

**OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES**

**AREA DE ASESORAMIENTO, REGLAMENTACION E INTERVENCION FISCAL**

**AREA DE ARCHIVO DIGITAL**

**MUNICIPIO DE TRUJILLO ALTO**

**AUDITORIA 2001-02**

**30 DE JUNIO DE 2002**

OFIC. DEL COMISIONADO  
DE AGUAS, SANEAMIENTO Y  
SERVICIOS URBANOS

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PERIODO  
UNIDAD DE CORREO

**COMMONWEALTH OF PUERTO RICO**

**MUNICIPALITY OF TRUJILLO ALTO**

**SINGLE AUDIT REPORT**

**YEAR ENDED JUNE 30, 2002**

COMMONWEALTH OF PUERTO RICO

MUNICIPALITY OF TRUJILLO ALTO

YEAR ENDED JUNE 30, 2002

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**COMMONWEALTH OF PUERTO RICO**

**MUNICIPALITY OF TRUJILLO ALTO**

**YEAR ENDED JUNE 30, 2002**

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**López-Vega, CPA, PSC**

Certified Public Accountants / Management Advisors

Member of:

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

## **INDEPENDENT AUDITORS' REPORT**

**To the Honorable Mayor and  
the Municipal Legislature  
Municipality of Trujillo Alto  
Trujillo Alto, Puerto Rico**

We have audited the accompanying general-purpose financial statements of the **Municipality of Trujillo Alto**, as of and for the 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget 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 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 of Trujillo Alto** did not maintain complete and adequate records of its general fixed assets. Therefore, we do not express an opinion on such amounts included in the general fixed assets account group.

In our opinion, based on our audit and the report of other auditor, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to audit the general fixed assets account group, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the **Municipality of Trujillo Alto** as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT (Continued)**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2002 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the **Municipality of Trujillo Alto**, taken as 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. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

  
LOPEZ- VEGA, CPA, PSC

San Juan, Puerto Rico  
December 13, 2002

Stamp No. 1854025 of the Puerto Rico  
Society of Certified Public Accountants  
was affixed to the record copy of this report.



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO  
COMBINED BALANCE SHEET  
ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES				ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	General	Special Revenue	Debt Service	Capital Projects	General Fixed Assets	General Long-term Debt	
<b>ASSETS AND OTHER DEBITS</b>							
Cash	\$5,746,513	\$2,284,243	\$19,278	\$3,459,792			\$11,509,826
Cash with fiscal agent	116,275	56,927	5,790,198	10,065,582			16,028,982
Intergovernmental receivable	1,233,654						1,233,654
Municipal License tax receivable	3,782						3,782
Federal grants receivable		997,844		127,162			1,125,006
Due from other funds (Net of \$748,400 for doubtful accounts)	260,687						260,687
Other Receivables	48,175						48,175
Loans Receivables							
Property and Equipment					\$16,257,100		16,257,100
Amount available in Debt Service Fund						\$5,809,476	5,809,476
Amount to be provided for retirement of general long-term debt						15,267,577	15,267,577
Other Assets							
Total assets and other debits	<u>\$7,409,086</u>	<u>\$3,339,014</u>	<u>\$5,809,476</u>	<u>\$13,652,536</u>	<u>\$16,257,100</u>	<u>\$21,077,053</u>	<u>\$67,544,265</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$1,060,407	\$700,692		\$664,957			\$2,426,056
Due to other funds		1,009,087					1,009,087
Due to other governmental entities	59,181						59,181
Deferred municipal license tax revenues	1,757,929						1,757,929
Deferred federal grant revenues		1,289,844		5,897			1,295,741
General obligation bonds						17,199,610	17,199,610
Notes payable						1,266,288	1,266,288
Advance property tax debt						633,391	633,391
Claims and judgments						143,312	143,312
Accrued compensated absences						1,834,452	1,834,452
Total liabilities	<u>2,877,517</u>	<u>2,999,623</u>		<u>670,854</u>		<u>21,077,053</u>	<u>27,625,047</u>
<b>Fund equity and other credits</b>							
Investment in general fixed assets					\$16,257,100		16,257,100
<b>Fund balances:</b>							
Reserved for encumbrances	1,232,987						1,232,987
Reserved for debt service			5,809,476				5,809,476
<b>Unreserved:</b>							
Designated for specific fund purposes	116,275	339,391		12,981,682			13,437,348
Undesignated	3,182,307						3,182,307
Total fund equity and other credits	<u>4,531,569</u>	<u>339,391</u>	<u>5,809,476</u>	<u>12,981,682</u>	<u>16,257,100</u>	<u>-</u>	<u>39,919,216</u>
Total liabilities and fund equity	<u>\$7,409,086</u>	<u>\$3,339,014</u>	<u>\$5,809,476</u>	<u>\$13,652,536</u>	<u>\$16,257,100</u>	<u>\$21,077,053</u>	<u>\$67,544,265</u>

See accompanying notes to general purpose financial statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30,2002**

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	General	Special Revenue	Debt Service	Capital Projects	
<b>REVENUES</b>					
Property taxes	\$7,210,581		\$2,454,873		\$9,665,454
Municipal license taxes	3,160,094				3,160,094
Licenses and permits	2,197,782				2,197,782
Intergovernmental	3,925,757	\$870,078		\$834,603	5,630,438
Rent of property	154,871				154,871
Interest	950,650			235	950,885
Federal grants		2,973,734		1,546,396	4,520,130
Miscellaneous	2,001,142	174,797			2,175,939
Total revenues	<u>19,600,877</u>	<u>4,018,609</u>	<u>2,454,873</u>	<u>2,381,234</u>	<u>28,455,593</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Mayor and Municipal Assembly	1,535,185				1,535,185
General government	6,371,916	257,601		370,663	7,000,180
Public safety	642,163	279,580			921,743
Public works	3,246,649				3,246,649
Public health and sanitation	4,075,371				4,075,371
Welfare	446,269	2,534,138			2,980,407
Economic development	96,877	338,550			435,427
Culture and Recreation	404,624	132,999			537,623
Human Services	462,954				462,954
Principal retirement	69,072		694,870	235,000	998,942
Interest	23,485		998,855	10,269	1,032,609
<b>Capital outlays</b>	<u>1,525,480</u>	<u>180,655</u>		<u>2,348,773</u>	<u>4,054,908</u>
Total expenditures	<u>18,900,045</u>	<u>3,723,523</u>	<u>1,693,725</u>	<u>2,964,705</u>	<u>27,281,998</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	700,832	295,086	761,148	(583,471)	1,173,595
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers to other funds	(2,343,996)				(2,343,996)
Operating transfers from other funds		21,411	25,560	2,297,025	2,343,996
Proceeds from bond issuance				3,985,000	3,985,000
	<u>(2,343,996)</u>	<u>21,411</u>	<u>25,560</u>	<u>6,282,025</u>	<u>3,985,000</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>	(1,643,164)	316,497	786,708	5,698,554	5,158,595
<b>Fund balances, beginning as restated</b>	<u>6,174,733</u>	<u>22,894</u>	<u>5,022,768</u>	<u>7,283,128</u>	<u>18,503,523</u>
<b>Fund balances, ending</b>	<u>\$4,531,569</u>	<u>\$339,391</u>	<u>\$5,809,476</u>	<u>\$12,981,682</u>	<u>\$23,662,118</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL AND DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2002**

	GENERAL FUND			DEBT SERVICE FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes	\$6,710,248	\$6,710,248		\$2,132,722	\$2,454,874	\$322,152
Municipal license taxes	3,136,091	3,156,312	\$20,221			
Licenses and permits	2,101,983	2,197,782	95,799			
Intergovernmental	4,371,458	4,242,311	(129,147)			
Rent of property	106,611	154,871	48,260			
Interest	800,000	902,475	102,475			
Miscellaneous	2,016,677	2,001,142	(15,535)			
<b>Total revenues before carryover</b>	<b>19,243,068</b>	<b>19,365,141</b>	<b>122,073</b>	<b>2,132,722</b>	<b>2,454,874</b>	<b>322,152</b>
Budget carryover (1)	2,289,620	2,289,620				
<b>Total revenues after carryover</b>	<b>21,532,688</b>	<b>21,654,761</b>	<b>122,073</b>	<b>2,132,722</b>	<b>2,454,874</b>	<b>322,152</b>
<b>EXPENDITURES AND ENCUMBRANCES:</b>						
<b>Current:</b>						
Mayor and Municipal Assembly	1,728,566	1,634,045	94,521			
General government	6,604,044	6,579,643	24,401			
Public safety	735,233	649,912	85,321			
Public works	2,575,589	2,484,334	91,255			
Public health and sanitation	4,566,011	4,334,201	231,810			
Welfare	539,062	476,666	62,396			
Economic development	130,450	97,527	32,923			
Culture and Recreation	468,683	420,940	47,743			
Human Services	493,611	481,073	12,538			
Principal retirement	69,072	69,072	-	700,870	694,870	6,000
Interest	23,485	23,485	-	1,457,412	998,856	458,556
<b>Capital outlays</b>	<b>1,276,297</b>	<b>1,170,295</b>	<b>106,002</b>			
<b>Total expenditures and encumbrances</b>	<b>19,210,103</b>	<b>18,421,193</b>	<b>788,910</b>	<b>2,158,282</b>	<b>1,693,726</b>	<b>464,556</b>
<b>Excess (deficiency) of revenues over (under) expenditures and encumbrances</b>	<b>2,322,585</b>	<b>3,233,568</b>	<b>910,983</b>	<b>(25,560)</b>	<b>761,148</b>	<b>786,708</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfer from other fund				25,560	25,560	-
Operating transfer to other fund	(2,322,585)	(2,322,585)	-			
<b>Excess (deficiency) of revenues over (under) expenditures, encumbrances and other financing uses</b>	<b>-</b>	<b>910,983</b>	<b>910,983</b>	<b>-</b>	<b>786,708</b>	<b>786,708</b>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</b>						
Net change in encumbrances		134,582				
GAAP adjustments to revenues		235,736				
GAAP adjustments to expenditures		(634,845)				
Budget carryover (1)		(2,289,620)				
<b>Fund balances beginning, as restated</b>		<b>6,174,733</b>			<b>5,022,768</b>	
<b>Fund balances, ending</b>		<b>\$4,531,569</b>			<b>\$5,809,476</b>	

(1) Budget include fund balances carried over from prior years.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2002**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The **Municipality of Trujillo Alto** (the Municipality) was established in 1801. The Municipality's governmental system consists of an executive and a legislative body. It is governed by a Mayor and a fourteen member Municipal Legislature who are elected every four years through the Puerto Rico general elections.

The Municipality provides the following services: public safety, public works, culture and recreation, health, urban development and welfare.

The Municipality's general-purpose financial statements are presented in accordance with generally accepted accounting principles (GAAP), as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Municipality's significant accounting policies follows:

**A. Financial reporting entity:**

In evaluating how to define the Municipality for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the provisions of *Statement No. 14* of the Governmental Accounting Standards Board. 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 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 the nature and significance of the relationship between the entity and a primary government is such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. Based on the above criteria there are no potential component units, which should be included in the general-purpose financial statements.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):

B. Basis of presentation:

The Municipality records its transactions in the fund types and account groups described below:

**Governmental fund types:**

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

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

**Special Revenue** - is used to account for the proceeds of specific revenue sources that are legally restricted to be expended for specific purposes.

**Debt Service** - is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

**Capital Projects** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Account groups:**

The account groups are used to maintain accounting control and accountability of the Municipality's general fixed assets and long-term debt. The Municipality's account groups are:

**General Fixed Assets** - is used to account for all fixed assets of the Municipality.

**General Long-term Debt** - is used to account for all long-term debt obligations of the Municipality.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**C. Basis of accounting:**

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter 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 corresponding year. Expenditures are recorded when the liability is incurred, except for (1) interest on general long-term debt obligations which is recorded when due, and (2) accruals for vacation, sick leave, claims and judgments which are recorded in the general long-term debt account group.

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 essentially two types of such revenues. In one situation, funds must be expended on the specific purpose or project before any amount is reimbursed to the Municipality; therefore, revenues are recognized based upon the expenditures recorded. In the other situation, funds are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are recognized as revenues at the time of receipt or earlier if they meet the criteria of availability.

Licenses, permits, rent of property, fines, penalties and other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until actually received.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**D. 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:

Encumbrances - 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.

**E. Budgetary data:**

In establishing the budgetary data presented in the general purpose financial statements, the Municipality follows these procedures, which are in accordance with the Municipal Law:

- Prior to May 31, the Major submits to the Municipal Legislature a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and the means of financing them.
- The budget document is available for public inspection prior to its approval by the Municipal Legislature.
- Prior to July 1, the annual budget is legally enacted through passage of the annual appropriation ordinance.
- Subsequent to the enactment of the annual appropriation ordinance, the Municipal Legislature has the authority to make necessary adjustments to the budget. Adjustments made during the year are reflected in the budget information included in the general-purpose financial statements.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**E. Budgetary data (continued):**

The budget is prepared following the modified accrual basis of accounting, except for the encumbrances that are recorded as expenditures under the budgetary basis and as a reserve of funds balances under GAAP and for the interfund transactions that are not included in the budgetary basis.

The actual result of operations, presented in the Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances-Budget and Actual-General and Debt Service Funds, is in conformity with the budgetary accounting of the Municipality for a better comparison with the budget information.

The budget prepared for each of the special revenue funds is based on a program period, which is not necessarily the same as the Municipality's fiscal year. Accordingly, it is not practical to present an annual comparison of budget and actual for the special revenue funds.

**F. Inventories:**

The General Fund purchases office and printing supplies, gasoline, oil and other items. The cost of purchases is recorded as expenditure and, consequently, the inventory is not recorded in the general-purpose financial statements.

**G. Property and equipment:**

Property and equipment acquired are recorded as expenditures in the governmental funds and are capitalized at cost in the General Fixed Assets Account Group. Donated property and equipment are recorded at their estimated fair market value at the time they are received by the Municipality. No depreciation has been provided on property and equipment. Interest cost during the construction period is capitalized, when significant.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**H. Cash:**

The Municipality's Director of Finance is responsible for investing available resources and is restricted by law to invest only in saving accounts with banks qualified as depositories of public funds by the Department of the Treasury of the Commonwealth of Puerto Rico. The Municipality maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as Cash. All cash in banks at June 30, 2002 is insured by the Federal Deposit Insurance Corporation up to \$100,000, and by collateral held by the Treasury Department to its name. Interest earned from certificates of deposit and other short-term investments is recorded as revenue in the General Fund.

Cash with fiscal agent represents property tax collections retained by the Municipal Revenue Collection Center and Government Development Bank of the Commonwealth of Puerto Rico and restricted for the payment of the Municipality's debt service, unused proceeds from bonds and notes issued for the acquisition or construction of permanent improvements and Federal grants resources.

**I. Interfund transactions:**

The Municipality has the following types of transactions among funds:

Operating transfers- Transfers that are reported when incurred as "Operating transfers from other fund" by the recipient fund and as "Operating transfers to other fund" 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.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**J. Compensated absences:**

Municipal employees are granted 30 days of vacation and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of 60 days and sick leave up to a maximum of 90 days. In the event of an employee resignation, the employee is reimbursed for accumulated vacation days up to the maximum allowed. Separation from employment prior to the use of all or part of the sick leave before 10 years of service terminates all rights for compensation.

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.
4. 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. This liability is presented in the general long-term debt account group because they will not be funded with available expendable financial resources at June 30, 2002.

**K. Insurance:**

The Municipality has insurance coverage for its public facilities, primarily to provide protection from catastrophic losses. 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.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**L. Total columns (memorandum only):**

The total columns (memorandum only) are presented only to facilitate additional analysis. Consequently, amounts shown in total columns do not represent financial position or result of operations, in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

**M. Use of estimates in the preparation of general purpose financial statements:**

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**N. 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.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**2. DUE TO OTHER GOVERNMENTAL ENTITIES:**

The amounts due to other governmental entities in the General Fund include the following:

General Services Administration	\$ 19,919
Puerto Rico Aqueduct and Sewer Authority	3,146
Municipality of Toa Baja	8,956
Municipality of Juncos	<u>27,160</u>
Total	<u>\$ 59,181</u>

The Municipality reached agreements with other governmental entities for the payment of debts on a long- term basis. These liabilities are presented in the General Long- Term Debt Account Group because they will not be funded with available expendable financial resources at June 30, 2002. The following is the balance of these accounts:

Department of Treasury (Advance Property Tax)	<u>\$ 633,391</u>
Total	<u>\$ 633,391</u>

**3. PROPERTY TAXES:**

The Municipal Revenue Collection Center ("CRIM") of the Commonwealth of Puerto Rico is responsible by law to assess, levy and collect real and personal property taxes. The tax on personal property is self-assessed by the taxpayer. The assessment, as of January 1 of each year, is made on a return, which must be filed, with the CRIM, together with the payment, by May 15 of each year. The tax on real property is assessed by the CRIM. The assessment is made as of January 1 of each year and is based on estimated current values of the property as of the year 1957.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**3. PROPERTY TAXES (CONTINUED):**

Tax rates are 8.33% for real property and 6.33% for personal property of which 1.03% of both belongs to the Commonwealth of Puerto Rico. The Municipality's share is composed of the basic tax of 5.8% for real property and 3.8% for personal property, which is recorded in the General Fund, and the additional tax of 1.50% in both cases, which is restricted for debt service and retained by the CRIM for such purposes. To the extent that such taxes are informed and collected by the CRIM, they are recorded as revenue in the General Fund and in the Debt Service Fund.

Residential real property occupied by its owner is exempt by law from the payment of property taxes on the first \$15,000 of the assessed value. For such exempted amounts, the CRIM assumes payment of the basic tax to the Municipality, except for property assessed at less than \$3,500, for which no payment is made. Veterans have additional exemption from taxes of \$5,000. Revenue related to the basic tax on exempt property is recorded in the general fund when payments are received from the CRIM.

The CRIM advances to the municipality the estimated property tax collection for each fiscal year. Advances are repaid through actual collections from the taxpayers. The CRIM periodically informs the Municipality of the amounts collected and applied to outstanding advances. The property tax advanced by the CRIM during the year is recorded as property taxes revenues in the Municipality's General Fund. During the current year the actual collections were more than advances by \$500,333. Such amount was included as an intergovernmental receivable in the General Fund.

**4. MUNICIPAL LICENSE TAXES:**

The municipal license 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 Acts of Puerto Rico. All taxpayers are required to file their declaration by April 15, of each year.

The tax rates are as follows:

Financial institutions	1.50%
Other organizations	0.50%

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**4. MUNICIPAL LICENSE TAXES (CONTINUED):**

The tax may be paid in two equal semi-annual installments on July 15 and January 15 following the filing date. However, a discount of 5% is allowed for total payment received on or before April 15. Collections made prior to June 30 pertaining to the next fiscal year are recorded as deferred revenues.

**5. INTERGOVERNMENTAL:**

Intergovernmental revenues consist mainly of payments from the Commonwealth of Puerto Rico and payments in lieu of taxes from certain quasi-public corporations, principally the Puerto Rico Electric Power Authority.

Grants and subsidies received from the Commonwealth of Puerto Rico include, among others, a general subsidy for capital improvements. Intergovernmental revenues are recorded in the General Fund, except for those related directly to capital improvements, which are recorded in the Capital Projects Fund.

**6. DEBT SERVICE FUND:**

Revenue for the Debt Service Fund consists mainly of the share of property taxes, which is designated for the debt service requirements of the bonds and notes obligations issued by the Municipality. The Government Development Bank pays principal and interest on these obligations.

**7. GENERAL FIXED ASSETS:**

A summary of changes in the General Fixed Assets Account Group is as follows:

Description	Balance July 1, 2000	Additions and adjustments	Retirements and adjustments	Balance June 30, 2002
Land	\$ -	\$ 8,890,787	\$ -	\$ 8,890,787
Buildings and Improvements	21,025,232	2,754,790	21,025,232	2,754,790
Machinery and Equipment		4,611,490		4,611,490
Construction in Progress		33		33
Total	\$ 21,025,232	\$ 16,257,100	\$ 21,025,232	\$ 16,257,100

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**8. GENERAL OBLIGATION BONDS:**

The general obligation bonds transactions for the year ended June 30, 2002 were as follows:

Balance at July 1, 2001	\$ 13,219,480
Debt issued	3,985,000
Principal retirements	( 489,870)
Adjustments and/or Reclassifications	<u>485,000</u>
Balance at June 30, 2002	<u>\$ 17,199,610</u>

General obligation bonds at June 30, 2002 are as follows:

Type of bonds	Maturity date	Original Amount	Range of Interest Rates	Balance at June 30, 2002
1994 Series	7-1-13	3,390,000	6.106% to 7.706%	\$ 2,660,000
1998 Series	7-1-22	11,230,000	4.865% to 6.710%	10,540,000
2002 Series	7-1-26	3,935,000	8.00 %	3,985,000
Operational Loan	7-1-05	97,400	8.00%	<u>14,610</u>
Total general obligation bonds				<u>\$ 17,199,610</u>

The future annual requirements for the amortization of general obligations bonds outstanding as of June 30, 2002, are as follows:

Year ended June 30	Total
2003	\$ 404,870
2004	424,870
2005	459,870
2006	490,000
2007	530,000
Thereafter	<u>14,890,000</u>
Total	<u>\$ 17,199,610</u>

The Municipality is subject to certain laws of the Commonwealth of Puerto Rico, which limit the amount of bond debt to 10 percent of the assessed valuation of the property located in the Municipality.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**9. NOTES PAYABLE:**

The notes payable transactions for the year ended June 30, 2002 were as follows:

Balance at July 1, 2000	\$ 1,225,000
Debt issued	-
Payments during the current year	(509,072)
Adjustments\Reclassifications	550,360
	<u>550,360</u>
Balance at June 30, 2002	<u>\$ 1,266,288</u>

Notes payable at June 30, 2002 is as follows:

Description	Maturity Date	Original Amount	Range of Interest rates	Balance June 30, 2002
1999 Series	7-1-05	1,560,000	4.865% to 6.310%	\$ 990,000
Land Authority	5-21-03	69,072	8.5%	69,072
Land Authority	5-21-04	69,072	8.5%	69,072
Land Authority	5-21-05	69,072	8.5%	69,072
Land Authority	5-21-06	69,072	8.5%	69,072
				<u>69,072</u>
Total notes payable				<u>\$ 1,266,288</u>

The future annual requirements for the amortization of notes payable outstanding as of June 30, 2002, are as follows:

Year ended June 30	Total
2003	\$ 289,072
2004	309,072
2005	324,072
2006	344,072
	<u>344,072</u>
Total	<u>\$ 1,266,288</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**10. RETIREMENT PLAN:**

**Defined Benefit Pension Plan**

The Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (the "System") is the administrator of a cost sharing multiple-employer defined benefit public employee retirement system established by the Commonwealth of Puerto Rico. The System was created under the Act 447 approved on May 15, 1951, as amended. All regular employees of the Municipality hired before January 1, 2000 and under 55 years of age at the date of employment became members of the System as a condition to their employment. No benefits are payable if the participant receives a refund of his/her accumulated contributions. The System also provides for death and disability benefits pursuant to legislation enacted by the Commonwealth's legislature.

Under the System, 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 gross salaries plus 8.275% for the excess of this amount, or on the alternative, 8.275% of monthly gross salaries. The Municipality contributes to the System 9.275% of the participating employee's gross salaries.

Pension benefits for employees that joined the system before April 1, 1990 are as follows:

<b>Years of Service</b>	<b>Participant Age</b>	<b>Pension Benefits</b>
30 or more	54 or less	65% of the average of the three years of highest salary during the employees' service period.
30 or more	55 or more	75% of the average of the three of highest salary during the employees' service period.

For participants who retire with less than 30 years of service the pension benefits is computed at the rate of 1-1/2% of their average compensation for each year of credited service for the first 20 years and 2% for each of credited service for the remaining years.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**10. RETIREMENT PLAN (CONTINUED):**

For those employees that joined the system after April 1, 1990 the pension benefits are as follows:

<b>Years of Service</b>	<b>Participant Age</b>	<b>Pension Benefits</b>
25 or more	Between 55 and 64	Computed at the rate of 1-1/2% of their average compensation for each year of credited service, with an actuarial reduction based on the actuarial guides adopted by the Board of Trustees.
10 or more	65 or more	Computed at the rate of 1-1/2% of their average compensation for each year-credited service.

For participants who retire with less than 25 years of service and the participant age are 64 or less the pension benefit is computed at the rate of 1-1/2% of their average compensation for each year of credited service.

**Defined Contribution Plan**

The Legislature of the Commonwealth enacted Act No. 305 on September 24, 1999, which amends Act No. 447 to establish, among other, a defined contribution saving plan program (the "Program") to be administered by the Retirement System. All regular employees hired for the first time on or after January 1, 2000 and former employees who participated in the defined benefit pension plan, received a refund of their contributions and are rehired on or after January 1, 2000 become members of the Program as a condition to their employment. In addition, employees who at December 14, 1999 were participants of the defined benefit pension plan, had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the defined benefit pension plan plus interest thereon to the Program.

Act No. 305 requires employees to contribute 8.275% of their monthly gross salary to the Program. Employees may elect to increase their contribution up to 10% of their monthly gross salary. Employee contributions are credited to his/her individual account established under the Program. Participants have three options to invest their contributions to the Program. Investment income is credited to the participant's account semi-annually.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**10. RETIREMENT PLAN (CONTINUED):**

The Municipality is required by the Act No. 305 to contribute 9.275% of the participant's gross salary. The System will use these contributions to increase its asset level and reduce the unfounded status of the defined benefits pension plan.

Upon retirement, the balance in the participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life and 50% of such benefit to the participant spouse in case of the participant death. Participants with balance of \$10,000 or less at retirement will receive a lump-sum payment. In case of death, the balance in the participant's account will be paid in a lump sum to his/her beneficiaries. Participants have the option of a lump sum or purchasing an annuity contract in case of permanent disability.

Total Municipality contributions to the above-mentioned plans during the year ended June 30, 2002 recorded as pension expenditures was approximately \$ 520,000. This amount represents 100% of the required contribution for the fiscal year ended June 30, 2002.

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB Number 27, *Accounting for Pensions by State and Local Governmental Employers*. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee's services performed to date and is adjusted for the effects of projected salary increases. The significant actuarial assumptions used to determine the standardized measure of the pension benefit obligation are summarized below:

- \* The present value of the future pension payments was computed by using a discount rate of 8.5%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
- \* Future pension payments reflect an assumption of 5% salary increase.

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.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**10. RETIREMENT PLAN (CONTINUED):**

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 generally accepted accounting principles. 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 ten-year historical trend information is available in the separately issued audited financial statements of the Retirement System.

**11. INTERFUND TRANSACTIONS:**

**Due from/to other funds**

Interfund receivables and payables represent temporary loans between the funds.

**Operating transfers**

Operating transfers represent transfers between funds to specific purposes designated by the management.

**12. COMMITMENTS AND CONTINGENCIES:**

**A. Federal grants:**

The Municipality participates in a number of Federal Financial Assistance Programs. These programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by such audits cannot be determined at this time, although the Municipality expects such amounts, if any, not to be material.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**12. COMMITMENTS AND CONTINGENCIES (CONTINUED):**

**B. Claims and lawsuits:**

The Municipality is a defendant in legal matters that arise in the ordinary course of the Municipality's activities. With respect to pending and threatened litigation, the Municipality has reported liabilities of \$143,312 in the general long-term debt account group for a final unfavorable judgment. The amount presented in the general long-term debt group of account represents the amount of determined as liability, which will require future available financial resources for its payment. The administration believes that the ultimate liability in excess of amounts provided would not be significant.

**13. BEGINNING FUND BALANCES RESTATEMENT:**

The beginning Fund Balance for General Fund has been restated by \$916,045 to properly presents the previously reported fund balance at June 30, 2001. The restatement is mainly due to the reclassification of beginning cash balances and the elimination of accounts payables to suppliers that the purchase orders were cancelled during the fiscal year 2001-2002.

The beginning Fund Balance for Special Revenue has been restated by \$105,275 to properly presents the previously reported fund balance at June 30, 2001. The restatement is mainly due to the reclassification and correction of beginning cash balances due to errors in bank reconciliation and a bank account omitted on the cash balance in the general purpose financial statements as of June 30, 2001.

The beginning Fund Balances for Debt Service Fund has been restated by \$1,473,150 to properly present the previously reported fund balances at June 30, 2001. The restatement is mainly due to the reclassification of debts from current to long term liabilities and to recognize an amount due from CRIM related to Final Liquidation 1999-2000 and an amount due to CRIM related to Final Liquidation 2000-2001 not included in general purpose financial statements as of June 30, 2001.

The beginning Fund Balances for Capital Projects Funds has been restated by \$803,587 to properly present the previously reported fund balances at June 30, 2001. The restatement is mainly due to the reclassification of beginning cash balances.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**14. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS:**

On November 18, 2002, the Municipal Legislature approved a readjustment to the current year budget by \$951,270 from the prior year general fund balance of \$4,531,569.

On June 1999, the Governmental Accounting Standard Board issued the Governmental Accounting Standard Board - Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis- for the State and Local Governments 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 requirements of this Statement are effective in three phases based on the government's total revenues in the first fiscal year ending after June 15, 1999. These phases are the following:

**Phase 1** governments- with total annual revenues of \$100 million or more should apply the requirements of this Statement for periods beginning after June 15, 2001.

**Phase 2** governments- with total annual revenues of \$10 million or more but less than \$100 million- should apply the requirements of this Statement in financial statements for periods beginning after June 15, 2002.

**Phase 3** governments- with total annual revenues of less than \$10 million- should apply the requirements of this Statement in financial statements for periods beginning after June 15, 2003.

In order to implement the Governmental Accounting Standard Board No. 34 (GASB) the Municipality of Trujillo Alto hired a consulting firm. Management assured us that the GASB 34 will be fully implemented as of June 30, 2003. Also, as part of the implementation, the consulting firm will perform a physical inventory of the property, equipment and capital assets as of June 30, 2003.

At the date of the release of these financial statements, the Municipality signed a contract with the Health Department of the Commonwealth of Puerto Rico to use the Diagnostic Treatment Center operated by the University of Puerto Rico at a monthly rent of \$1.00 effective on January 1, 2003, through June 30, 2003. On July 1, 2003 the Municipality will acquire the facility at a cost of \$1,000,000 payable on a thirty year term without interest.

Also, the Municipality signed a contract with LVA Medical Services to operate and administer the Diagnostic Treatment Center effective on January 1, 2003 through December 31, 2004.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct Program: Community Development Block Grants - Entitlement Grants	14.218		\$1,930,628
Direct Program: Section 8 Housing Choice Voucher	14.871		1,262,332
Direct Program: Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856		856,484
Pass-through the Commonwealth of Puerto Rico Municipality of San Juan: Housing Opportunities for Persons with AIDS (HOPWA)	14.241	Not Available	<u>79,746</u>
<b>Total U.S. Department of Housing and Urban Development:</b>			<b><u>4,129,190</u></b>
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
Direct Program: Public Safety Partnership and Community Policing Grants	16.710		238,428
Pass-through the Commonwealth of Puerto Rico - Department of Justice: Local Law Enforcement Grant Program	16.592	Not Available	<u>27,080</u>
<b>Total U.S. Department of Justice</b>			<b><u>265,508</u></b>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<b>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA):</b>			
Pass-through the Commonwealth of Puerto Rico Emergency Management Agency: Emergency Management Performance Grant	83.552		<u>7,157</u>
<b>Total U.S. FEMA</b>			<u><b>7,157</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Pass-through the Commonwealth of Puerto Rico - Governors Office (Elderly Office): Special Program for Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Not Available	81,364
Special Program for Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.045	Not Available	<u>36,911</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><b>118,275</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$4,520,130</b></u>

The accompanying notes are an integral part of this schedule.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2002**

**1. BASIS OF PRESENTATION:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Municipality of Trujillo Alto** and is presented on the modified accrual basis of accounting. The basis of accounting is the same used to prepare the general-purpose financial statements. 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*.

**2. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:**

Amounts reported in the accompanying Schedule are included in the Special Revenue and Capital Projects Funds in the Municipality's general-purpose financial statements. The reconciliation between the expenditures in the general-purpose financial statements and the disbursements in the Schedule of Expenditures of Federal Awards is as follows:

<u>Description</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Per Schedule of Expenditures of Federal Awards	\$2,973,734	\$1,546,396	\$4,520,130
Non federal programs Expenditures	<u>749,789</u>	<u>1,418,309</u>	<u>2,168,098</u>
Total expenditures in the general purpose financial statements	<u>\$3,723,523</u>	<u>\$2,964,705</u>	<u>\$6,688,228</u>

**3. SUBRECIPIENTS:**

The **Municipality of Trujillo Alto** provided Federal Awards to sub recipients as follow:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grants/Entitlement Grants	14.218	<u>\$51,795</u>



**López-Vega, CPA, PSC**

Certified Public Accountants / Management Advisors

Member of:

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

**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 the Municipal Legislature  
Municipality of Trujillo Alto  
Trujillo Alto, Puerto Rico**

We have audited the general purpose financial statements of the **Municipality of Trujillo Alto** as of and for the year ended June 30, 2002, and have issued our report thereon dated December 13, 2002, which was qualified because we been unable to audit the fixed assets of the general fixed assets account group. Except as discussed in the preceding sentence, 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.

**Compliance**

As part of obtaining reasonable assurance about whether the **Municipality of Trujillo Alto's** general purpose 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 general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances 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 of Trujillo Alto's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting that, in our judgment, could adversely affect **Municipality of Trujillo Alto's** ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs items **02-01** through **02-05**.

**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 (CONTINUED)**

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 reportable conditions that are also considered to be material weaknesses. However, we believe item 02-01 of the reportable conditions described in the accompanying Schedule of Findings and Questioned Costs is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the **Municipality of Trujillo Alto** in a separate letter dated December 13, 2002.

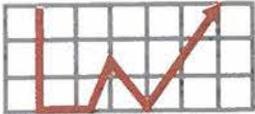
This report is intended for the information of the management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

  
LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico  
December 13, 2002

Stamp No. 1854026 of the Puerto Rico  
Society of Certified Public Accountants  
was affixed to the record copy of this report.





**López-Vega, CPA, PSC**

Certified Public Accountants / Management Advisors

Member of:

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

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

**To the Honorable Mayor  
and the Municipal Legislature  
Municipality of Trujillo Alto  
Trujillo Alto, Puerto Rico**

Compliance

We have audited the compliance of the **Municipality of Trujillo Alto** 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 year ended June 30, 2002. The **Municipality of Trujillo Alto's** major federal programs are identified in the summary of auditors' 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 of Trujillo Alto's** management. Our responsibility is to express an opinion on the **Municipality of Trujillo Alto'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 the *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB 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 of Trujillo Alto'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 of Trujillo Alto's** compliance with those requirements.

In our opinion, the **Municipality of Trujillo Alto** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that 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 **02-06** through **02-10**, and **02-12** through **02-26**.

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB-CIRCULAR A-133(CONTINUED)**

Internal Control Over Compliance

The management of the **Municipality of Trujillo Alto** 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 of Trujillo Alto's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters 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 of Trujillo Alto'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 **02-06** through **02-26**.

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 on 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 material weakness. However, of the reportable conditions described above, we consider items **02-07, 02-13, 02-15, 02-16, and 02-18** through **02-25** to be material weaknesses. We also noted other matters involving the internal control over compliance and certain immaterial instance of noncompliance, which we have reported to management of the **Municipality of Trujillo Alto** in a separate letter dated March 17, 2003.



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB-CIRCULAR A-133(CONTINUED)**

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

  
LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico  
March 17, 2003

Stamp No. 1854027 of the Puerto Rico  
Society of Certified Public Accountants  
was affixed to the record copy of this report.



**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	<b>Qualified</b>	
Internal control over financial reporting:		
Material weakness identified?	Yes <input checked="" type="checkbox"/>	No
Reportable conditions identified not considered to be material weaknesses?	Yes <input checked="" type="checkbox"/>	None reported
Noncompliance material to financial statements noted?	Yes	No <input checked="" type="checkbox"/>

**Federal awards**

Internal Control over major programs:		
Material weakness identified?	Yes <input checked="" type="checkbox"/>	No
Reportable conditions identified not considered to be material weaknesses?	Yes <input checked="" type="checkbox"/>	None reported

Type of auditors' report issued on compliance for major programs:	<b>Unqualified</b>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes <input checked="" type="checkbox"/>	No
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**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant - Entitlement Program
14.856	Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation
14.871	Section 8 Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	Yes <input checked="" type="checkbox"/> No

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section II - Financial Statements Findings**

<b>Finding Reference</b>	<b>02-01</b>
<b>Requirement</b>	<b>Fixed\ Capital Assets and Expenditures - Subsidiary Ledger</b>
<b>Statement of Condition</b>	During our examination of the Municipality's property records and reports we noted the following deficiencies: balance in the Property Subsidiary Ledger does not reconcile with the ending balances reported in the audited financial statements; there is no adequate internal control procedures to assure the proper valuation and timeliness of recognition of real and personal property in the Property Subsidiary Ledger; and Construction in Progress account were not maintained in the General Ledger and Property Subsidiary Ledger.
<b>Criteria</b>	The federal regulations establish that a financial management system shall provide for effective control and accountability for all funds, property and other assets. Also, Article 9.002 of State Act Number 81 of August 30, 1991 states that the Municipality should maintain updated property accounting records.
<b>Cause of Condition</b>	There is no internal control procedures implemented to assure the completeness of the property records and reports.
<b>Effect of Condition</b>	The Municipality did not maintain an adequate control of the accountability regarding equipment and real property transactions.
<b>Recommendation</b>	We recommend that the Municipality should implement procedures in order to assure the proper valuation and timeliness of recognition of real and personal property as well as Construction in Progress in the Property Subsidiary Ledger in a manner that it provides updated and complete financial information
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Municipality Management concurs with the finding. During the fiscal year 2002-2003 we hired an accounting firm to address a complete examination of property records, including inventory. We'll be complying with GASB 34 pronouncements as well. Also, property office was strengthening by recruiting additional, skilled personnel to assist in accountability and internal control of property. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section II - Financial Statements Findings**

<b>Finding Reference</b>	<b>02-02</b>
<b>Requirement</b>	<b>Financial Reporting - Accounting Records</b>
<b>Statement of Condition</b>	During our examination of the Municipality's accounting system we noted that it does not summarize the transactions in a formal General Ledger in order to properly record and account for the transactions of all of its Governmental Funds (Local, State and Federal funds) and Account Groups.
<b>Criteria</b>	Article 8.010 of State Act Number 81 of August 30, 1991 states that the Municipality should maintain an effective and updated accounting system.
<b>Cause of Condition</b>	The Municipality did not establish effective internal control over the transactions recorded on its accounting records. Also, the accounting data is not summarized in the form of a double-entry general ledger record.
<b>Effect of Condition</b>	The Municipality accounting system did not provide updated and complete financial information that present the financial position and the result of operations and the change in fund balances. Such information is necessary to take management decisions.
<b>Recommendation</b>	We recommend that the Municipality should implement internal control and procedures in order to maintain an accounting system that contains information pertaining to authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, interfund transactions, etc.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Municipality's Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section II – Financial Statements Findings**

<b>Finding Reference</b>	<b>02-03</b>
<b>Requirement</b>	<b>Cash Receipts\Revenue, Receivable - Collections</b>
<b>Statement of Condition</b>	Cash collections during some dates of the fiscal year ended June 30, 2002 were processed without using pre-numbered cash receipts. Instead, employees in charge of cash collections printed a report on plain paper from the Cash Collection Module of the Accounting System, as evidence of cash collection, instead of recording the cash collection transaction in a printed cash receipt prescribed form (form with original and two copies).
<b>Criteria</b>	The Section Four (4) of the Chapter Three (3) of the Revised Regulations on Basic Standards for the Municipalities of Puerto establishes that the municipal employee in charge of cash collections should print an original and two copy of a cash collection receipt on a prescribed form by the Office of Commissioner of Municipal Affairs; such receipts should be numerically ordered.
<b>Cause of Condition</b>	The Municipality failed to purchase on time the cash receipts forms needed for cash collection transactions.
<b>Effect of Condition</b>	The Municipality is not complying with regulations stated in the Section Four (4) of the Chapter Three (3) of the Revised Regulations on Basic Standards for the Municipalities of Puerto Rico.
<b>Recommendation</b>	The Municipality should implement the following procedures in order to avoid these situations in a future:  a. Maintain an up to date perpetual inventory of cash receipts forms;  b. Anticipate the time (establishing a lower limit of cash receipts forms) when to re-order cash receipts forms.
<b>Questioned Costs</b>	None

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

**Section II - Financial Statements Findings**

**Finding Reference**      **02-03 (continued)**

**Management Response**    The Municipality does maintain an actualized perpetual inventory of cash receipts forms. It is kept in the Finance Director's Office. Usually, receipts are ordered when there are about 300 left. The situation stated on the audit report was one out of our control, since the order for receipts was placed by our vender to a company in the USA. At that time, happened the 9/11 terrorist events and business went down, thus affecting shipping of our order. Also, auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section II – Financial Statements Findings**

**Finding Reference**      **02-04**

**Requirement**            **Expenditures for Goods and Services and Account Payables –  
Purchasing and Receiving**

**Statement of Condition** During our examination of the Municipality's procedures related to the purchasing and receiving process we examined eighty-three (83) disbursement vouchers and we found the following situations:

- a. In eighteen (18) disbursement vouchers the purchase orders were issued after the services were rendered.
- b. Nine (9) disbursement vouchers were not marked as paid.
- c. In one (1) disbursement voucher the invoice included as supportive evidence of payment was not original.
- d. In two (2) disbursement vouchers the date of requisitions included as supportive evidence were made after the contracts date. Also, in one (1) disbursement voucher the requisition was missing.
- e. Four (4) original disbursement vouchers were not available for our audit procedures. Copies of such vouchers were available and examined by us.
- f. In five (5) disbursement vouchers there was no evidence to verify that three (3) quotations were requested and obtained prior to order the goods or services, or prior to contract date.

**Criteria**

The Revised Regulations on Basic Standards for the Municipalities of Puerto Rico establish in Chapter Four (4) that the Finance Director will be responsible to account and to prepare disbursements through documents duly prepared and certified, including sufficient evidential matter to support the transactions. Also, the Chapter eight (8) of the Revised Regulations on Basic Standards for the Municipalities of Puerto Rico establishes the procedures related to the formal bids or quotations for the purchase of goods or services.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section II – Financial Statements Findings**

<b>Finding Reference</b>	<b>02-04 (continued)</b>
<b>Cause of Condition</b>	The Municipality internal control procedures failed to assure that all of the acquisition transactions include all the required documentation or were conducted in compliance with the Revised Regulations on Basic Standards for the Municipalities of Puerto Rico.
<b>Effect of Condition</b>	The Municipality is not in compliance with Revised Regulations on Basic Standards for the Municipalities of Puerto Rico.
<b>Recommendation</b>	We recommend that the Municipality should improve its internal control and procedures in order to assure that all disbursement vouchers were properly safeguarded, and contains all supporting documents, including the cancellation as paid of supporting documents before the payment is made. Also, we recommend that the Municipality should improve its procedures to assure that purchase orders are issued before goods and services acquisitions, and at least three quotations be requested for all purchase of goods or services that do not exceed \$10,000 and construction contracts that do not exceed \$40,000 or perform formal bids for purchases that exceeds these limits.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Municipality's Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section II – Financial Statements Findings**

<b>Finding Reference</b>	<b>02-05</b>
<b>Requirement</b>	<b>Payroll and Related Liabilities – Payroll Preparation and Timekeeping</b>
<b>Statement of Condition</b>	<p>We performed a payroll test for the payroll period ended June 30, 2002 and examined a sample of sixty ( 60 ) personnel files and related payroll documents. The following summarize the exceptions noted.</p> <ul style="list-style-type: none"><li>a. In eight (8) cases the employee gross salary per payroll report did not agreed with gross salary per documents in the employee file.</li><li>b. In twelve (12) cases the time assistance cards were not signed by the employees.</li><li>c. In three (3) cases the employees were been assigned to work to specific Departments according to documents in the employees files, but the payroll report showed that those employees were been assigned to other Departments.</li><li>d. In nine (9) cases the employees compensated absences records did not agreed with information included on compensated absences balance subsidiary ledger prepared by the Municipality for financial statements purposes.</li></ul>
<b>Criteria</b>	<p>The Revised Regulations on Basic Standards for the Municipalities of Puerto Rico, Chapter IV, Section 18 (1) establish that the Municipality will prepare the payroll based on the employee files.</p>
<b>Cause of Condition</b>	<p>The Municipality's internal control procedures failed to assure the proper payment and preparation of payroll, and the accuracy of compensated absences balances subsidiary ledger.</p>
<b>Effect of Condition</b>	<p>The Municipality is not in compliance with Revised Regulations on Basic Standards for the Municipalities of Puerto Rico.</p>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section II – Financial Statements Findings**

<b>Finding Reference</b>	<b>02-05 (continued)</b>
<b>Recommendation</b>	We recommend the Municipality to improve its internal control procedures to assure that documents inside each employee file and other related documents supports the payroll payments.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Municipality Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-06</b>
<b>Program</b>	<b>Community Development Block Grant-Entitlement Program (CFDA 14.218); U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Davis-Bacon Act</b>
<b>Statement of Condition</b>	During our Davis-Bacon Act test, we noted that the Municipality did not apply adequately the monitoring system developed to ensure contractors compliance with payment of prevailing wages rates to employees; contractor's and subcontractor's laborers interviews were not made periodically.
<b>Criteria</b>	Davis-Bacon Act, as amended (40 USC 276A-276A-5), Subpart K, 24 CFR 570.603.
<b>Cause of Condition</b>	The Municipality did not apply adequately all monitoring system procedures developed, to test applicable contractors with respect to payment of prevailing wages.
<b>Effect of Condition</b>	The Municipality is not in compliance with Davis-Bacon Act, as amended (40 USC 276A-276A-5), Subpart K, 24, CFR 570.603.
<b>Recommendation</b>	We recommend management to follow monitoring system procedures developed, including interviewing contractor's and subcontractor's laborers periodically (up to ten percent (10%) of the workers on long term projects) to establish the degree of compliance and the nature and extent of violations, if any.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Municipality's Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III – Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-07</b>
<b>Program</b>	<b>Community Development Block Grant-Entitlement Program (CFDA 14.218); U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Equipment and Real Property Management</b>
<b>Statement of Condition</b>	<p>We performed the Equipment and Real Property Management Test and we found the following:</p> <ul style="list-style-type: none"><li>a. We noted there were no adequate and accurate records to account for additions or dispositions of property and equipment during the fiscal year 2001-2002.</li><li>b. Two (2) equipment units were not available for our examination.</li><li>c. No tag or property ID was placed in one (1) equipment unit.</li><li>d. The property number of three (3) equipments was handwritten.</li><li>e. Although the Property Subsidiary Ledger maintained by the program provide for the inclusions of all information required by the Federal Regulation, we noted that some information is missing in the Ledger.</li><li>f. The program does not include in its Property Ledger the Real Properties.</li><li>g. The Municipality performed a physical inventory but it does not indicate the name of the person who performed it, the date, and if the results were reconciled with the program's Property Subsidiary Ledger.</li></ul>
<b>Criteria</b>	<p>Subpart C, 24 CFR 85.32 (d) (1) requires that equipment records shall be accurately maintained and include a description of the property, a serial number or other identification number, the source of property, who holds the title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.</p>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-07 (continued)</b>
<b>Criteria</b>	Subpart C, 24 CFR 85.32 (d) (2), (3) establishes that a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years and a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Subpart C, 24 CFR 85.31 establishes similar regulation for the preparation of the Real Property Subsidiary.
<b>Cause of Condition</b>	There are not adequate internal controls to maintain accurate property records.
<b>Effect of Condition</b>	The Municipality is not in compliance with Subpart C, 24 CFR 85.32 (d) (2) and (3) and 85.31.
<b>Recommendation</b>	We recommend management to perform a physical inventory in order to actualize the property ledger subsidiary. In addition, we recommend strengthen its internal control procedures in order to assure that the program maintains proper records and adequately safeguards for the equipment to comply with program requirements and regulations.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Municipality Management concurs with the finding. Also, during the fiscal year 2002-2003, the Municipality hired a firm to address a complete examination of property records including inventory, in complying with GASB 34 pronouncements. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III – Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-08</b>
<b>Program</b>	<b>Community Development Block Grant-Entitlement Program (CFDA 14.218); U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Procurement and Suspension and Debarment</b>
<b>Statement of Condition</b>	In our contract provisions test we observed that the six (6) contracts examined by us did not include provisions for compliance with granting access to GAO, or other Federal Agency, to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions, etc.
<b>Criteria</b>	24 CFR, Subpart C, Section 85.36 (I) (1-13), states that sub grantee's contracts must contain provisions described in paragraph (I) of this section.
<b>Cause of Condition</b>	The Municipality procurement standard procedures failed to include the requirement contract provisions.
<b>Effect of Condition</b>	The Municipality is not in compliance with 24 CFR, Subpart C, Section 85.36, (I) (1-13).
<b>Recommendation</b>	We recommend management to include all contracts provisions required by the federal regulations before each contract execution.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Municipality Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III – Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-09</b>
<b>Program</b>	<b>Community Development Block Grant/ Entitlement Grants (CFDA 14.218); U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Sub-recipient Monitoring</b>
<b>Statement of Condition</b>	<p>During our Sub-Recipient Monitoring Test of one (1) sub-recipient grant award contract, we noted the following:</p> <ul style="list-style-type: none"><li>a. The agreement does not include clauses related to program income requirements set forth in Sec. 570.504 (c ).</li><li>b. The agreement does not include a clause that requires the sub-recipient to comply with applicable uniform administrative requirements, as described in Sec. 570.502.</li></ul>
<b>Criteria</b>	<p>24 CFR Section 570.503 states that before disbursing any CDBG funds to a sub-recipient the Municipality should assure that the agreement between parties include provisions concerning: the statement of work, records and reports, program income and uniform administrative requirements. In addition, the Municipality must perform monitoring activities in order to review the financial information and observe that operations of the sub-recipients are made in accordance with the agreement. Also, the Municipality shall require to the sub-recipient to take prompt corrective action on any monitoring findings.</p>
<b>Cause of Condition</b>	<p>The Municipality procurement standard procedures failed to include the requirement contract provisions. There are no adequate internal control procedures to assure that sub-recipients comply with the clauses established in the contracts.</p>
<b>Effect of Condition</b>	<p>The Municipality is not in compliance with 24 CFR, Section 570.503, 570.504 (c) and 570.502.</p>
<b>Recommendation</b>	<p>We recommend management to include all contracts provisions required by the federal regulations before each contract execution. Also, the Municipality should strengthen its monitoring procedures to assure that the sub-recipient comply with the requirements established in the contract before issuing any disbursement.</p>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III – Major Federal Award Program Findings and Questioned Costs**

**Finding Reference**      **02-09 (continued)**

**Questioned Costs**      **None**

**Management Response**    The Municipality Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-10</b>
<b>Program</b>	<b>Community Development Block Grant-Entitlement Program (CFDA 14.218); U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Test - Housing Rehabilitation</b>
<b>Statement of Condition</b>	<p>During our examination of twenty-five (25) Housing Rehabilitation Participant's files we noted the following:</p> <ul style="list-style-type: none"><li>a. Five (5) files did not have the pre-rehabilitation inspection describing the deficiencies to be corrected.</li><li>b. In the twenty-five (25) examined files the contract of participation between the Municipality and the participant did not include the participant's housing unit deficiencies to be corrected. Also, two (2) of these contracts did not have the Program Director's signature.</li><li>c. One (1) of the contracts did not include the amount of funds approved for the participant's housing rehabilitation.</li><li>d. Fourteen (14) files did not contain accurate and complete evidence of follow-up visits or inspections performed by the Program personnel in order to verify if the rehabilitation work was carried out in accordance with the specifications.</li><li>e. In one (1) file the re-inspection indicates that the materials had not been used by the participant, and the program gave ten (10) additional days to the participant to use them. The file has no evidence that the Program personnel followed up this situation.</li><li>f. Eight (8) files did not include evidence of the family income.</li><li>g. In four (4) files the eligibility application was not properly completed.</li></ul>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-10 (continued)</b>  h. In three (3) files the program did not complete a new application form to the participant for the program year 2001; they used the information on the application form completed on prior year.  i. In ten (10) files the applicant eligibility or non-eligibility determination was not properly documented.  j. Eighteen (18) files did not include a complete evidence of family composition.  k. One (1) file did not include evidence of residence existence.  l. In two (2) files we found a difference between the family income on the application form and Income Certification as included in the file as evidence of family income. The program determined the family eligibility based on the income declared on the application form.
<b>Criteria</b>	24 CFR, Section 570.506, states that when CDBG-Entitlement Grants funds are used for rehabilitation, the grantee must assure that the work is properly completed and appropriate documentation is maintained.
<b>Cause of Condition</b>	The Municipality has not established adequate internal control procedures to assure that rehabilitations are duly completed as required by regulations and appropriate documentation is maintained
<b>Effect of Condition</b>	The Municipality is not in compliance with 24 CFR, Section 570.506.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

**Finding Reference**      **02-10 (continued)**

**Recommendation**      We recommend the management to establish the following procedures:

- a. Ascertain that the participant housing unit deficiencies to be corrected are incorporated into the rehabilitation contract.
- b. Perform pre-rehabilitation inspection describing the participant housing unit deficiencies to be corrected.
- c. Assign a staff to inspect the rehabilitation work upon completion to assure that is carried out in accordance with contract specifications.
- d. Assure that all participant files include all required documentation.
- e. Ascertain eligibility determination and adequate evidence of family income.

**Questioned Costs**      None

**Management Response**      The Municipality Management concurs with the finding. Since, October 2001 the Municipality prepares and uses the Municipal Housing Regulation for the Housing Rehabilitation Section. In this regulation, we include parameters, procedures and other dispositions to achieve the necessary internal control and assure the required inspection, adequate eligibility and all participants required documentation. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

Section III - Major Federal Award Program Findings and Questioned Costs

<b>Finding Reference</b>	<b>02-11</b>
<b>Program</b>	<b>Section 8 Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation (CFDA 14.856) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Eligibility of Individuals</b>
<b>Statement of Condition</b>	<p>During our verification of thirty (30) participant files we noted the following exceptions related to the Housing Assistance Payments:</p> <ol style="list-style-type: none"><li>a. In one (1) participant file the contract states that the tenant will provide all utilities. Based on the contract information the utility allowance which applies to the Housing Assistance Payment Calculation was \$80 and the Municipality used \$67. As a result the Municipality paid an incorrect utility reimbursement to the tenant.</li><li>b. In one (1) participant file the Housing Assistance Payment as per an Interim Family Report computation adjusted in January, 2002 stated that the Municipality Housing Assistance Payment obligation was \$307 and in March, 2002 the Municipality paid \$500 to the owner and \$41 as utility reimbursement to the tenant.</li><li>c. In one (1) participant file the Municipality performed an Interim Family Report computation on December, 2001. On January 18, 2002 one (1) of the family members submitted an income verification and the Municipality did not adjust the Housing Assistance Payment. As result, the Housing Assistance Payment obligation was \$201 and we noted that in March, 2002 the Municipality paid \$305 to the owner.</li><li>d. In eight (8) participant files the contract extensions did not documented the utilities provided by the owner or the tenant.</li></ol>

COMMONWEALTH OF PUERTO RICO  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)

YEAR ENDED JUNE 30, 2002

Section III – Major Federal Award Program Findings and Questioned Costs

<b>Finding Reference</b>	<b>02-11 (continued)</b>
<b>Criteria</b>	Code of Federal Regulations 24 CFR, Section 880.603 requires the PHA to reexamine family income and composition at least once every twelve months and adjust the tenant rent and housing assistance payment as necessary.
<b>Cause of Condition</b>	The Federal Programs Department did not maintain monitoring procedures to assure that the Housing Assistance Payments are in accordance with the Family Report Computation.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 24, Section 880.603.
<b>Recommendation</b>	We recommend establishing monitoring procedures to assure that Housing Assistance Payments are performed as per Family Report Computation and the utility information is duly documented and updated in the participant file.
<b>Questioned Costs</b>	None
<b>Management Response</b>	Since October 2002, this PHA implemented as Quality Control a process to avoid incomplete annual recertifications. As part of this process the following is done: <ol style="list-style-type: none"><li>a. Technician receives documents;</li><li>b. Accounting area also verifies the file and processes the HUD 50058 form;</li><li>c. Before transmitting information to MTCS the supervisor certifies that all documents are complete, that the utilities computed are correct ones, which the inspections are passed, that the rent reasonableness was done and that the computations on the HUD 50058 Form are correct.</li></ol>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-12</b>
<b>Program</b>	<b>Section 8 Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation (CFDA 14.856) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Eligibility of individuals</b>
<b>Statement of Condition</b>	<p>We performed an eligibility test and examined a sample of thirty (30) participant files. The following summarize the exceptions found:</p> <ul style="list-style-type: none"><li>a. The Administrative plan was not updated by the Municipality for more than ten (10) years.</li><li>b. In four (4) participant files the Labor Department Certification was not available for examination.</li><li>c. In two (2) participant files the Municipality did not reexamine family income and composition at least every twelve (12) months.</li><li>d. In one (1) participant file the Income Verification Form did not indicate the certification date. As a result, we could not verify the accuracy of the income included in the Family Report.</li><li>e. Four (4) Birth Certificates and one (1) Social Security card copy were not available for our examination.</li><li>f. Eight (8) Student Certifications were not available for examination.</li><li>g. Three (3) Good Behavior Certificates were not available for examination.</li><li>h. The Municipality did not document in the tenant file why third party verification of the value of assets was not obtained during the eligibility determination.</li><li>i. One (1) Child Support Certification was not available for examination.</li></ul>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

**Finding Reference**      **02-12 (continued)**

**Criteria**                      Code of Federal Regulations 24, Sections 880.603 and 882.514, states that the Municipality must verify the eligibility of applicants by: (a) obtaining signed applications that contain the information needed to determine eligibility (including designation as elderly, disabled, or homeless, if applicable), income, rent and order of selection; (b) conducting verifications of family income and other pertinent information (such as assets, full time student and immigration status, and unusual medical expenses) through third parties; (c) document inspections and tenant certifications, as appropriate; and, (d) determining that tenant income do not exceed the maximum limit set by HUD for the PHA's jurisdiction, as shown in HUD's published notice transmitting the Limits for Low-Income and Very Low-Income Families Under the Housing Act of 1937.

Code of Federal Regulations 24, Section 880.603 states that the Municipality must reexamine family income and composition at least once every 12 months and adjust the total rent payment and housing assistance payment, as necessary.

**Cause of Condition**      The Municipality does not maintain adequate monitoring procedures to assure that the participant files include all required documentation and annual reexaminations are performed every twelve months.

**Effect of Condition**      The Municipality is not in compliance with Code of Federal Regulations 24, Sections 880.603 and 882.514.

**Recommendation**      We recommend the Program to establish adequate monitoring procedures in order to assure that the participant files include all information from third parties as required by Federal Regulations. In addition, the Municipality must include adequate documentation explaining the reason why third party verification was not obtained.

**Questioned Costs**      None

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)

YEAR ENDED JUNE 30, 2002

**Section III – Major Federal Award Program Findings and Questioned Costs**

**Finding Reference**      **02-12 (continued)**

**Management Response**    Since October 2002, this PHA implemented as Quality Control a process to avoid incomplete annual recertifications. As part of this process the following is done:

- a. Technician receives documents;
- b. Accounting area also verifies the file and processes the HUD 50058 Form;
- c. Before transmitting information to MTCS the supervisor certifies that all documents are complete, that the utilities computed are correct ones, which the inspections are passed, that the rent reasonableness was done and that the computations on the HUD 50058 Form are correct.

COMMONWEALTH OF PUERTO RICO  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

Section III - Major Federal Award Program Findings and Questioned Costs

<b>Finding Reference</b>	<b>02-13</b>
<b>Program</b>	<b>Section 8 Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation (CFDA 14.856) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Cash Management</b>
<b>Statement of Condition</b>	We performed Cash Management Test and found that the Municipality requested funds that were not disbursed on a reasonable lapse of time and the program maintained an excessive cash balance in books of approximately \$303,085. HUD deducted \$440,395 overpayment corresponding to the current year. We noted that for twelve (12) months the leasing rate was under 95% and a revised requisition (Form 52663) was not submitted to HUD to reduce the monthly advances.
<b>Criteria</b>	OMB Common Rules, Subpart C, Section 85.20 (b) (7), requires a cash management system; in order to minimize the time elapsed between the transfer of funds from the U.S. Treasury and disbursement by the grantee.
<b>Cause of Condition</b>	The Federal Program Department did not maintain appropriate cash management procedures in order to request funds from federal agencies only for immediate needs.
<b>Effect of Condition</b>	The Municipality did not comply with the OMB Common Rules, Subpart C, Section 85.20, (b) (7).
<b>Recommendation</b>	We recommend that management should strengthen it's procedures to minimize the time elapsed between the transfer of funds from the federal agency and the disbursements made by the Municipality.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The past administration accounts reflected a very high balance. This was due to the low occupancy in those four years and the percentage of transmission of the HUD 50058 Form was very low fluctuating between 26 and 50%. After paying HUD an excess of funds "Under Payments due to HUD" for the year 2003 the remaining balance was still high. We will proceed to write to HUD so that they can advise on what to do in reference to these funds.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

Section III - Major Federal Award Program Findings and Questioned Costs

<b>Finding Reference</b>	<b>02-14</b>
<b>Program</b>	<b>Section 8 Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation (CFDA 14.856) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Reporting</b>
<b>Statement of Condition</b>	We did not found evidence supporting that the HUD 50058, Family Report (OMB No. 2577-0083) was transmitted electronically to HUD from July 1, 2001 to December 14, 2001 as required by Federal Regulation. The municipality submitted us a report detailing that electronically transmissions started on December, 2001.
<b>Criteria.</b>	Code of Federal Regulations 24, Part 908 requires to the PHA to submit Family Report (Form HUD-50058) electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability.
<b>Cause of Condition</b>	The person in charge to submit the form to HUD had transmission problems during the year. The Municipality did not correct the situation until December, 2001.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 24, Part 908.
<b>Recommendation</b>	We recommend to the Municipality to establish internal control procedures to assure that any transmission problem with the HUD system is corrected in a timely manner.
<b>Questioned Costs</b>	None
<b>Management Response</b>	For the second semester of the fiscal year 2001-2002, HUD confronted problems with the transmission of the Family Report 50058 Form. Once the system was fixed we transmitted all the months pending. The transmission was done successfully in the month of March 2002.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-15</b>
<b>Program</b>	<b>Section 8 Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation (CFDA 14.856) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Eligibility for Individuals- Selection from Waiting List</b>
<b>Statement of Condition</b>	During the Waiting List Test we noted that the Municipality did not maintain an adequate waiting list. We couldn't verify how participants were selected from the top of the waiting list.
<b>Criteria</b>	Code of Federal Regulations 24, Sections 880.603, 884.214 states that the Municipality must select participants from the waiting list in accordance with the admission policies in its administrative plan. In addition, the Municipality must maintain documentation which shows that, at the time of admission, the family actually met the preference criteria that determined the family's place on the waiting list.
<b>Cause of Condition</b>	The Municipality did not maintain adequate internal control procedures to assure that the waiting list include all information required by Federal Regulation and to assure that the participants were selected from the top of the waiting list.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 24, Sections 880.603 and 884.214.
<b>Recommendation</b>	We recommend the Municipality's management to follow admission procedures established in the administrative plan. Also, we recommend to the management to establish control procedures to maintain a waiting list with all information required by the Federal Regulation. This control must permit proper tracing of participants selected in the waiting list in order to assure the selection from the top of the waiting list.
<b>Questioned Costs</b>	None
<b>Management Response</b>	In March 2002, the Municipality prepared a new waiting list in accordance with the Code of Federal Regulations 24, CFR, Section 880.603 and 884.214. In July 2002, the Municipality assigned vouchers to the participants based in the new waiting list.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-16</b>
<b>Program</b>	<b>Section 8 Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation (CFDA 14.856) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Test - Utility Allowance Schedule</b>
<b>Statement of Condition</b>	The Municipality did not maintain an up-to-date utility schedule for the audit period ending June 30, 2002. The utility allowance used was not updated for more than ten years.
<b>Criteria</b>	Code of Federal Regulations, 24 CFR Section 882.510 states that the Municipality must establish or ensure tenant utility allowances based on utility consumption and rate date for various sized units, structure types and fuel types and make annual review of tenant utility allowances to determine their reasonableness, and adjust the allowance, when appropriate.
<b>Cause of Condition</b>	The Municipality did not follow the procedures established to review utility rate data each year.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 882.510.
<b>Recommendation</b>	The Municipality should evaluate utility allowance rate each year as established in the Federal Regulations.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The PHA established a Utility Allowance Schedule that is valid.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

Section III - Major Federal Award Program Findings and Questioned Costs

<b>Finding Reference</b>	<b>02-17</b>
<b>Program</b>	<b>Section 8 Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation (CFDA 14.856) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Test - Housing Quality Standards</b>
<b>Statement of Condition</b>	During our verification of thirty (30) participant files we noted the following deficiencies:  a. Certain items of the inspections checklist such as Smoke Detectors and Lead-Based Paint were not evaluated by the inspectors in fifteen (15) inspections examined by us.
<b>Criteria</b>	Code of Federal Regulations 24, sections 880.612 and 882.516, states that the Municipality must provide a housing that is decent, safe and sanitary. To achieve this, the Municipality must perform Housing Quality Inspections at the time of initial occupancy and at least annually thereafter, to assure that the units are decent, safe, and sanitary.
<b>Cause of Condition</b>	The Municipality did not maintain adequate monitoring procedures to assure that the inspection reports completed by the inspectors evaluate all the requirements established in the Housing Quality Standards.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 24, sections 880.612 and 882.516.
<b>Recommendation</b>	We recommend management to improve monitoring procedures in order to assure that annual inspections are properly completed by the inspectors verifying the housing unit's compliance with all Housing Quality Standards Requirements
<b>Questioned Costs</b>	None
<b>Management Response</b>	The PHA established a format for the annual inspections of Housing Quality Standards; it also established a control of inspections "Quality Control Inspection".

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-18</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Eligibility of Individuals</b>
<b>Statement of Condition</b>	<p>During our verification of forty (40) participant files we noted the following exceptions related to the Housing Assistance Payment Calculation:</p> <ul style="list-style-type: none"><li>a. In twenty four (24) participant files the payment standard used to calculate the Housing Assistance Payment was below the Fair Market Rent established in the Federal Register. The Municipality did not assure us that the payment standard used was in accordance with the updated Fair Market Rent established by the Federal Government.</li><li>b. In seven (7) participant files the payment standard used to calculate the Housing Assistance Payment was below the Fair Market Rent established in the Federal Register. As result the Municipality paid an incorrect Housing Assistance Payment to owner or an incorrect utility allowance to the participant.</li><li>c. We found mathematical errors in the Family Report computer software in two (2) participant files for the Housing Assistance Payment calculations. The Municipality did not calculate manually the Housing Assistance Payment to verify the accuracy of the computer software computation.</li><li>d. In one (1) participant file the contract (Form 52641) began on May, 2002 and the first payment to the owner was issued on August, 2002. We couldn't determine if the Housing Assistance Payments that belong to June and July, 2002 were issued by the Municipality.</li></ul>

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

Section III - Major Federal Award Program Findings and Questioned Costs

<b>Finding Reference</b>	<b>02-18 (continued)</b>
<b>Criteria</b>	Code of Federal Regulations 24 CFR, Section 982.503 establishes how the PHA must determine and use the payment standard. Code of Federal Regulations 24 CFR, Section 982.505 establishes the procedures to be followed to calculate the Housing Assistance Payment. The Housing Choice Voucher Guidebook, number 7420.10G, Chapter six (6) establishes procedures for the HAPs calculations.
<b>Cause of Condition</b>	The Federal Programs Department has not assured that the Housing Assistance Payment Standard is in accordance with the updated HUD Fair Market Rent tables.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 24, Sections, 982.503 and 982.505.
<b>Recommendation</b>	We recommend the Federal Programs Department to perform monitoring activities to assure that Housing Assistance Payments are duly computed as required by the Federal Regulations.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Moderate Rehabilitation Program establishes a steady rent in accordance with the cost of rehabilitation of the units, for this reason rent charges cannot be made in this program after HAP Contract has been signed.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-19</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Eligibility of individuals</b>
<b>Statement of Condition</b>	<p>We performed an eligibility test and examined a sample of forty (40) participant files. The following summarize the exceptions found:</p> <ul style="list-style-type: none"><li>a. The Administrative plan was not available for our examination.</li><li>b. In four (4) participant files we did not find evidence of the application form.</li><li>c. In twenty one (21) participant files we did not find a release form to allow the PHA to obtain information from third parties.</li><li>d. In one (1) participant file the employment verification from the Labor Department was not available for examination.</li><li>e. In twelve (12) participant files the Privacy Act Notice was not available for examination.</li><li>f. Twenty three (23) birth certificates and twenty two (22) Social Security Card copies were not available for our examination.</li><li>g. Six (6) student certifications were not available for examination.</li><li>h. In three (3) cases the Good Behavior Certificates were not available for examination.</li><li>i. The Municipality did not document in the tenant file why third party verification of the value of assets was not obtained during the eligibility determination.</li><li>j. In one (1) case the Child Support Certification was not available for examination.</li></ul>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III – Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-19 (continued)</b>
<b>Criteria</b>	<p>Code of Federal Regulations 24, Sections 5.230, 5.212 and 982.516 states that as a condition of admission or continued occupancy, the PHA must require the tenant and other family members to provide necessary information, documentation and releases for the PHA to verify income eligibility. As part of this regulation the participant and other members of the family who are at least 18 years old must sign an application form, one or more releases forms, a federally prescribed general release form for employment information and a Privacy Act Notice.</p> <p>The Housing Choice Voucher Program Guidebook number 7420.10G, Chapter three (3) establish that each PHA is required to develop and maintain an administrative plan with local policies for program administration. The PHA is responsible to insure that the plan is kept up to date and that staff operate it under policies spelled out in the plan.</p>
<b>Cause of Condition</b>	<p>The Municipality did not maintain adequate monitoring procedures to assure that the participant's files include all required documentation and releases required by federal agencies.</p>
<b>Effect of Condition</b>	<p>The Municipality is not in compliance with Code of Federal Regulations 24, Sections 2.212, 5.230 and 982.516.</p>
<b>Recommendation</b>	<p>We recommend the Program to establish adequate monitoring procedures in order to assure that the participant files includes all documentation required by the Federal Agencies. In addition, the program must update the Administrative Plan in order to provide a useful guide to the staff of the program procedures and policies.</p>
<b>Questioned Costs</b>	<p>None</p>
<b>Management Response</b>	<p>Since October 2002, this PHA implemented as Quality Control a process to avoid incomplete annual recertifications. As part of this process the following is done:</p> <p>a) Technician receives documents;</p>

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III – Major Federal Award Program Findings and Questioned Costs**

**Finding Reference      02-19 (continued)**

- b) Accounting area also verifies the file and processes the 50058 form;
- c) Before transmitting information to MTCS the supervisor certifies that all documents are complete, that the utilities computed are correct ones, which the inspections are passed, that the rent reasonableness was done and that the computations on the 50058 form are correct.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III – Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-20</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Cash Management</b>
<b>Statement of Condition</b>	We performed a Cash Management Test and found that the Municipality requested funds that were not disbursed on a reasonable lapse of time and the programs maintained an excessive cash balance in books of approximately \$528,000. HUD deducted \$385,824 overpayment corresponding to the current year. We noted that for four (4) months the leasing rate was under 95% and a revised requisition (Form 52663) was not submitted to HUD to reduce the monthly advances.
<b>Criteria</b>	OMB Common Rules, Subpart C, Section 85.20 (b) (7), which requires a cash management system, in order to minimize the time elapsed between the transfer of funds from the U.S. Treasury and disbursement by the grantee.
<b>Cause of Condition</b>	The Federal Program Department did not maintain appropriate cash management procedures in order to request funds from federal agencies only for immediate needs.
<b>Effect of Condition</b>	The Municipality did not comply with the OMB Common Rules, Subpart C, Section 85.20, (b) (7).
<b>Recommendation</b>	We recommend that management should strengthen its procedures to minimize the time elapsed between the transfer of funds from the federal agency and the disbursements made by the Municipality.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The past administration accounts reflected a very high balance. This was due to the low occupancy in those four years and the percentage of transmission of the HUD 50058 Form was very low fluctuating between 26 and 50%. After paying HUD an excess of funds "Under Payments due to HUD" for the year 2003 the remaining balance was still high. We will proceed to write to HUD so that they can advise on what to do in reference to these funds.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-21</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Performance Reporting</b>
<b>Statement of Condition</b>	The Municipality answer a (yes) for the items 1(b), 2(b), 3, 4 and 10 of the SEMAP Report nevertheless the results of our test shows exceptions related to the compliance with those requirements.
<b>Criteria</b>	Code of Federal Regulations 24, CFR, Section 985.3 states that under SEMAP, PHA must submit an annual certification, Form HUD-52648 (OMB No. 2577-0215), to HUD concerning their compliance with program requirements under fourteen (14) indicators of performance. Finally, HUD will perform on site visits and verify the Independent Auditor's Annual Audit Report to assure the compliance with this requirement.
<b>Cause of Condition</b>	The Municipality did not maintain adequate monitoring procedures to assure the program compliance with the SEMAP Report requirements.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 24, Section 985.3.
<b>Recommendation</b>	We recommend the Municipality to improve its monitoring procedures in order to assure the program compliance with federal regulations.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The Municipality Management concurs with the finding. Auditor's recommendation would be considered as part of corrective action plan development and implementation.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

Section III - Major Federal Award Program Findings and Questioned Costs

<b>Finding Reference</b>	<b>02-22</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Reporting</b>
<b>Statement of Condition</b>	We did not find evidence supporting that the HUD 50058, Family Report (OMB No. 2577-0083) was transmitted electronically to HUD from July 1, 2001 to December 14, 2001 as required by Federal Regulation. The Municipality provided us a report detailing that electronically transmissions started on December, 2001.
<b>Criteria.</b>	Code of Federal Regulations 24, Part 908 requires to the PHA to submit HUD-50058, Family Report electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability.
<b>Cause of Condition</b>	The person in charge to submit the form to HUD had transmission problems during the year. The Municipality did not correct the situation until December, 2001.
<b>Effect of Condition</b>	The Municipality is in not compliance with Code of Federal Regulations 24, Part 908.
<b>Recommendation</b>	We recommend the Municipality to establish internal control procedures to assure that any transmission problem with the HUD system is corrected in a timely manner.
<b>Questioned Costs</b>	None
<b>Management Response</b>	For the second semester of the fiscal year 2001-2002, HUD confronted problems with the transmission of the Family Report 50058Form. Once the system was fixed we transmitted all the months pending. The transmission was done successfully in the month of March 2002.

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-23</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Test - Selection from the Section 8 Waiting List</b>
<b>Statement of Condition</b>	During our Waiting List Test we noted that the Municipality did not maintain an adequate waiting list. We couldn't verify how participants were selected from the top of the waiting list.
<b>Criteria</b>	Code of Federal Regulations 24, Sections 982.54 (d) and 982.201 through 982.207 states the waiting list procedures and that the selection from the waiting list generally occurs when the PHA notifies a family, whose names reaches the top of the waiting list, to come in to verify eligibility for admission.
<b>Cause of Condition</b>	The Municipality did not maintain adequate internal control procedures to assure that the waiting list include all information required by Federal Regulation and to assure that the participants were selected from the top of the waiting list.
<b>Effect of Condition</b>	The Municipality is not in compliance with 24 CFR sections 982.54 (d) and 982.201 through 982.207.
<b>Recommendation</b>	We recommend the Municipality to follow admission procedures established in the administrative plan. Also, we recommend management to establish control procedures to maintain a waiting list with all information required by the Federal Regulation. This control must permit proper tracing of participants selected in the waiting list in order to assure the selection from the top of the waiting list.
<b>Questioned Costs</b>	None
<b>Management Response</b>	In March 2002, the Municipality prepared a new waiting list in accordance with the Code of Federal Regulations 24, CFR, Section 880.603 and 884.214. In July 2002, the Municipality assigned vouchers to the participants based in the new waiting list.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

Section III - Major Federal Award Program Findings and Questioned Costs

<b>Finding Reference</b>	<b>02-24</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Test - Reasonable Rent</b>
<b>Statement of Condition</b>	During our Reasonable Rent Test we found the following exceptions: <ul style="list-style-type: none"><li>a. The determination of reasonable rent (Reasonable Rent Certification) was not duly documented in eleven (11) participant files examined. The certification did not include adequate information of comparable units (unit address, contact person etc.).</li><li>b. The determination of reasonable rent (Reasonable Rent Certification) was not available for examination in twenty one (21) participant files.</li><li>c. The annual plan did not state the method used by the PHA to determine that the rent of the owner is reasonable in comparison to the rent for other comparable units.</li></ul>
<b>Criteria</b>	Code of Federal Regulations 24, Sections 982.54 (d)(15), 982.158 (f)(7) and 982.507 states that the PHA must determine reasonable rent at the time of the initial leasing and must maintain records to document the basis for the determination that the rent paid to the owner was reasonable.
<b>Cause of Condition</b>	The Federal Program Department did not maintain adequate documentation to support the basis for the determination that the rent paid to the owner is reasonable.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 24, Section 982.507.
<b>Recommendation</b>	We recommend that the Federal Program Department establish controls to assure appropriate documentation on the determination of reasonable rent and it's maintained in participant's files.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

**Section III - Major Federal Award Program Findings and Questioned Costs**

**Finding Reference**      **02-24 (continued)**

**Questioned Costs**      None

**Management Response**      Since October 2002, this PHA implemented a form of Rent Reasonableness which has been applied to all annual recertifications since the date

**COMMONWEALTH OF PUERTO RICO  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)**

**YEAR ENDED JUNE 30, 2002**

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-25</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Test - Utility Allowance Schedule</b>
<b>Statement of Condition</b>	The Municipality did not maintain an up-to-date utility schedule for the audit period ending June 30, 2002. The utility allowance used was not updated for more than ten (10) years.
<b>Criteria</b>	Code of Federal Regulations, 24 CFR Section 982.517 states that the Municipality must maintain an up-to-date utility allowance schedule. The Municipality must review utility rate data for each utility category each year and must adjust its allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time utility allowance was revised.
<b>Cause of Condition</b>	The Municipality did not follow the procedures established to review utility rate data each year.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations, 24 CFR Section 982.517.
<b>Recommendation</b>	The Municipality should evaluate utility allowance rate each year as established in the federal regulations.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The PHA established a Utility Allowance Schedule that is valid.

COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2002

**Section III - Major Federal Award Program Findings and Questioned Costs**

<b>Finding Reference</b>	<b>02-26</b>
<b>Program</b>	<b>Section 8 Housing Choice Vouchers Program (CFDA 14.871) U.S. Department of Housing and Urban Development</b>
<b>Requirement</b>	<b>Special Test - Housing Quality Standards Inspections and HQS Enforcement</b>
<b>Statement of Condition</b>	During our verification of forty (40) participant files we noted the following exceptions:  a. Certain items of the inspections checklist such as Smoke Detectors and Lead-Based Paint were not evaluated by the inspectors in twelve (12) inspections examined by us.  b. In one (1) participant file the inspection report which belongs to the audited period was not available for examination.
<b>Criteria</b>	Code of Federal Regulations 24, Subpart I, Section 982.158 (d) and 982.405 (b) states that the PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. Also, the PHA must prepare a unit inspection report.
<b>Cause of Condition</b>	The Municipality did not maintain monitoring procedures to assure that all inspections are duly documented in participant files and that the inspection reports completed by the inspectors evaluate all the requirements established in the Housing Quality Standards.
<b>Effect of Condition</b>	The Municipality is not in compliance with Code of Federal Regulations 24, Subpart I, Section 982.404.
<b>Recommendation</b>	We recommend management to establish monitoring procedures to assure that annual inspections are properly completed and documented in the participant files.
<b>Questioned Costs</b>	None
<b>Management Response</b>	The PHA established a format for the annual inspections of Housing Quality Standards; it also established a control of inspections "Quality Control Inspection".

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**YEAR ENDED JUNE 30, 2002**

Original Finding Number	CFDA No.	Current Status of Prior Year Audit Federal Award Findings - Part III Findings (As required by OMB Circular A-133)
01-III-1	14.871 14.856 14.857	<u>Excess cash held in bank</u>
<p>No corrective action has been taken. The Municipality will reinforce its internal control procedures in order to increase its leasing rate or amend approved budget (if necessary) to reduce cash in excess.</p>		
01-III-2	14.871 14.856 14.857	<u>Failures with Special Test and Provisions requirements</u>
<p>Partial corrective action has been taken. Related to waiting list failures, on March, 2002 the Municipality prepared a new waiting list following the federal requirements; such list was initially used on July, 2002. Related to the reasonable rent requirement failures, the Municipality will improve control and procedures in order to comply with this requirement. Related to the utility allowance schedule requirement failures, the Municipality updated the utility allowance schedule on May 2002</p>		
01-III-3	14.218	<u>Failures with Special Test and Provisions requirements</u>
<p>Full corrective action has been taken.</p>		
01-III-4	14.871 14.856 14.857 14.218	<u>Failures with the Equipment and Real Property Management requirement</u>
<p>Partial corrective action has been taken. Actually, the Municipality is evaluating the impact of GASB Statement No. 34 for the fiscal year 2002-03 financial statements. Such Statement require significant changes in the financial reporting, and therefore require a significant planning and resources commitment for the Municipality, including, but not limited to, update fixed\capital assets subsidiary ledger in order to include in it all necessary information to comply with the GASB 34 requirements.</p>		

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**YEAR ENDED JUNE 30, 2002**

Original Finding Number	CFDA No.	Current Status of Prior Year Audit Federal Award Findings - Part III Findings (As required by OMB Circular A-133)
01-III-5	16.710	<u>Failures with the Matching requirement</u>
<p>Partial corrective action has been taken. Actually, the Municipality's funds used as matching share costs were allowable costs; also the Municipality will comply with the matching share amount agreed through approved proposal at the end of the funding period. Related to questioned costs reported by prior auditors, these are pending for management decision from US Department of Justice.</p>		
01-III-6	14.218	<u>Failures with the Program Income requirements</u>
<p>Full corrective action has been taken.</p>		
6/30/00 HUD-1	14.218	<u>Failures with the Program Income requirements</u>
<p>Full corrective action has been taken.</p>		
6/30/00 Section 8-1	14.871 14.856 14.857	<u>Failures with waiting list requirement</u>
<p>Partial corrective action has been taken. On March, 2002 the Municipality prepared a new waiting list following the federal requirements; such list was initially used on July, 2002.</p>		
6/30/99 HUD-2	14.218	<u>Failures with the Program Income requirements</u>
<p>Full corrective action has been taken.</p>		
6/30/99 Section 8-1	14.871 14.856 14.857	<u>Failures with waiting list requirement</u>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF TRUJILLO ALTO**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**YEAR ENDED JUNE 30, 2002**

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<b>Original Finding Number</b>	<b>CFDA No.</b>	<b>Current Status of Prior Year Audit Federal Award Findings - Part III Findings (As required by OMB Circular A-133)</b>
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Partial corrective action has been taken. On March, 2002 the Municipality prepared a new waiting list following the federal requirements; such list was initially used on July, 2002

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