information included in the general-purpose financial statements.
6. Budgetary data for the Special Revenue Fund has not been presented in the accompanying combined financial statements as such funds are budgeted over the life of the respective grant or project and not on an annual basis.

Since the budgetary basis differs from accounting principles generally accepted in the United States of America (GAAP), actual amounts for the General Fund in the accompanying Combined Financial Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance – Budget and Actual, is presented on the budgetary basis to enhance comparability.

The principal differences between the budgetary and GAAP bases are the following:

1. Encumbrances are recorded as expenditures under the budgetary basis and as a reserve of fund balances under GAAP.
2. The non-exonerated portion of the property tax advances are presented as revenue in the budgetary basis and as other financing sources under GAAP (See Note 8).
3. Interfund transactions of the General and Special Revenue Funds are not included in the budgetary basis.
4. Certain accrued liabilities and other debts are not included in the budgetary basis.
5. Certain revenues susceptible to accrual, i.e., both measurable and available, are not included in the budgetary data.

All encumbrance appropriations in the operating budget lapse at the end of the fiscal year. Property taxes collected during the current year by the Municipal Revenue Collection Center (Fiscal Agent) are presented as revenues in the accounting basis but are not considered in the budgetary basis.

The special funds of the Special Revenue Fund have not been included in the budget and actual comparison because balances are not budgeted. Also the budget prepared for the Federal Finance Awards Programs included in the Capital Projects and Special Revenue Funds is based on a program period which is not necessarily a year. Accordingly, it's not practical to present an annual comparison of budget and actual for such programs.

E. Cash and Investment

The Director of Finance of the **Municipality** is responsible for investing the available resources in certificates of deposit and other short-term investments. Investments are made from the available combined funds of the **Municipality** and, accordingly, it is not practical to disclose certificates of deposit and other short-term investments individually by fund in the combined financial statements. Interest earned on certificates of deposit and other short-term investments are recognized as revenue in the General Fund. Cash in the Special Revenue, Debt Service and Capital Project Funds are restricted; accordingly, resources available were not used for pool investments.

Cash with fiscal agent represents property tax collections retained by the Municipal Revenues Collection Center and undisbursed proceeds of certain bonds, loans or grants which are maintained in a cash custodian account by the Government Development Bank of the Commonwealth of Puerto Rico.

Cash balance recognized in the Debt Service Fund is restricted for the payment of the **Municipality's** obligations, and others are restricted for specific projects, such as the acquisition or construction of permanent improvements. This sinking fund is maintained by the Governmental Development Bank of Puerto Rico, agency which acts as the insurer and payer of the **Municipality's** bonds and notes issued in accordance with the law.

F. Receivable

Receivable are stated nets of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions. Receivable from Federal Government represents amounts owed to the **Municipality** for reimbursement of expenditures incurred pursuant to federally funded programs.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

G. Inventories

The General, Special Revenue and Capital Project Funds, purchases office and printing supplies, gasoline, oil and other expendable supplies held for consumption. The cost of purchases is recorded as expenditure in the appropriate fund and the inventory is not recorded in the general-purpose financial statements.

H. General Fixed Assets

The General Fixed Assets Account Group reflects the cost of fixed assets of a stewardship nature (certain land, buildings, certain improvements other than building, furniture and fixtures, equipment and motor vehicles acquired or constructed by the **Municipality**. Public domain (infrastructure) fixed assets consisting of roads, bridges, underground water and sewer facilities and certain other property are recorded as expenditures and are not capitalized in the General Fixed Assets Account Group. Donated fixed assets are valued at their estimated fair value on the date donated. No depreciation has been provided and the interest on financing during the construction period will not be capitalized in the General Fixed Assets Account Group.

I. Vested Compensated Absences

Municipal employees are granted 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave, or upon retirement, terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed. The **Municipality** accrues a liability for compensated absences, which meet the following criteria: (1) the **Municipality's** obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered; (2) the obligation relates to rights that vest or accumulate; (3) Payment of the compensation is probable; and (3) the amount can be reasonably estimated.

In accordance with the above criteria and requirements as established by **GASB Number 16**, the **Municipality** has accrued a liability for compensated absences, which has been earned but not taken by municipal employees. The liability for compensated absences, which will not require the use of expendable available financial resource, is included in the General Long-Term Debt Account Group.

J. Insurance

The **Municipality** has insurance coverage for its public facilities, primarily to provide protection from catastrophic losses. Also, principal officials of the **Municipality** are covered under various surety bonds.

The Secretary of the Treasury Department of the Commonwealth of Puerto Rico is the agent commissioned to place all of the **Municipality's** insurance coverage. Corresponding premiums payable are withheld by the Municipal Revenue Collection Center from quarterly advances of annual property tax and subsidy sent to the **Municipality**.

K. Interfunds Transactions

The **Municipality** has the following types of transactions among funds:

Operating Transfers – Legally required transfers that are reported when incurred as "Operating transfers-in" by the recipient funds and as "Operating transfers-out" by the disbursing fund.

Transfer of Expenditures (Reimbursements) – Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as reduction of expenditures in the reimbursed fund.

L. Reservations of Fund Balance

Reservations of fund balance represent portions of fund balances that are legally segregated for a specific future use or are not appropriate for expenditure. The **Municipality** has the following reservations of fund balance:

Encumbrance – Represent future expenditures under purchases orders, contracts and other commitments issued for goods and services not received at year-end. Where the appropriations lapse at year-end these will be honored during subsequent year. Encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, are reported with expenditures in all budgetary basis statements.

Debt Service – Represents net assets available to finance future debt service payments.

M. Claims and Judgments

The estimated amount of the liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded in the general fund. The General Long-Term Debt Account Group includes an amount estimated as a contingent liability or liabilities with a fixed or expected due date, which will require future available financial resources for its payment.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation)

N. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues during the reporting period. Actual result count differs from those estimates

NOTE 2 CASH AND INVESTMENTS

Investments consist of certificates of deposit. The Municipality's cash and investments at year-end were entirely covered by the Federal Deposit Insurance Corporation (FDIC) coverage, up to a maximum of \$100,000 in each bank, and the excess by collateral provided by the banks and held by the Department of the Treasury pursuant the applicable laws and regulations. Cash with fiscal agent is maintained in interest bearing accounts in the Government Development Bank of Puerto Rico and is not collateralized.

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the federal government or the Commonwealth of Puerto Rico. The Municipality is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Commonwealth laws.

During the year, the Municipality invested its funds in interest bearing bank accounts and short-term certificates of deposit. As June 30, 2002, the General Fund has the following investment, which market value approximated its carrying:

ISSUED BY	CERTIFICATE OF DEPOSIT NUMBER	PRINCIPAL AMOUNT	INTEREST RATE	EXPIRATION DATE
Oriental Group	0131006407	\$ 400,000	2.50%	08-23-02
Oriental Group	0131005980	400,000	2.50%	01-18-03
Oriental Group	01310078270	263,262	2.50%	08-20-02
Eurobank	2205003327	400,000	2.875%	07-14-02
Eurobank	2205004127	500,000	3.0%	08-01-02
TOTAL		<u>\$1,963,262</u>		

NOTE 3 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Short-term advances between funds are accounted for in the interfund receivable and payable accounts. Interfund receivable and payable balances at June 30, 2002 consist of the follows:

	INTERFUND	
	RECEIVABLE	PAYABLE
General:		
Cash Transfers and Operational Loans	\$ 423,656	\$1,167,423
Interest on CAE Bank Account	2,026	-
Special Revenue:		
Cash Transfers and Operational Loans	821,993	522,406
Capital Project:		
Cash Transfers and Operational Loans	444,180	-
Debt Service:		
Interest in CAE Bank Account	-	2,026
TOTAL	<u>\$1,691,855</u>	<u>\$1,691,855</u>

NOTE 4 DUE TO OTHER GOVERNMENTAL UNITS

As of June 30, 2002, balance due to other governmental units of the General Fund for services rendered to the Municipality, consists of the following:

	AMOUNT
Water and Sewer Authority	\$ 3,384
Administration of General Services	2,151
AEELA	1,324
Retirement System Administration	<u>26,117</u>
TOTAL	<u>\$32,976</u>

The Municipality also due the amount of \$627,912 to State Health Insurance Plan (ASES). This amount should be amortized through retention of the increase in the Electronic LOTO participation received by the Municipality, in accordance with Law Number 29 of July 1, 1997.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

A summary of changes in property, plant and equipment follows:

DESCRIPTION	BALANCE JULY 1, 2001	ADDITIONS AND ADJUSTMENTS	DISPOSITIONS AND ADJUSTMENTS	BALANCE JUNE 30, 2002
Lands.....	\$ 2,350,132	\$ -	\$ -	\$ 2,350,132
Buildings and Improvements.....	9,472,378	-	-	9,472,378
Machinery and Equipment.....	3,595,008	791,843	289,494	4,097,357
TOTAL.....	\$15,417,518	\$ 791,843	\$ 289,494	\$15,919,867

NOTE 6 GENERAL LONG-TERM DEBTS

A. GENERAL OBLIGATIONS BONDS AND NOTES PAYABLE

The principal long-term obligations of the Municipality are general obligations bonds and notes payable issued to finance the construction and improvements of public facilities. The Municipality's general obligations long-term debt retirements are appropriated and paid from resources accumulated in the Debt Service Fund (See Note 7). The special obligations long-term notes retirements are paid through retention made by the Municipal Revenue Collection Center from monthly advance of annual property tax and subsidy send to the Municipality.

General obligations bonds and notes payable as of June 30, 2002, are comprised of the following individual issues:

DESCRIPTION	AMOUNT
General Obligations Bonds:	
\$1,525,000, Series 1997, payable in semiannual installments ranging from \$20,000 to \$135,000, excluding interest at 8.00%, through July 1, 2021.....	\$1,400,000
\$575,000, Series 1996, payable in semiannual installments ranging from \$15,000 to \$60,000, excluding interest at 8.00%, through July 1, 2015.....	495,000
\$1,640,000, Series 1992, payable in semiannual installments ranging from \$65,000 to \$190,000, excluding interest at 6.36%, through July 1, 2006.....	810,000
Total General Obligations Bonds.....	2,705,000

DESCRIPTION	AMOUNT
Special Obligations Notes:	
\$221,269, Series 1988, payable in quarterly installments of \$2,766, excluding interest at 8.00%, through July 1, 2007.....	\$ 55,317
\$300,000, Series 1987, payable in semiannual installments of \$15,000, excluding interest at 9.00%, through July 1, 2007.....	75,000
\$550,000, Series 2000, payable in annual installments ranging from \$90,000 to \$130,000, excluding interests from 7.29% to 8%, through July 1, 2004.....	360,000
\$4,100,000, Series 1986, payable in semiannual installments ranging from \$205,000 to \$264,000, excluding interest at 8.50%, through July 1, 2016.....	1,014,000
Total Special Obligations Notes.....	1,504,317
Total General Obligations Bonds and Notes.....	\$4,209,317

The annual requirements to amortize the general and notes obligations outstanding as of June 30, 2002 are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT
2003	\$ 566,063	\$ 243,802	\$ 809,865
2004	601,063	237,765	838,828
2005	631,063	191,643	822,706
2006	530,063	148,650	678,713
After 2006	1,881,063	920,304	2,801,367
TOTAL	\$ 4,209,315	\$ 1,742,164	\$ 5,951,479

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 6 GENERAL LONG-TERM DEBTS (continuation)

B. OTHER LONG-TERM DEBTS

DESCRIPTION	BALANCE JULY 1, 2001	NEW ISSUES	RETIREMENTS AND CURRENT MATURATES	BALANCE JUNE 30, 2002
Property Tax Advance-MRCC	\$ 596,441	\$ -	\$ 213,260	\$ 383,181
Property Tax Adv.-Treasury Dept	268,463	-	32,878	235,585
Intergovernmental Advance	280,272	-	-	280,272
State Health Insurance	711,250	-	83,338	627,912
Compensated Absences	685,646	-	31,000	654,646
Solid Waste Disposal Debt	469,222	-	72,000	397,222
TOTAL	<u>\$3,011,294</u>	<u>\$ -</u>	<u>\$ 432,476</u>	<u>\$2,578,818</u>

C. CHANGES IN GENERAL LONG-TERM DEBTS

The following is a summary of changes in long-term debts for the Fiscal Year Ended June 30, 2002:

DESCRIPTION	BALANCE JULY 1, 2001	NEW ISSUES	RETIREMENTS AND CURRENT MATURATES	BALANCE JUNE 30, 2002
General	\$2,880,000	\$ -	\$ 175,000	\$2,705,000
Bonds and Notes	1,870,381	-	366,064	1,504,317
Others Debts	3,011,294	-	432,476	2,578,818
TOTAL	<u>\$7,761,675</u>	<u>\$ -</u>	<u>\$ 973,540</u>	<u>\$6,788,135</u>

NOTE 7 DEBT RETIREMENT

Revenues of the Debt Service Fund consists of the ad-valorem property taxes which are recognized as revenue when collected from taxpayers and reported by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico to the **Municipality** (See Note 8).

These property taxes are accumulated by the Municipal Revenue Collection Center in costs of the general obligations bonds issued by the **Municipality** (See Note 6). Payments are made to the Government Development Bank of the Commonwealth of Puerto Rico from such accumulated funds by the Municipal Revenue Collection Center of Puerto Rico.

NOTE 8 PROPERTY TAXES

The Municipal Revenue Collection Center of the Commonwealth of Puerto Rico is responsible for the assessment of all real and personal property located within the **Municipality** and for the levy, administration and collection of the corresponding tax contribution.

The property tax contribution is levied each year over the appraised value of the property at the beginning of the calendar year. The real property assessment is based on the current value existing in the year 1957 and the personal property at the current value at the date of the assessment.

The tax rate per annum is 8.08% for real property and 6.08% for personal property of which 1.03% of both belongs to the Commonwealth of Puerto Rico and 7.05% and 5.05%, respectively, belongs to the **Municipality**. From the portion belonging to the **Municipality**, 6.00% and 4.00%, respectively, represents the **Municipality's** basic tax rate that is appropriated for general purposes and therefore accounted for through the General Fund. The remaining portion belonging to the **Municipality** of 1.25% represents the ad-valorem property taxes withheld by the Municipal Revenue Collection Center of the Commonwealth of Puerto Rico and restricted for debt service, which is accounted for through the Debt Service Fund (See Note 7).

The **Municipality** has reached the maximum statutory tax rate limit for the basic tax while there is no limitation for the ad-valorem tax rate. The Commonwealth of Puerto Rico grants complete real property tax exoneration on the first \$15,000 has assessed valuation on residential units occupied by their owners. However, the **Municipality** receives the full amount levied, except for residential units assessed at less than \$3,500 on which a complete exemption is granted.

The Municipal Revenue Collection Center, instead of the property taxpayer, becomes the source of payment in these cases. The **Municipality** grants a complete exemption from personal property taxes up to an assessment value of \$50,000. The Municipal Revenue Collection Center advances to the **Municipality**, on quarterly payments, 100% of the contribution assessed over property for each fiscal year. In accordance to Law, these advances will be contributions by the Municipal Revenue Collection Center from taxpayers. The Municipal Revenue Collection Center periodically informs to the **Municipality** the amounts collected from taxpayers and applied to outstanding advances.

The **Municipality** records as revenue in the General Fund the exonerated portion of property tax contribution when received from quarterly advances from Municipal Revenue Collection Center. The non-exonerated portion of the advance is recorded as other financing sources in the General Fund and in the General Long-Term Debt Account Group as an increase in related debt. The revenue for the basic contribution over property not exonerated is recorded in the General Fund where the respective property tax notifications from Municipal Revenue Collection Center are received, which includes the amounts collected by such Center.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 8 PROPERTY TAXES (continuation)

Due to the fact that collections of non-exonerated property taxes are applied to the advances of property tax sent by the Municipal Revenue Collection Center, they are record as amortization of the advance in the General Long-Term Account Group and as expenditures in the General Fund and recognized as revenue in accordance with GAAP.

At June 30, 2002, the Debt Service Fund of the Municipality presents a receivable of \$13,749 according to measurement revenue recognition focus

NOTE 9 VOLUME OF BUSINESS TAX

The volume of business tax is levied each year based on the prior year's gross revenues for all commercial and industrial organizations doing business in the Municipality and which are not totally or partially exempt from this tax under the Industrial Incentives Laws of the Commonwealth of Puerto Rico. All taxpayers are required to file their declarations by April 23 of each year.

The tax rates are as follows:

- a. 1.50% for financial institutions
- b. 1.00% for savings and loan associations.
- c. Other Organizations:
 - 0.30% below \$100,000
 - 0.40% \$100,001 through \$200,000
 - 0.50% Over \$200,001

Taxes are payable in two equal semi-annual installments on July 1 and January 1 following the date of levy. If they are paid with declaration, the taxpayer is granted a 5% of discount. Collections of taxes during current fiscal year, applicable to the next fiscal year, are recorded as deferred revenues in the General Fund.

NOTE 10 INTERGOVERNMENTAL REVENUES

Intergovernmental revenues consists primarily of funds received from the Commonwealth of Puerto Rico, "in lieu of tax" payments from the quasi-public corporation, the Puerto Rico Electric Power Authority, and federal financial assistance received from federal government.

Grants and subsidies received from the Commonwealth of Puerto Rico and federal agencies include, among others, a general subsidy for urban development and capital improvements. Intergovernmental revenues are accounted for through the General Fund except for those directly related to urban development and capital improvements, which are accounted for through the Special Revenue and the Capital Project Funds. Federal Financial Assistance is recorded in the Special Revenue Fund.

The Municipality has a long-term debt of \$280,272 to the Municipal Revenue Collection Center, for intergovernmental advance from subsidy and others sources, for the fiscal year 1997-98 and 1998-99. This debt will not require the use of expendable available financial resources, then is included in the General Long-Term Debt Account Group at June 30, 2002.

NOTE 11 EMPLOYEE'S RETIREMENT PLAN

The Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Puerto Rico. The ERS was created under the Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. ERS covers all regular employees of the Commonwealth of Puerto Rico and its instrumentalities and of certain municipalities and components units not covered by their own retirements systems.

Participation is mandatory except for members of the Legislature, Government Secretaries, Head of Agencies and Public Instrumentalities, Assistants to the Governor, the Comptroller of the Puerto Rico, Gubernatorial Board and Committee appointees and Experimental Service Station employees. ERS provides retirement, death and disability benefits. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation.

The Municipality adopted the requirements of GASB Number 25 for all the career employees that are covered under the Commonwealth of Puerto Rico Employee's Retirement System, a multiple-employer public employee retirement system, established by State Laws.

Under the plan, the employees and employer portions are contributed, for which, the employee amount is withheld from salaries. Covered employees are required by Commonwealth statute to contribute 5.775% for the first \$550 of monthly salary plus 8.275% for the excess of this amount, or on the alternative, 8.275% of all salary. The Municipality contributes to the system 9.275% of the participating employee's salaries.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 EMPLOYEE'S RETIREMENT PLAN (continuation)

Law Number 305 of September 24, 1999, amends the Act Number 447, that establish a savings program. All employees active in the system as of December 31, 1999 may elect to transfer from define contribution program to the new savings program (a defined contribution plan). Employees in the savings program may now contribute from a minimum of 8.275% up to a maximum of 10% of their monthly salary, and will invested in an account which will either: (a) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (b) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (c) earn a combination of both alternatives. If at time of retirement accumulated benefits amount to \$10,000 or less may elect to receive a lump sum distribution up to the accumulated benefits. Under the new program the retirement age is reduced from 65 to 60 for those employees who joined the current plan on or after April 1, 1990.

All employees that do not elect to transfer for the new program, and who at the time of employment are 55 years old or less are eligible to participate in the System. Pension benefits for participants with 30 years of service are as follows:

YEARS OF SERVICE	PARTICIPANT'S AGE	PENSION BENEFITS
30 or more	55 or less	65% of the average of the three years of highest salary during the employee's service period.
30 or more	58 or more	75% of the average of the three years of highest salary during the employee's service period.
30 or more	65 or more	75% of the average of the three years of highest salary during the employee's service period (employees started working after April 1, 1990).

The pension benefit for participants who retire with less than 30 years of service is computed at the rate of 1½% of their average compensation of each year of credit service for the remaining years. The System also provides for death and disability benefits and the assets of the System pertaining to the participant employees.

A variety of significant actuarial assumptions are used to determine the standard measure of the pension benefit obligation and these assumptions are summarized below:

- a. The present value of the future pension payments was computed by using a discount of 9%.
- b. Future pension payments reflect an assumption of a 6% salary increase.

The amount of the total pension benefit obligation is based on a standardized measurement established by **GASB Number 27, Financial Reporting for Defined Benefit Pension Plans and Notes Disclosure for Defined Contributions Plans**. The standardized measurement is the actuarial present value of estimated defined pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee services performed to date.

The measure is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The membership of retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving benefits, and active employees and the distribution of active employees between vested and nonvested is not readily available.

Contributions in 2002 and prior years were made based on percentages established by the law. Such percentage has not been based on actuarial studies, as required by accounting principles generally accepted in the United States of America. An actuarial compilation of the annual contribution applicable to the **Municipality** has not been prepared. Accordingly, the accounts by which the actual contributions differ from the required actuarial contributions are not known.

The total pension expenditures recorded in the category of administration for the Fiscal Year Ended June 30, 2002 was approximately **\$200,836**. All employees who at the time of employment are 55 years old or less are eligible to participate in the System. No benefit is payable if the participant receives a refund of his accumulated contributions.

The historical trend information regarding the accumulation of assets and pension benefit obligation in the ERS are not available. For the ten-year trend information, refer to the separately issued financial statements of the ERS as of and for the Fiscal Year Ended June 30, 2002.

NOTE 12 CONTINGENCIES

A. CLAIMS AND JUDGMENTS

The **Municipality** is, at present, a defendant in a number of legal matters that arise from alleged improper application of policies and negligence in the ordinary course of the **Municipality's** activities. The legal counsel of the **Municipality** has advised that at this stage in the proceedings of lawsuits he cannot offer an opinion as to the probable outcome.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 CONTINGENCIES (continuation)

In addition, the Municipality is a defendant or co-defendant in several legal proceedings, which are in discovery stage. Certain of these claims are covered by insurance. Legal counsel with the information currently available can not determine the final outcome of these claims. Accordingly, the financial statements do not include adjustment, if any, that could result from the resolution of this legal proceeding. However, it has been the Municipality's experience that such actions are settled for amounts substantially less than the claimed amounts.

B. FEDERAL GRANTS

In the normal course of operations, the Municipality receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 13 SUBSEQUENT EVENTS

The Government Development Bank at November 4, 2002 approved a General Obligation Bond in the amount of \$4,025,000 to finance the construction and improvement of public facilities.

NOTE 14 BEGINNING FUND BALANCES RESTATEMENT

Beginning Fund Balances of Special Revenue Fund and General Fund have been restated by accounting adjustments for accounting errors detected during the fiscal year that affect the Fund Equity of this Governmental Funds, as follows:

	General Fund	Special Revenue	Debt Services
Beginning Fund Balance (Deficit) at July 1, 2001	(\$ 393,185)	\$ 1,127,903	\$ 1,434,547
Adjustment to Interfunds (Due To/Due From).....	(316,333)	174,969	-
Final Liquidation of Prior Years	-	-	126,796
Beginning Fund Balance (Deficit) As Restated July 1, 2001	<u>(\$ 709,518)</u>	<u>\$ 1,302,872</u>	<u>\$ 1,561,343</u>

NOTE 15 GASB STATEMENTS NUMBERS 33, 34 (AS AMENDED), 37, 38 AND 39

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The objective of this Statement is to enhance the understandability and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. The minimum requirements for Basic Financial Statements and Required Supplementary Information (RSI) are:

- A. Management's Discussion and Analysis (MD&A) – a component of RSI, should introduce the basic financial statements and provide an objective and easily readable analytical of the government's financial activities based on currently known facts, decisions, or conditions. MD&A should discuss the current-year positive and negative results in comparison with the prior year, with emphasis on the current year.
- B. Basic Financial Statements – should include:
 - 1. Government-wide Statements – The government-wide statements should display information about the reporting government as a whole, except for its fiduciary activities. The statements should include separate columns for the governmental and business-type activities of the primary government as well as for its component units. Government-wide financial statements should be prepared using the economic resources measurement focus and the accrual basis of accounting. Capital assets, including infrastructure assets, and depreciation charges are reported on these new financial statements:
 - a. Statement of Net Assets
 - b. Statement of Activities
 - 2. Fund Financial Statements – Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds should be presented after the government-wide statements. These funds should be presented after the governmental and enterprise funds. Fiduciary statements should include financial information for fiduciary funds and similar component units. Each of the three fund categories should be reported using the measurement focus and basis of accounting required for that category.
 - 3. Notes to the Financial Statements – One set of notes for both financial statements.
- C. Required Supplementary Information other than MD&A. Except for MD&A, required supplementary information, including the required budgetary comparison information, should be presented immediately following the notes to the financial statements.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 GASB STATEMENTS NUMBERS 33, 34 (AS AMENDED), 37, 38 AND 39 (continuation)

GASB No. 34 will begin to take effect for the Municipality in fiscal year beginning after June 15, 2002. Earlier application is encouraged.

Prospective reporting of general infrastructure assets is required at the effective dates of this Statement. Retroactive reporting of all major general governmental infrastructure assets is encouraged at that date. Retroactive reporting is required four (4) year after the effective date on the basic provisions for all major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980.

Governments that elect early implementation of this Statement, should also implement GASB Statement Number 33, Accounting and Financial Reporting for Nonexchange Transactions, at the same time. Also, GASB 34 was amended by GASB Number 37 and 38 for topics that should be included in the MD&A and disclosures.

On May 2002, GASB No. 39 was issued that amend GASB 14 by established additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity. This statement is effective for financial statements for periods beginning after June 15, 2003. Earlier application is encouraged.

END OF NOTES

PART II

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND REPORTS REQUIRED BY GOVERNMENT AUDITING
STANDARDS AND OMB CIRCULAR A-133**

MUNICIPALITY OF SAN LORENZO, PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Section 8 Housing Choice Voucher Program.....	14.871	RQ037VO	\$ 553,399
Indirect Programs:			
Pass-Through State – Office of the Commissioner of Municipal Affairs			
State Block Grant Program (SBGP).....	14.228	01-FD-58 00-FD-FC-58 99-FD-58 98-FD-58 97-FD-58 96-FD-58 95-FD-58 94-AF-FD-58	<u>500,358</u>
Total U.S. Department of Housing and Urban Development....			<u>1,053,757</u>
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants			
	16.710		87,642
Local Law Enforcement Block Grant	16.592		<u>26,347</u>
Total U.S. Department of Justice			<u>113,989</u>
U.S. Federal Emergency Management Agency (FEMA):			
Pass-Through Office of the Governor:			
Public Assistant Grant	83.544	FEMA1136DR-PR FEMA1247DR-PR FEMA1396DR-PR	<u>61,975</u>
U. S. Department of Health and Human Services:			
Pass Through Administration of Children and Families:			
Child Care and Development Block Grant	93.575	CC-V96	<u>229,221</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS.....			<u>\$1,458,942</u>

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral of this Schedule.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Municipality of San Lorenzo, Puerto Rico (Municipality)** and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements. The reporting entity is defined in Note (1) (A) to the general-purpose combined financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The accompanying Schedule of Expenditures of Federal Awards is prepared from **Municipality's** accounting records and is not intended to present financial position or the results of operations.
- B. The financial transactions are recorded by the **Municipality** in accordance with the terms and conditions of the grants, which are consistent with accounting principles generally accepted in the United States of America.
- C. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable or when actually paid, whichever occurs first.

NOTE 3 FEDERAL CFDA NUMBER

The CFDA numbers included in this Schedule were determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance.

NOTE 4 PASS THROUGH GRANTOR'S NUMBER

State or local government redistribution of federal awards to the Municipality, treated as if they were received directly from the federal government. OMB Circular A-133 requires the schedule to include the name of the pass through entity and identifying number assigned by the pass through entity for federal awards received as a subrecipient. Numbers identified as N/A are not available.

NOTE 5 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Expenditures of federal awards are reported in the **Municipality's** Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Type as follows:

DESCRIPTION	SPECIAL REVENUE	CAPITAL PROJECT	TOTAL
Federal Programs Expenditures.....	\$1,318,442	\$ 140,500	\$1,458,942
State & Municipal Expenditures.....	<u>1,222,675</u>	<u>78,316</u>	<u>1,300,991</u>
TOTAL EXPENDITURES	<u>\$2,541,117</u>	<u>\$ 218,816</u>	<u>\$2,759,933</u>

NOTE 6 MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Costs.

END OF NOTES



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Honorable Mayor and
Members of the Municipal Legislature
Municipality of San Lorenzo, Puerto Rico**

We have audited the financial statements of **Municipality of San Lorenzo, Puerto Rico (Municipality)** as of and for the Fiscal Year Ended June 30, 2002, and have issued report thereon dated November 15, 2002, which was qualified because we not been able to audit the fixed assets of the General Fixed Assets Account Group. Except as discussed in the preceding sentence, we conducted our engagement to audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the **Municipality's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement to audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Municipality's** internal control over financial reporting 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider being reportable conditions. Reportable conditions involve matters coming to our consideration relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the **Municipality's** ability to record, process, summarize and report financial statements. Reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 02-II-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above being material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the **Municipality** in a separate letter dated November 15, 2002.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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This report is intended for the information of the management, Office of the Commissioner of Municipal Affairs, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

CPA DIAZ PSC

CPA DIAZ-MARTÍNEZ, PSC
Certified Public Accountants

Caguas, Puerto Rico
November 15, 2002





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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Honorable Mayor and
Members of the Municipal Legislature
Municipality of San Lorenzo, Puerto Rico**

Compliance

We have audited the compliance of the **Municipality of San Lorenzo, Puerto Rico (Municipality)** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the Fiscal Year Ended June 30, 2002. The **Municipality's** major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **Municipality's** management. Our responsibility is to express an opinion on the **Municipality's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **Municipality's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **Municipality's** compliance with those requirements.

As described in items 02-III-02 through 02-III-05, and 02-III-08 through 02-III-14 in the accompanying Schedule of Findings and Questioned Costs, **Municipality** did not comply with requirements regarding Davis-Bacon Act, Reporting and Special Test and Provisions that are applicable to its State Block Grant Program and Section 8 Housing Choice Vouchers Program. Compliance with such requirements is necessary, in our opinion, for **Municipality** to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, **Municipality** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the Fiscal Year Ended June 30, 2002. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 02-III-06 and 02-III-07.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Page 2

Internal Control Over Compliance

The management of the **Municipality** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the **Municipality'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 the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matter involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the **Municipality's** ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 02-III-01 through 02-III-08.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 02-III-02 through 02-III-05 and 02-III-08, to be material weaknesses.

This report is intended for the information of the management, Office of the Commissioner of Municipal Affairs, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


CPA DIAZ-MARTÍNEZ, PSC
Certified Public Accountants

Caguas, Puerto Rico
November 15, 2002



PART III
FINDINGS AND QUESTIONED COSTS

MUNICIPALITY OF SAN LORENZO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

Internal control over financial reporting:

● Reportable condition(s) identified? Yes None Reported

● Material weakness (es) identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

● Reportable condition(s) identified? Yes None Reported

● Material weakness (es) identified? Yes No

Type of auditors' report issued on compliance for Major Programs: Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

Any audit finding disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? Yes No

Identification of Major Programs:

CFDA NUMBER	NAME OF FEDERAL PROGRAM OR CLUSTER
14.228	State Block Grant Program (SBGP)
14.871	Section 8 Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

MUNICIPALITY OF SAN LORENZO, PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING	NUMBER 02-II-01
REQUIREMENT	REPORTABLE CONDITION OVER PROPERTY, PLANT AND EQUIPMENT
CONDITION	During our examination of Municipality's property record and reports we noted the following deficiencies: (1) Construction in Progress are not accounted for as part of Property, Plant and Equipment account balance; (2) there is no adequate internal control procedure to assure the proper valuation and timeliness of recognition of real estate inventory.
CRITERIA	Article 9.002 of State Act Number 81 of August 30, 1991 stated that Municipality should maintain updated property accounting records.
EFFECT	Municipality did not maintain an adequate control of the accountability regarding property transactions.
CAUSE	Evidence that system fails to provide a complete and accurate output consistent with the entity's control objectives because of the misapplication of controls.
RECOMMENDATION	Municipality should implement internal control procedures in order to comply with this requirement .
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-01
FEDERAL PROGRAM	STATE BLOCK GRANT PROGRAM (CFDA NO. 14.228) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS
REQUIREMENT	INTERNAL CONTROL
NONCOMPLIANCE	ALLOWABLE COST/COST PRINCIPLES
CONDITION	It was noted in our tests of Municipality's internal control over disbursement process, that vouchers related to thirteen (13) issued checks were not properly authorized and supporting documents related to fourteen (14) issued checks were not stamped as paid.
CRITERIA	Code of Federal Regulations, Subpart I, CFR 24 Section 570.489 (d) (1) requires that the State shall have fiscal and administrative requirements for expending and accounting for all funds received under this subpart. Also Subpart C, 24 CFR, Section 85.20 (b) (3) (OMB Common Rule) requires to grantees and subgrantees to maintain effective control and accountability over grants and subgrants cash, real and personal property, and other assets, to assure they will be used solely for authorized purposes.
EFFECT	Liabilities could be paid twice by the Municipality . The Municipality is not in compliance with CFR 24, Section 570.89 (d) (1) and Section 85.20 (b) (3).
CAUSE	There are no adequate internal control procedures implemented to assure this compliance.
RECOMMENDATION	Municipality should implement adequate procedures to ensure that all disbursement transactions are properly authorized and all supporting documents stamped as paid in order to assure compliance with this requirement.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-02
FEDERAL PROGRAM	STATE BLOCK GRANT PROGRAM (CFDA NO. 14.228) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	DAVIS-BACON ACT
CONDITION	Municipality did not develop a monitoring system to ensure that contractors paid prevailing wages payments according to Department of Labor.
CRITERIA	Davis-Bacon Act, as amended (40 USC 276a – 276a-7). Also, the Federal Program Manual, Phase II, Section 2, issued by the Office of Commissioner of Municipal Affairs State similar requirements.
EFFECT	Municipality is not in compliance with Davis-Bacon Act (40 USC 276a – 276a-7).
CAUSE	Municipality did not develop an adequate monitoring system to ensure contractors and subcontractors compliance with the act. The procedures established that the Municipality must interview the employees at the beginning, at a middle stage and at the end of the project.
RECOMMENDATION	We recommend management to develop a monitoring system that includes obtaining prevailing wage rates from the Department of Labor, the assignment of specific responsibility to one municipal employee to monitor contractors and subcontractors for compliance, obtaining contractor's payrolls and perform the interviews to contractor's and subcontractor's laborers accordingly to the established requirements.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-03
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	ELIGIBILITY TEST
CONDITION	During our Participant Files Test we noted that three (3) participant files did not have evidence of the HUD-approved release and consent forms submitted by the family as required by federal regulation.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart F, Section 5.617 (b) stated that as a condition of admission to, or continued occupancy of, any assisted unit, the Municipality shall require the family head and other such family members as it designated, on 24 CFR, Subpart B, Section 5.230 (a), to execute a HUD-approved release and consent form authorizing any depository or private source of income, or any federal, state or local agency, to furnish or release to the Municipality and to HUD such information as the Municipality and HUD determines to be necessary. Also it is stated on 24 CFR, Subpart K, Section 982.516 (g).
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart F, Section 5.617(b); Subpart B, Section 5.230(a); and Subpart K, Section 982.516 (g).
CAUSE	The Municipality does not have consent forms that authorize the collection of income information from State Wages Information Collection Agencies (SWICA), and wages, net earnings from self-employment, payments of retirement income, and unearned income as referenced at 26 U.S.C. 6103. In addition, the consent form may authorize the collection of other information from applicants and participants to determine eligibility or level of benefits.
RECOMMENDATION	We recommended management to require each member of the family of an assistance applicant or participant who is at least 18 years of age, and each family head and spouse regardless of age, to sign a release form.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-04
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	ELIGIBILITY TEST
CONDITION	During our Participant Files Test, we noted that tenant's files did not have a third party verification regarding family income and composition.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart K, Section 982.516 (a)(2) stated that the Municipality must obtain and document in the tenant files third party verification of the following factors, or must document in the tenant file why third party verification was not available: (i) reported family annual income, (ii) the value of assets, (iii) expenses related to deductions from annual income and (iv) other factors that affect the determination of adjusted income.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart K, Section 982.516 (a)(2).
CAUSE	The Municipality does not maintain tenants files as required by federal regulations in order to verify the information provided by the applicant or participants regarding the family's income and composition.
RECOMMENDATION	We recommended management to implement the necessary procedures in order to comply with program regulations.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-05
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	ELIGIBILITY TEST
CONDITION	During our Participant Files Test, we noticed that three (3) tenant files did not contain any evidence of the deeds to the property.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart G, Section 982.306 (d) stated that the Municipality must not approve a unit if the owner is the parent, child, grandparent, grandchild, sister, or brother of any member of the family.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart G, Section 982.306 (d).
CAUSE	The Municipality has not implemented procedures to guarantee that the family does not own, or has any interest in the housing unit.
RECOMMENDATION	We recommended management to implement the necessary procedures in order to comply with program regulations.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-06
FEDERAL PROGRAM	STATE BLOCK GRANT PROGRAM (CFDA NO. 14.228) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	EQUIPMENT AND REAL PROPERTY MANAGEMENT
CONDITION	It was noted in our tests of equipment and real property management, that the Municipality does not maintain an appropriate real property record as required by federal regulation.
CRITERIA	Code of Federal Regulations, Subpart J, CFR 24, Section 570.506 (a) stated that the Municipality shall establish and maintain at minimum, records providing a full description of each activity assisted (or being assisted) with CDBG funds, including its location (if the activity has a geographical locus), the amount of CDBG funds budgeted, obligated and expended for the activity.
EFFECT	The Municipality is not in compliance with CFR 24, Section 570.506 (a).
CAUSE	The Municipality does not maintain the appropriate information on the real property records to assure that it is in accordance with the federal regulation.
RECOMMENDATION	Municipality should revise its real property records and complete it according to federal regulation.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-07
FEDERAL PROGRAM	STATE BLOCK GRANT PROGRAM (CFDA NO. 14.228) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	PROCUREMENT STANDARDS
CONDITION	The model for construction contracts over \$10,000 used by the Municipality did not contain the clauses detailed for compliance with the provisions for suspension and debarment, Davis-Bacon, contract work hours and safety standards; and compliance with Executive Order 11246 EEO, Clear Air and Clear Water Act Energy Policy and Conservation Act for contracts over \$100,000, as required by the program regulation.
CRITERIA	Code of Federal Regulations, Subpart C, 24 CFR Section 85.36 (i) (1-13) stated that subgrantee's contract must contain provision in paragraph (i) of this Section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Procurement Policy.
EFFECT	Municipality is not in compliance with Subpart C, 24 CFR, Section 85.36 (i) (1-13) of OMB Common Rules.
CAUSE	Federal Program and Finance Departments did not maintain appropriate procurement standard procedures, in order to assure that contractor complies with some requirements.
RECOMMENDATION	We recommend management to update contract model according with the federal requirement.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-08
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	REPORTING
CONDITION	During our Participant Files Test we noticed that ten (10) tenant files, contained Family Reports (HUD-50058) that were not updated with participant's current information. Instead, they were prepared with information obtained from the previous period.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart D, Section 982.158 (a), stated that the Municipality must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements. The Municipality is required to submit the Family Report (HUD-50058) electronically to HUD each time the Municipality completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The Municipality must also submit this special report when a family ends participation in the program or moves out of the Municipality jurisdiction under portability.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart D, Section 982.158 (a).
CAUSE	The Municipality did not implement procedures to guarantee the accuracy of the Family Report form HUD 50058.
RECOMMENDATION	We recommend management to implement adequate procedures to prepare the Family Reports adequately.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-09
FEDERAL PROGRAM	STATE BLOCK GRANT PROGRAM (CFDA NO. 14.228) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH STATE – OFFICE OF COMMISSIONER OF MUNICIPAL AFFAIRS
REQUIREMENT	COMPLIANCE
NONCOMPLIANCE	SPECIAL TESTS AND PROVISIONS
CONDITION	During our Participant Files Test of Housing Rehabilitation, we noticed that two (2) participant files did not have an initial (preliminary) unit inspection.
CRITERIA	The Operational Guide of Housing Rehabilitation provided by the Office of Commissioner of Municipal Affairs, the pass through entity, stated that the Municipality has to conduct an initial unit inspection to determine if the unit is eligible to be rehabilitate under the criteria of the program.
EFFECT	The Municipality is not in compliance with the Operational Guide of Housing Rehabilitation provided by the Office of Commissioner of Municipal Affairs.
CAUSE	The Municipality did not conduct an initial unit inspection in order to document if the participant unit is eligible to be rehabilitated under the Housing Rehabilitation criteria.
RECOMMENDATION	We recommend management to implement adequate procedures in order to comply with this pass-through entity requirement.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-10
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE
NONCOMPLIANCE	SPECIAL TESTS AND PROVISIONS
CONDITION	During our waiting list test we noted that the list did not contain the required information to assure that the selection of new tenants admitted to the program where in accordance with the Public Housing Agency tenant selection policies.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart E, Section 982.204 (b) stated that the waiting list that the Municipality maintains must contain the following information for each applicant listed: applicant name, family unit size, date and time of application, qualification for any ranking preference or local preference and racial or ethnic designation of the head of household.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart E, Section 982.204 (b).
CAUSE	The Municipality does not maintain the complete information on the waiting list and does not guarantee the correct selection of the applicants.
RECOMMENDATION	We recommended management to revise the waiting list and complete it according to regulation.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-11
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE
NONCOMPLIANCE	SPECIAL TESTS AND PROVISIONS
CONDITION	During our Participant Files Test, we noticed that five (5) tenant files did not include any document which evidenced the determination that the rent being paid to the owner of the housing unit is reasonable in accordance with the Municipality's administrative plan initially, and during the contract term.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart D, Section 982.158 (f) (7) stated that the Municipality must maintain records to document the basis for the Municipality's determination that the rent to owner is a reasonable rent (initially and during the term of the HAP contract).
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart D, Section 982.158 (f) (7).
CAUSE	The Municipality did not implement any procedures in order to document the reasonableness of the amount of rent being paid to the housing unit's owner.
RECOMMENDATION	We recommend management to document the basis for the determination that the rent paid to the housing unit's owner is a reasonable one (initially and during the term of the HAP contract).
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-12
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE
NONCOMPLIANCE	SPECIAL TESTS AND PROVISIONS
CONDITION	During our Participant Files Test, we noticed that thirteen (13) participant files did not have a unit inspection report.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart D, Section 982.158 (a) stated that the Municipality must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements. Also 24 CFR, Subpart D, Section 982.158 (d) stated that the Municipality must prepare unit inspection reports.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart D, Section 982.158 (a) and Section 982.158 (d).
CAUSE	The Municipality does not prepare an inspection report in order to documented the required annual Housing Quality Standards Inspections and quality control re-inspections.
RECOMMENDATION	We recommend management to document the Housing Quality Standards inspections as established under federal regulation.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-13
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE AND INTERNAL CONTROL
NONCOMPLIANCE	SPECIAL TESTS AND PROVISIONS
CONDITION	During our verification of units with failed Housing Quality Standards inspections, we noticed that the Municipality did not establish the correction period in the document submitted to the person responsible for the repairs in two (2) participant's files. Also, we noticed that in ten (10) participant's files there was no evidence of a unit inspection report or other verification documenting that any PHA-required repairs were completed.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart I, Section 982.404 stated that the Municipality must not make any housing assistance payments for a dwelling unit that fails to meet the Housing Quality Standards, unless the responsible person (owner and/or participant) corrects the defect within the period specified by the Municipality , and the Municipality verifies the correction.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart I, Section 982.404.
CAUSE	The Municipality did not specify the time frames for the correction of the deficiencies. Also, Municipality did not verify the correction of the Housing Quality Standards deficiencies; therefore, the Municipality fails to take prompt and vigorous action to enforce the owner and/or participants obligations.
RECOMMENDATION	We recommend management to implement internal control procedures to establish a correction time period, to assure that the unit's Housing Quality Standards deficiencies were corrected during the specified period established by the federal regulation.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING	NUMBER 02-III-14
FEDERAL PROGRAM	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (CFDA NO. 14.871) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REQUIREMENT	COMPLIANCE
NONCOMPLIANCE	SPECIAL TESTS AND PROVISIONS
CONDITION	During our Participant Files Test, we noticed that one (1) participant's file did not have evidence of an initial unit inspection report. Also, in four (4) participant files we found evidence that the unit failed the initial inspection and the participants occupied the unit although the unit did not satisfy the HQS.
CRITERIA	Code of Federal Regulations, 24 CFR, Subpart D, Section 982.405 (a) stated that the Municipality must inspect the unit leased to a family prior to the initial term of the lease. Also, Code of Federal Regulations, 24 CFR, Subpart D, Section 982.305 (b)(1)(i) stated that before the beginning of the initial term of the lease the Municipality must inspect the unit to determine that the unit satisfy the HQS.
EFFECT	The Municipality is not in compliance with 24 CFR, Subpart D, Section 982.405 (a) and Section 982.305 (b)(1)(i).
CAUSE	The Municipality did not conduct initial inspections as required by the federal regulation.
RECOMMENDATION	We recommended management to conduct the Housing Quality Standards inspections as established under federal regulation.
QUESTIONED COSTS	None
MANAGEMENT RESPONSE	Pending the Corrective Action Plan.

END OF SCHEDULE

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF PRIOR AUDIT'S FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

FISCAL YEAR	FINDING NUMBER	FINDING	CFDA NUMBER	QUESTIONED COST	COMMENTS
(1) Audit Findings that have been Fully Corrected:					
2001	01-III-03	Cash Management	14.228	NONE	System and procedures corrected.
	01-III-02	Allowed Cost/Cost Principles	83.544	\$27,147	System and procedures corrected.
	01-III-07	Eligibility	14.855-14.857	NONE	System and procedures corrected.
	01-III-09	Procurement Standards	14.855-14.857	NONE	System and procedures corrected.
	01-III-03	Procurement and Suspension and Debarment	14.228	NONE	System and procedures corrected.
	01-III-13	Reporting	14.855-14.857	NONE	System and procedures corrected.
	01-III-14	Special Test and Provisions	14.855-14.857	NONE	System and procedures corrected.
	01-III-18	Special Test and Provisions	14.855-14.857	NONE	System and procedures corrected.
2000	00-III-04	Allowed Cost/Cost Principle	14.855-14.857	NONE	System and procedures corrected.
	00-III-07	Cash Management	14.228	NONE	System and procedures corrected.
	00-III-12	Reporting	14.855-14.857	NONE	System and procedures corrected.
1999	99-III-01	Cash Management	14.228	NONE	System and procedures corrected.
(2) Audit Findings not Corrected or Partially Corrected:					
2001	01-III-01	Allowed Cost/Cost Principles	14.228	NONE	We will implement adequate procedures to ensure compliance with this requirement.
	01-III-02	Allowed Cost/Cost Principles	83.544	\$ 3,750	We will continue the search of the missing vouchers in order to make it available for the auditor examination.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF PRIOR AUDIT'S FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

FISCAL YEAR	FINDING NUMBER	FINDING	CFDA NUMBER	QUESTIONED COST	COMMENTS
(2) Audit Findings not Corrected or Partially Corrected: (continuation)					
2001	01-III-04	Davis-Bacon Act	14.228	NONE	We will develop the monitoring system and assign to an employee the responsibility to obtaining contractor's payrolls and perform the interviews in accordance with this requirement.
	01-III-05	Eligibility	14.855-14.857	NONE	Mayor gave instruction to Section 8 Coordinator to obtain the HUD-approved release and consent forms.
2001	01-III-06	Eligibility	14.855-14.857	NONE	Mayor gave instruction to Section 8 Coordinator to perform the third party verification regarding family income and composition.
	01-III-08	Equipment and Real Property Management	14.228	NONE	Municipality would prepare the inventory of equipment and real property as part of the GASB 34 implementation.
	01-III-11	Procurement Standards	14.228	NONE	Instruction were given to Federal Program Director to update contract model according with the federal requirements.
	01-III-12	Reporting	14.855-14.857	NONE	Instruction were given to Section 8 Coordinator to update Report HUD-50058 with current information to all participants.
	01-III-15	Special Tests and Provisions	14.855-14.857	NONE	Mayor gave instruction to Section 8 Coordinator to document the inspection and perform the verification of repairs as completed.
	01-III-16	Special Tests and Provisions	14.855-14.857	NONE	Instruction were given to Section 8 Coordinator to update participant files with inspection report.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF PRIOR AUDIT'S FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

FISCAL YEAR	FINDING NUMBER	FINDING	CFDA NUMBER	QUESTIONED COST	COMMENTS
(2) Audit Findings not Corrected or Partially Corrected: (continuation)					
2001	01-III-17	Special Test and Provisions	14.855-14.857	NONE	Instruction were given to Section 8 Coordinator to revise the waiting list and complete it in accordance to regulation.
	01-III-19	Special Test and Provisions	14.855-14.857	NONE	Instruction were given to Section 8 Coordinator to update participant files with initial inspection report.
2000	00-III-01	Activities Allowed or Unallowed-Allowed Cost	83.544	NONE	Municipality will implement internal control procedures in order to assure compliance with this requirement.
	00-III-02	Allowed Cost-Cost Principle	14.228-83.544	NONE	Municipality will stamp paid on all disbursement in order to assure compliance with this requirement.
	00-III-05	Allowed Cost-Cost Principle	83.544	\$31,800.00	Municipality will implement adequate control over the record-keeping of documents that justify the disbursements.
	00-III-08	Davis-Bacon Act	14.228	NONE	See Finding Number 01-III-04.
	00-III-09	Eligibility Test	14.855	NONE	See Finding Number 01-III-07.
	00-III-10	Procurement Standards	83.544	NONE	See Finding Number 01-III-11.
2000	00-III-11	Procurement Standards	14.288-83.544	NONE	See Finding Number 01-III-12.
	00-III-13	Special Test and Provisions	14.855-14.857	NONE	See Finding Number 01-III-17.
	00-III-14	Special Test and Provisions	14.855-14.857	NONE	See Finding Number 01-III-19.

continue

MUNICIPALITY OF SAN LORENZO, PUERTO RICO

SCHEDULE OF PRIOR AUDIT'S FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

FISCAL YEAR	FINDING NUMBER	FINDING	CFDA NUMBER	QUESTIONED COST	COMMENTS
(2) Audit Findings not Corrected or Partially Corrected: (continuation)					
1999	99-III-02	Davis Bacon Act	14.288	NONE	See Finding Number 01-III-04.
	99-III-04	Procurement Standards	14.228 – 83.544	NONE	See Finding Number 01-III-11.
	99-III-05	Reporting	14.855 – 14.857	NONE	See Finding Number 01-III-12.

(3) Corrective action taken is significantly different from corrective action previously reported:

NONE

(4) Audit findings is no longer valid:

NONE

END OF SCHEDULE



ESTADO LIBRE ASOCIADO DE PUERTO RICO
GOBIERNO MUNICIPAL DE SAN LORENZO
OFICINA DE AUDITORIA INTERNA
Apartado 1289 San Lorenzo, Puerto Rico 00754



31 de marzo de 2003

Estado Libre Asociado de Puerto Rico
Oficina del Comisionado de Asuntos Municipales
Lcda. Barbara M. Sanfioenzo Zaragoza
Comisionada
P. O. Box 70167
San Juan, Puerto Rico 00936-8167

Re: Plan de Acción Correctiva
Single Audit 2001-2002

Estimada licenciada Sanfioenzo:

Le adjunto Plan de Acción Correctiva correspondiente al Single Audit 2001 - 2002, de este municipio para su conocimiento y acción correspondiente.

Atentamente,

Charmaine Santos Vega
Auditora Interna

CSV/mmcr

Anejo

Call # 03-9813

03 APR - 1 PM 2:31
UNIDAD DE CORREO

03 APR - 1 PM 4:11
COAM
DIVISION REGULACION
E INTERVENCION



ESTADO LIBRE ASOCIADO DE PUERTO RICO
 GOBIERNO MUNICIPAL DE SAN LORENZO
 P. O. Box 1289
 SAN LORENZO, PUERTO RICO 00754

PLAN DE ACCIÓN CORRECTIVA

Funcionario Principal: José R. Román Abreu

Período Auditado: 1 de julio, 2001 – 30 de junio, 2002

Funcionario Designado: Charmaine Santos Vega

Puesto: Auditora Interna Tel. (787) 736-3511 Ext. 239

Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: <u>02-111-01</u></p> <p>Se encontró en la monitoría que en los controles internos del proceso de pago los comprobantes de desembolsos de 13 pagos no estaban con el sello de pago.</p>	<p>Nuestra oficina implementará los procedimientos adecuados junto al Departamento de Finanzas para asegurarnos que el oficial pagador cada vez que se haga un desembolso con fondos federales marque el documento con el sello de pago quien es la persona indicada. Los comprobantes tendrán todas las firmas.</p> <p>Este señalamiento será corregido según lo recomendado.</p>	<p>En proceso</p>

Certifico que esta información es correcta.

Alcalde

Director Financiero

Director Federal



ESTADO LIBRE ASOCIADO DE PUERTO RICO
GOBIERNO MUNICIPAL DE SAN LORENZO
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PLAN DE ACCIÓN CORRECTIVA

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Funcionario Designado: Charmaine Santos Vega

Puesto: Auditora Interna Tel. (787) 736-3511 Ext. 239

Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: <u>02-111-02</u></p> <p>"Davis Bacon Act"</p> <p>El Municipio no ha establecido un sistema de monitoría para verificar si el Contratista paga a los empleados de acuerdo a lo exigido por el Departamento del Trabajo.</p>	<p>Tenemos conocimiento de que hay que entrevistar a todos los empleados que trabajan con contratistas relacionados con algún proyecto donde hay fondos federales envueltos. Verificaremos que los sueldos estén de acuerdo a la Escala Salarial Federal y que las nóminas de los empleados de los contratistas y sub-contratistas cumplan con lo requerido.</p> <p>Recientemente se nombró al Sr. Juan Ares, como la persona que va a entrevistar a empleados para verificar si concuerda la nómina con el pago que están recibiendo de acuerdo al Salario Federal. Se corrigió el señalamiento.</p>	<p>Cumplimentada</p>



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RECIBIDO
 UNIDAD DE CORREO
 15 APR - 1 PM 2:31

PLAN DE ACCIÓN CORRECTIVA

Funcionario Principal: José R. Román Abreu

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Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: 02-111-03</p> <p>Tres (3) de los expedientes auditados de los participantes no tenían el formulario de consentimiento de solicitar información de los miembros de las familias mayores de 18 años de edad.</p>	<p>Cada uno de los expedientes señalados tienen la autorización del participante autorizando al personal de Sección 8, a verificar y solicitar información de cada uno de los miembros de la familia mayor de 18 años.</p> <p>En los expedientes está la evidencia, se estaba utilizando un formulario que fue preparado en la oficina en español. El señalamiento consiste en que el año 1997, 1998 no se utilizaba la forma (H.U.D. 9886) que es la que provee Vivienda Federal (ver anejo formularios). "Authorization for the Release of Information Privacy Act Notice".</p> <p>Se está utilizando el formulario requerido. Se están implementando los procedimientos necesarios para cumplir con las Regulaciones del Programa.</p>	<p>Cumplimentada</p>



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Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: <u>02-111-04</u></p> <p>Elegibilidad de los Participantes al Programa para la verificación de ingresos de la composición familiar. No hay verificación de una tercera parte relacionado con los ingresos de las familias y de la composición familiar.</p>	<p>Composición Familiar:</p> <p>Para verificar la composición familiar se solicita una fotografía del núcleo familiar.</p> <p>Se solicita una Declaración Jurada de un abogado donde declaran de cuántas personas se compone el núcleo familiar. Estas son las personas que incluyen en el contrato.</p> <p>Verificación de Ingresos:</p> <p>Verificamos los ingresos de las siguientes formas:</p> <ul style="list-style-type: none">-a través de los patrones (nos comunicamos con ellos)-se solicita una verificación escrita de ingresos-se solicita Talonario (el último)	<p>Cumplimentada</p>



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Funcionario Designado: Charmaine Santos Vega

Puesto: Auditora Interna Tel. (787) 736-3511 Ext. 239

Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
Hallazgo: 02-111-04 (continuación...)	Verificación de Ingresos (continuación...): -carta de Asistencia Nutricional y Económica del Departamento de la Familia -Seguro Social (verificación de la oficina o del Banco) -Departamento de Desempleo -Fondo del Seguro del Estado -copia de Planillas de Contribución sobre Ingresos (Certificación de Deuda) -certificación de Asume (si recibe Pensión Alimenticia) Estos son mecanismos utilizados para identificar Ingresos en la familia cada uno de los expedientes tiene esta información de todos	



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Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
Hallazgo: 02-111-04 (continuación...)	(continuación...) los miembros mayores de 18 años. Otra alternativa para verificar ingresos sugerida por Vivienda Federal (H.U.D.) es contratar los servicios del Credit Bureau para obtener más información relacionada con los ingresos. La oficina no cuenta con los recursos para hacer uso de estos servicios, ya que, el costo es de \$500.00 dólares aproximadamente por verificación. Tenemos 106 familias en el Programa. Hemos implantado el proceso necesario y todos los mecanismos a nuestro alcance para cumplir con las Regulaciones del Programa.	



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Puesto: Auditora Interna Tel. (787) 736-3511 Ext. 239

Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: <u>02-111-05</u></p> <p>En la auditoría se encontró que tres (3) de los expedientes no tenían evidencia de Escritura de los arrendadores.</p> <p>El Municipio no ha implementado los procedimientos para garantizar que las familias no tienen propiedades o tienen parte de una vivienda.</p>	<p>No se autorizó ningún Contrato entre el arrendador y Sección 8 si no someten copia de la Escritura de la Propiedad envuelta. Este es uno de los documentos más importantes del Contrato. De estar fuera de Puerto Rico el dueño de la propiedad delegará en un representante, al cual se le exige un poder a través de un abogado para que lo represente pero con la evidencia de la escritura de que la persona es el propietario. (Ver anexo, Documentos Solicitado al arrendador).</p> <p>Verificamos si el participante tiene alguna propiedad que tiene que ver con la vivienda que va a ocupar solicitándole Certificación del C.R.I.M. del participante y del cónyuge (de ambos). En ocasiones nos hemos comunicado con el Registro de la Propiedad y hemos solicitado información relacionadas con propiedades.</p>	<p>Cumplimentada</p>



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Período Auditado: 1 de julio, 2001 – 30 de junio, 2002

Funcionario Designado: Charmaine Santos Vega

Puesto: Auditora Interna Tel. (787) 736-3511 Ext. 239

Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
Hallazgo: 02-111-05 (continuación...)	(continuación...) Cada uno de los expedientes tiene la información y del participante con todos los documentos requeridos por el Programa incluyendo la del arrendador de la familia con escritura y todos los demás documentos exigidos por el Programa y la oficina del Contralor de Puerto Rico.	



ESTADO LIBRE ASOCIADO DE PUERTO RICO
GOBIERNO MUNICIPAL DE SAN LORENZO
P. O. Box 1289
SAN LORENZO, PUERTO RICO 00754

PLAN DE ACCIÓN CORRECTIVA

Funcionario Principal: José R. Román Abreu

Período Auditado: 1 de julio, 2001 – 30 de junio, 2002

Funcionario Designado: Charmaine Santos Vega

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Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: 02-111-06</p> <p>Se hizo el señalamiento de que el equipo no está identificado apropiadamente y que el expediente que se requiere por la regulación federal no es real.</p> <p>El Municipio no mantiene la información apropiada para asegurarse que esta de acuerdo a la reglamentación federal.</p>	<p>Estamos trabajando en el inventario de la Propiedad para ser completado y verificar que toda la propiedad este identificada según exigido por la regulación federal.</p> <p>Se esta corrigiendo este señalamiento añadiendo en el Registro de la Propiedad toda información requerida para que cada equipo pueda ser identificado de acuerdo al número asignado.</p>	<p>En proceso</p>



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Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: <u>02-111-07</u></p> <p>El modelo del Contrato de Construcción sobre \$10,000.00 utilizado por el Municipio no contiene la cláusula ni las provisiones según requerido por las regulaciones del programa.</p> <p>Programas Federales y el Departamento de Finanzas no mantienen los procedimientos apropiados para asegurar que el Contratista cumpla con algunos requerimientos.</p>	<p>Se revisará el modelo del Contrato de acuerdo a los requerimientos federales.</p>	<p>En proceso</p>



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Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: 02-111-08</p> <p>Se encontró que diez (10) de los expedientes de los participantes no tenían el Informe (H.U.D. 50058) actualizado con la información requerida.</p> <p>Que el Municipio no ha implementado los procedimientos para garantizar el Informe Familiar (Forma H.U.D. 50058).</p>	<p>En el momento que se estaba llevando a cabo la auditoría los expedientes a los que hace referencia no estaban actualizados (en el Sistema Living, no estaba Up-Graded), una vez se corrige el sistema todos fueron actualizados.</p> <p>Después de la auditoría se contrataron los servicios de Vazcal Consultant, (programadores) para actualizar el sistema, esto se hace anualmente.</p> <p>Nuestro Municipio siempre ha cumplido con los procedimientos para garantizar el Informe de la (Forma H.U.D. 50058) de los que puede dar fe Vivienda Federal (H.U.D.)</p>	<p>Cumplimentada</p>



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Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
Hallazgo: 02-111-08 (continuación...)	(continuación...) Hacemos re-exámenes de todos los expedientes cada seis (6) meses y anualmente. Se mantienen los expedientes con documentos actualizados. Se preparan adecuadamente todos los informes de los Participantes y cumplimos con todas las regulaciones de Vivienda Federal.	



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Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: 02-111-09</p> <p>El Municipio no está cumpliendo con la guía operacional proveída por la Oficina del Comisionado de Asuntos Municipales para el programa de Rehabilitación de Viviendas.</p> <p>El Municipio no conduce una inspección inicial para documentar si el participante es elegible o no en la Rehabilitación de Vivienda.</p>	<p>Nuestra oficina ha establecida los procedimientos requeridos por la Oficina del Comisionado de Asuntos Municipales. Una vez se le aprueban los materiales de construcción se hace una visita inicial, una intermedia y otra al terminarse la construcción para cerrar el caso y aceptarlo como terminado.</p> <p>El proceso establecido utilizado por la oficina es el correcto y ha sido aceptado por O.C.A.M.</p>	<p>Cumplimentada</p>



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Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: 02-111-10</p> <p>Se encontró que el formulario de la lista de espera no contiene la información requerida para seleccionar a los solicitantes de acuerdo a la Política Pública de la Agencia.</p> <p>El Municipio no mantiene la información completa en la lista de espera y no garantiza la selección correcta de los participantes.</p>	<p>El listado de participantes en la lista de espera para seleccionar a los participantes es la Forma requerida por H.U.D. El formulario que utilizamos ha sido diseñado por Vivienda Federal. Nunca se ha hecho ningún señalamiento al respecto por que es la forma correcta.</p> <p>Los listados de espera completos y con la información correcta y garantiza la selección de los participantes, el mismo esta aprobado por Vivienda Federal es el que ellos exigen. (anejo ver formulario H.U.D.)</p>	<p>Cumplimentada</p>



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Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: 02-111-11</p> <p>En cinco (5) de los expedientes no está incluido ningún documentos o evidencia que determine que la renta que se le esta pagando al arrendador es justa y razonable.</p> <p>Que el Municipio no ha implementado los procedimientos para documentar la renta razonable a pagarse a los arrendadores.</p>	<p>Este documento no está incluido en los expedientes por que se nos dio instrucciones de Vivienda Federal (H.U.D.) que preparemos un estudio de Razonabilidad de Renta. Estamos recopilando información con las comparables para luego preparar el Estudio. Una vez se prepare el Estudio va a ser sometido a H.U.D. para solicitar fondos y pagar las rentas de acuerdo al Fair Market Rent.</p> <p>Vivienda Federal tiene conocimiento que se esta trabajando en este estudio.</p>	<p>En proceso</p>



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Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: 02-111-12</p> <p>Durante la intervención de expedientes encontraron que trece (13) de los participantes no tenían inspección.</p> <p>Que el Municipio no prepara los informes de Inspección para documentar los expedientes.</p>	<p>Se nombró un inspector de Vivienda y ha sido certificado. Antes del nombramiento del inspector y haber sido adiestrado no se estaba utilizando el formulario adecuado.</p> <p>Desde enero 2003 se han estado revisando todos los expedientes para identificar cuales no tienen la forma 52580 ó 52580-A, la cual es exigida por H.U.D.</p> <p>Se esta eliminando de los expedientes el formulario que no era aprobado por Vivienda Federal. (Ver anejo Formulario de Inspección)</p>	<p>Parcialmente Cumplimentada</p>



PLAN DE ACCIÓN CORRECTIVA

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Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: <u>02-111-13</u></p> <p>Durante la verificación de inspecciones se observaron que el Municipio no ha establecido los controles adecuadamente para la inspección de las viviendas.</p> <p>Las inspecciones no son conducidas correctamente para detectar las deficiencias según la regulación federal. Además se detecto que en diez (10) de los expedientes no había un informe que verificara la documentación requerida para las reparaciones encontradas.</p>	<p>Se esta comenzando a notificar a los participantes y arrendadores de las deficiencias encontradas en las viviendas. A los arrendadores se les esta notificando por escrito el tiempo que tienen para hacer las reparaciones, en algunas ocasiones dependiendo de cual es la situación se le conceden 24 horas, para detectores de humo en otras ocasiones 30 días para hacer los demás arreglos como por ejemplo: calentadores de agua, "screens" y otros. Luego el arrendador notifica que corrigió las deficiencias, se hace una segunda inspección y se autoriza al participante a mudarse.</p>	<p>Cumplimentada</p>



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Indique: PAC ICP

Fecha de Vencimiento: 30 de junio de 2002

Recomendación	Acción Correctiva	Resultado
<p>Hallazgo: 02-111-14</p> <p>Se encontró que uno de los expedientes del participante no tenía inspección inicial y el participante estaba ocupando la vivienda sin haberse hecho la inspección.</p> <p>Que el Municipio no conduce las inspecciones como son requeridas por la regulación federal.</p>	<p>Se están revisando todos los expedientes para poder identificar a cual de ellos le falta la inspección inicial. El inspector tenía los informes de inspecciones y no los había entregado para ser archivados en los expedientes correspondientes.</p> <p>Estamos haciendo inspecciones iniciales y se le esta dando seguimiento a las viviendas para que el arrendador corrija las deficiencias señaladas. Se les concede tiempo razonable para hacer las reparaciones necesarias.</p>	<p>Parcialmente Cumplimentada</p>

FORM **SF-SAC**
(3 20 2001)

U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET

**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates On or After January 1, 2001**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

RETURN TO Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

PART I GENERAL INFORMATION (To be completed by auditee, except for Item 7)

<p>1. Fiscal period ending date for this submission</p> <p>Month Day Year Fiscal Period End Dates Must Be On or After January 1, 2001</p> <p>06 / 30 / 2002</p>	<p>2. Type of Circular A-133 audit</p> <p>1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit</p>									
<p>3. Audit period covered</p> <p>1 <input checked="" type="checkbox"/> Annual 3 <input type="checkbox"/> Other - Months</p> <p>2 <input type="checkbox"/> Biennial</p>	<p>4. Date received by Federal clearinghouse</p> <p>FEDERAL GOVERNMENT USE ONLY</p>									
<p>5. Employer Identification Number (EIN)</p> <p>a. Auditee EIN <table border="1" style="display: inline-table; border-collapse: collapse; text-align: center;"> <tr><td>6</td><td>6</td><td>0</td><td>4</td><td>3</td><td>3</td><td>5</td><td>3</td><td>2</td></tr> </table></p> <p>b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No</p> <p><i>If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)</i></p>		6	6	0	4	3	3	5	3	2
6	6	0	4	3	3	5	3	2		

6. AUDITEE INFORMATION

a. Auditee name
MUNICIPALTY OF SAN LORENZO

b. Auditee address (Number and street)
PO BOX 1289
City
SAN LORENZO
State ZIP + 4 Code

0	0	7	5	4	-	1	2	8	9
---	---	---	---	---	---	---	---	---	---

c. Auditee contact Name
JOSE ROMAN ABREU
Title
MAYOR

d. Auditee contact telephone
(787) 736 - 3511

e. Auditee contact FAX (Optional)
(787) 736 - 2818

f. Auditee contact E-mail (Optional)

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name
CPA DIAZ-MARTINEZ, PSC

b. Auditor address (Number and street)
PO BOX 8369
City
CAGUAS
State ZIP + 4 Code

0	0	7	2	6	8	3	6	9
---	---	---	---	---	---	---	---	---

c. Auditor contact Name
JOSE E. DIAZ-MARTINEZ
Title
PRESIDENT

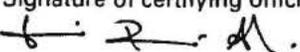
d. Auditor contact telephone
(787) 746 - 0510

e. Auditor contact FAX (Optional)
(787) 746 - 0525

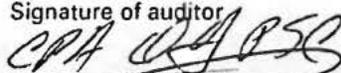
f. Auditor contact E-mail (Optional)
CPADIAZMARTINEZ@HOTMAIL.COM

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 8, 9, and 10, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is **not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of certifying official  Date Month Day Year
01 / 10 / 03

Printed Name/Title of certifying official
JOSE ROMAN ABREU, MAYOR

Signature of auditor  Date Month Day Year
12 / 30 / 02

PART I GENERAL INFORMATION - Continued

8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (X) one box)
1 Yes - Identify Cognizant Agency in Part I, Item 9 2 No - SKIP to Part II, Item 1

9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. (Mark (X) one box) However, if cognizance has been reassigned, see instructions.

- | | | | |
|--|---|---|---|
| 02 <input type="checkbox"/> Agency for International Development | 81 <input type="checkbox"/> Energy | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation |
| 10 <input type="checkbox"/> Agriculture | 66 <input type="checkbox"/> Environmental Protection Agency | 15 <input type="checkbox"/> Interior | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | <input type="checkbox"/> Other - Specify: |
| 12 <input type="checkbox"/> Defense | 93 <input type="checkbox"/> Health and Human Services | 17 <input type="checkbox"/> Labor | |
| 84 <input type="checkbox"/> Education | | | |

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)
1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No

3. Is a reportable condition disclosed? 1 Yes 2 No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness? 1 Yes 2 No

5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance
1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10) 1 Yes 2 No

3. What is the dollar threshold to distinguish Type A and Type B programs? (§ .520(b)) \$ 300,000

4. Did the auditee qualify as a low-risk auditee? (§ .530) 1 Yes 2 No

5. Is a reportable condition disclosed for any major program? (§ .510(a)(1)) 1 Yes 2 No - SKIP to Item 7

6. Is any reportable condition reported as a material weakness? (§ .510(a)(1)) 1 Yes 2 No

7. Are any known questioned costs reported? (§ .510(a)(3) or (4)) 1 Yes 2 No

8. Was a Summary Schedule of Prior Audit Findings prepared? (§ .315(b)) 1 Yes 2 No

9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)

- | | | | |
|--|--|---|--|
| 02 <input type="checkbox"/> Agency for International Development | 83 <input type="checkbox"/> Federal Emergency Management Agency | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> State |
| 23 <input type="checkbox"/> Appalachian Regional Commission | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 14 <input checked="" type="checkbox"/> Housing and Urban Development | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute for Museum Services | 47 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 84 <input type="checkbox"/> Education | 16 <input type="checkbox"/> Justice | 59 <input type="checkbox"/> Small Business Administration | 00 <input type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 17 <input type="checkbox"/> Labor | | <input type="checkbox"/> Other - Specify: |
| 66 <input type="checkbox"/> Environmental Protection Agency | 09 <input type="checkbox"/> Legal Services Corp | | |

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives
- and, if not marked above, the cognizant agency (if identified in Part I, Item 9)

Count total number of boxes marked above and submit this number of reporting packages

FORM SF-SAC (3-20-2001)

PART III FEDERAL PROGRAMS - Continued (Page 3 - #1 of 1)

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR

11. AUDIT FINDINGS

CFDA Number (a)		Research and development (b)	Name of Federal program (c)	Amount expended (d)	Direct award (e)	Major program (f)	Type(s) of compliance requirement(s) ³ (a)	Audit finding reference number(s) ⁴ (b)
Federal Agency Prefix ¹	Extension ²							
1	4 .871	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SECTION 8 HOUSING	\$ 553,399 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	ELN	02-III-03, 02-III-04, 02-II-05, 02-II-08, 02-III-10, 0-III-11, 02-III-12, 02-II-13, 02-III-14
1	4 .228	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	STATE BLOCK GRANT PROGRAM (SBGP)	\$ 500,358 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	BDFIN	02-III-01, 02-III-02, 0-III-06, 02-II-07, 02-III-09
1	6 .710	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	\$ 87,642 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
1	6 .592	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	LOCAL LAW ENFORCEMENT BLOCK GRANT	\$ 26,347 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8	3 .544	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PUBLIC ASSISTANCE GANT	\$ 61,975 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
9	3 .575	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CHILD CARE AND DEVELOPMENT BLOCK GRANT	\$ 229,221 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
TOTAL FEDERAL AWARDS EXPENDED →				\$ 1,458,942 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS			

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

³ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § .510(a)) reported for each Federal program.

- | | | | |
|------------------------------------|---|--|----------|
| A. Activities allowed or unallowed | F. Equipment and real property management | K. Real property acquisition and relocation assistance | O. None |
| B. Allowable costs/cost principles | G. Matching, level of effort, earmarking | L. Reporting | P. Other |
| C. Cash management | H. Period of availability of Federal funds | M. Subrecipient monitoring | |
| D. Davis - Bacon Act | I. Procurement and suspension and debarment | N. Special tests and provisions | |
| E. Eligibility | J. Program income | | |

⁴ N/A for NONE

Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

1	N/A	16	31	46	61
2		17	32	47	62
3		18	33	48	63
4		19	34	49	64
5		20	35	50	65
6		21	36	51	66
7		22	37	52	67
8		23	38	53	68
9		24	39	54	69
10		25	40	55	70
11		26	41	56	71
12		27	42	57	72
13		28	43	58	73
14		29	44	59	74
15		30	45	60	75

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.