

**OFICINA DEL COMISIONADO DE ASUNTOS MUNICIPALES**

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

**AREA DE ARCHIVO DIGITAL**

**MUNICIPIO DE VILLALBA**

**AUDITORIA 2000-01**

**30 DE JUNIO DE 2001**

OFIC. DEL COMISIONADO  
DE ASUNTOS MUNICIPALES  
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UNIDAD DE CORREO

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*#201-5939*

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**SINGLE AUDIT REPORT**

**Year ended June 30, 2001**

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

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**June 30, 2001**

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**MUNICIPALITY OF VILLALBA, PUERTO RICO**

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Honorable Mayor and Members of the Municipal Legislature  
Municipality of Villalba  
Villalba, Puerto Rico

### Independent Auditors' Report

We have audited the accompanying general purpose financial statements of the Municipality of Villalba, Puerto Rico ("Municipality"), as of June 30, 2001 and for the year ended, as listed in the foregoing 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 paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Municipality did not maintain detailed, complete and adequate records supporting the value of the fixed assets included in the Municipality's general fixed assets account group. Because of the absence of significant accounting records related to these fixed assets, it was not practicable to extend our auditing procedures to enable us to form an opinion on the Municipality's general fixed assets account group.

The Municipality did not maintain detailed, complete and adequate records supporting the amounts of due from other funds and due to other funds included in the Municipality's combined balance sheet. Because of the absence of detailed and reconciled supporting records related to these amounts, it was not practicable to extend our auditing procedures to enable us satisfy ourselves.

In our opinion, except for the effects 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 and the amounts of due from other funds and due to other funds referred to in the third and fourth paragraph respectively above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Municipality of Villalba as of June 30, 2001, and the results of the operations of its governmental fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America

Honorable Mayor and Members of the Municipal Legislature  
Municipality of Villalba  
Villalba, Puerto Rico  
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In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2002, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, which identified material weaknesses related to the lack of adequate accounting records and systems necessary to prepare financial statements as well as the lack of a system of internal control to ensure compliance with laws and regulations which are material to those financial statements. As discussed in those reports, the Municipality has a deficiency in unreserved fund balances of approximately \$1.9 million after reserves in its general fund as of June 30, 2001, and has had recurring deficiencies of revenues over expenditures before other financing resources. The report on internal control and compliance is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Rosalva Ocasio  
Auditing & Consulting Group, P.S.C.

License No. 74

Expires December 1, 2004

March 21, 2002



**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**COMBINE BALANCE SHEET**  
**ALL GOVERNMENTAL FUNDS TYPES AND ACCOUNTS GROUPS**  
June 30, 2001

	<u>Governmental Fund Types</u>				<u>Accounts Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>General Fixed Assets (Unaudited)</u>	<u>General Long-Term Debt</u>	
<b><u>ASSETS AND OTHER DEBITS</u></b>							
<b>Assets:</b>							
Cash	\$ 1,084,942	\$ 497,629	\$ -	\$ 96,231	\$ -	\$ -	\$ 1,678,802
Cash held with fiscal agent	-	-	663,652	90,572	-	-	754,224
Accounts receivable:							
Due from other funds	1,112,026	272,675	-	1,863,700	-	-	3,248,401
Other	200	578	-	32,574	-	-	33,352
General Fixed Assets	-	-	-		17,092,321	-	17,092,321
<b>Other debits:</b>							
Amount available in Debt Service Fund	-	-	-	-	-	346,477	346,477
Amount to be provided for:							
Retirement of general long-term debt obligations	-	-	-	-	-	776,523	776,523
Payment of amounts advanced from							
Puerto Rico Tresasury Department	-	-	-	-	-	368,111	368,111
Payment of amounts advanced from CRIM	-	-	-	-	-	1,141,997	1,141,997
Payment of accrued vacations and sick leave	-	-	-	-	-	771,450	771,450
Payment of long term agreement with							
the Puerto Rico Department of Labor	-	-	-	-	-	290,555	290,555
<b>Total assets and other debits</b>	<b>\$ 2,197,168</b>	<b>\$ 770,882</b>	<b>\$ 663,652</b>	<b>\$ 2,083,077</b>	<b>\$ 17,092,321</b>	<b>\$ 3,695,113</b>	<b>\$ 26,502,212</b>

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**COMBINE BALANCE SHEET**  
**ALL GOVERNMENTAL FUNDS TYPES AND ACCOUNTS GROUPS**  
June 30, 2001

	<u>Governmental Fund Types</u>				<u>Accounts Groups</u>		<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>General Fixed Assets (Unaudited)</u>	<u>General Long-Term Debt</u>	
<b><u>LIABILITIES AND FUND EQUITY (DEFICIT) AND OTHER CREDITS</u></b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 509,303	\$ -	\$ -	\$ 96,815	\$ -	\$ -	\$ 606,118
Due to other funds	1,777,017	409,154	-	427,595	-	-	2,613,765
Due to other governmental entities	1,284,605	59,274	-	-	-	-	1,343,879
Deferred volume of business tax	526,409	-	-	-	-	-	526,409
Deferred federal financial assistance revenue	-	23,868	-	37,979	-	-	61,847
General long-term debt obligations	-	-	-	-	-	1,123,000	1,123,000
Advances from Puerto Rico Treasury Department	-	-	-	-	-	368,111	368,111
Advances from CRIM	-	-	-	-	-	1,141,997	1,141,997
Accrued vacations and sick leave	-	-	-	-	-	771,450	771,450
Provision for long-term agreement with the Puerto Rico Department of Labor	-	-	-	-	-	290,555	290,555
<b>Total liabilities</b>	<b>4,097,334</b>	<b>492,296</b>	<b>-</b>	<b>562,389</b>	<b>-</b>	<b>3,695,113</b>	<b>8,847,131</b>
<b>Fund equity (deficit) and other credits:</b>							
General fixed assets	-	-	-	-	17,092,321	-	17,092,321
Fund balance:							
Reserved for encumbrances	39,149	-	-	-	-	-	39,149
Reserved for debt service	-	-	346,477	-	-	-	346,477
Reserved for capital projects	-	-	317,175	-	-	-	317,175
Unreserved:							
Designated for future years expenditures	-	278,586	-	1,520,688	-	-	1,799,274
Undesignated	(1,939,315)	-	-	-	-	-	(1,939,315)
<b>Total fund equity (deficit) and other credits</b>	<b>(1,900,166)</b>	<b>278,586</b>	<b>663,652</b>	<b>1,520,688</b>	<b>17,092,321</b>	<b>-</b>	<b>17,655,081</b>
<b>Total liabilities, fund equity (deficit) and other credits</b>	<b>\$ 2,197,168</b>	<b>\$ 770,882</b>	<b>\$ 663,652</b>	<b>\$ 2,083,077</b>	<b>\$ 17,092,321</b>	<b>\$ 3,695,113</b>	<b>\$ 26,502,212</b>

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
**ALL GOVERNMENTAL FUNDS TYPES**  
Year Ended June 30, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>REVENUES:</b>					
Property taxes	\$ 682,811	\$ -	\$ 342,293	\$ -	\$ 1,025,104
Volume of business tax	606,421	-	-	-	606,421
Licenses and permits	84,053	-	-	-	84,053
Intergovernmental revenues	4,788,370	404,984	-	1,472,606	6,665,961
Federal financial assistance	-	662,777	-	1,769,649	2,432,425
Rent of property	13,950	-	-	-	13,950
Interest	16,238	160	13,842	45	30,286
Miscellaneous	100,918	814	-	1,137	102,869
<b>Total revenues</b>	<b>6,292,761</b>	<b>1,068,735</b>	<b>356,135</b>	<b>3,243,437</b>	<b>10,961,069</b>
<b>EXPENDITURES:</b>					
General Administration	4,270,562	552,359	4,287	126,247	4,953,455
Public Safety	466,272	134,045	-	-	600,317
Public Works	1,728,790	-	-	-	1,728,790
Culture and Recreation	214,277	-	-	-	214,277
Environmental Control	132,500	-	-	-	132,500
Health	424,155	-	-	-	424,155
Education	80,790	-	-	-	80,790
Welfare	-	233,919	-	2,200,589	2,434,508
Capital Outlays	-	-	268,750	1,600,344	1,869,094
Debt Service:	-	-	-	-	-
Payment of principal	47,843	-	149,000	-	196,843
Interest	4,769	-	46,694	-	51,463
<b>Total expenditures</b>	<b>7,369,958</b>	<b>920,323</b>	<b>468,731</b>	<b>3,927,180</b>	<b>12,686,192</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,077,197)</b>	<b>148,412</b>	<b>(112,596)</b>	<b>(683,743)</b>	<b>(1,725,123)</b>
<b>OTHER FINANCIAL SOURCES (USES):</b>					
Refinancing of debt	1,442,441	-	-	-	1,442,441
Operating transfers from other funds	13,476	-	-	-	13,476
Operating transfers to other funds	-	-	(13,476)	-	(13,476)
Proceeds from issuance of long-term debt	-	-	590,000	-	590,000
<b>Net other financing sources (uses)</b>	<b>1,455,917</b>	<b>-</b>	<b>576,524</b>	<b>-</b>	<b>2,032,441</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>378,720</b>	<b>148,412</b>	<b>463,928</b>	<b>(683,743)</b>	<b>307,317</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>(2,278,886)</b>	<b>130,174</b>	<b>199,724</b>	<b>2,204,431</b>	<b>255,442</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ (1,900,166)</b>	<b>\$ 278,586</b>	<b>\$ 663,652</b>	<b>\$ 1,520,688</b>	<b>\$ 562,760</b>

*agente de \$4.00 por  
Punto Placer  
del Ayuntamiento,  
Bd. Antón  
López*

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL AND DEBT SERVICE FUNDS**  
Year Ended June 30, 2001

	General Fund			Debt Service		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES:</b>						
Property taxes	\$ 668,945	\$ 682,811	\$ 13,866	\$ 220,086	\$ 342,293	\$ 122,207
Volume of business tax	595,061	606,421	11,360	-	-	-
Licenses and permits	58,100	84,053	25,953	-	-	-
Intergovernmental revenues	5,378,554	4,788,370	(590,184)	-	-	-
Rent of property	6,000	13,950	7,950	-	-	-
Interest	4,400	16,238	11,838	-	13,842	13,842
Miscellaneous	68,477	100,918	32,441	-	-	-
<b>Total revenues</b>	<b>6,779,537</b>	<b>6,292,761</b>	<b>(486,776)</b>	<b>220,086</b>	<b>356,135</b>	<b>136,049</b>
<b>EXPENDITURES:</b>						
General Administration	3,823,668	4,270,562	446,894	-	4,287	4,287
Public Safety	482,815	466,272	(16,543)	-	-	-
Public Works	1,698,004	1,728,790	30,786	-	-	-
Culture and Recreation	215,538	214,277	(1,261)	-	-	-
Environmental Control	135,891	132,500	(3,391)	-	-	-
Health	427,581	424,155	(3,425)	-	-	-
Education	-	80,790	80,790	-	-	-
Welfare	-	-	-	-	268,750	268,750
Debt Service:	-	-	-	-	-	-
Payment of principal	-	47,843	47,843	-	149,000	149,000
Interest	-	4,769	4,769	-	46,694	46,694
<b>Total expenditures</b>	<b>6,783,497</b>	<b>7,369,958</b>	<b>586,461</b>	<b>-</b>	<b>468,731</b>	<b>468,731</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(3,960)</b>	<b>(1,077,197)</b>	<b>(1,073,237)</b>	<b>220,086</b>	<b>(112,596)</b>	<b>(332,682)</b>
<b>OTHER FINANCIAL SOURCES (USES):</b>						
Refinancing of debt	-	-	-	-	-	-
Operating transfers from other funds	-	1,442,441	1,442,441	-	-	-
Operating transfers to other funds	-	13,476	13,476	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-
<b>Net other financing sources (uses)</b>	<b>-</b>	<b>1,455,917</b>	<b>1,455,916</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>\$ (3,960)</b>	<b>\$ 378,720</b>	<b>\$ 382,679</b>	<b>\$ 220,086</b>	<b>\$ (112,596)</b>	<b>\$ (332,682)</b>

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

The Municipality of Villalba, Puerto Rico ("Municipality") was founded in 1917. The Municipality's governmental system consists of an executive and a legislative body. It is governed by a Mayor and a fourteen members Municipal Legislature who are elected for four years through the Commonwealth of Puerto Rico general elections.

The Municipality provides general and administrative services, public safety, public work, culture and recreation, environmental control, health, education, housing and urban development, welfare and other miscellaneous services.

**A. THE FINANCIAL REPORTING ENTITY**

The accompanying general purpose financial statements of the Municipality have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

The Statement 14 of the Governmental Accounting Standards Board, Defining the Governmental Financial Reporting Entity, specifies the criteria to be used in defining the reporting entity for financial reporting purposes. The basic, but not the only, criteria for including a potential component unit in the reporting entity are the following:

- a. Legally separate organization
- b. Financial accountability

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**A. THE FINANCIAL REPORTING ENTITY (Continued)**

- c. Financial accountability, as a result of fiscal dependence

Based on these criteria, at June 30, 2001, there are no significant component units for which the Municipality exercises oversight responsibility. Therefore, the reporting entity is limited to those departments which comprise the Municipality's primary government.

**B. BASIS OF PRESENTATION**

The Municipality reports its financial position and results of operations in funds and account groups, each of which is considered an independent fiscal entity. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. They are not considered funds because they do not report expendable available financial resources and related liabilities.

The general purpose financial statements have been prepared from accounts maintained by the Department of Finance of the Municipality. Additional data has been obtained from reports prepared by other departments based on independent or subsidiary accounting records maintained by them. Transactions between funds within a fund type, if any, have been eliminated.

MUNICIPALITY OF VILLALBA, PUERTO RICO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

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

B. BASIS OF PRESENTATION, (Continued)

Governmental Fund Types

Governmental funds are used to account for the general government functions of the Municipality. The following are the Municipality's governmental funds.

General Fund— This is the general operating fund of the Municipality and accounts for all financial transactions, except those required to be accounted for in another fund.

Special Revenue Fund— This fund account for revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund— This fund is used to account for the accumulation of resources for, and the payment of principal and interest on, the Municipality's general long-term debt obligations which are recorded in the general long-term debt account group. Long-term debt and interest due on July 1 of the following fiscal year are accounted for as a fund liability, if resources are available as of June 30 for its payment.

Capital Projects Fund— is used to account for financial resources reserved for the acquisition or construction of major capital facilities.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**B. BASIS OF PRESENTATION, (Continued)**

Account Groups

The following account groups are used to establish accounting control an accountability for the Municipality's general fixed assets and long-term obligations:

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

General Long-Term Debt Account Group– This group of accounts is established to account for all long-term debt of the Municipality.

**C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

The governmental fund types follow the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recognized when they are both measurable and available. Revenues are measurable when they are subject to reasonable estimation, and are available when they are collectible within the current period or soon enough thereafter to pay current liabilities. Revenues collected in advance of the fiscal year to which they apply are recorded as deferred revenues and recognized as revenues in the year to which they apply.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS  
(Continued)**

In applying the modified accrual basis to intergovernmental revenues (grants, subsidies and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In some cases, moneys must be expended on the specific purpose or project before any amounts will be paid to the Municipality, therefore, revenues are recognized based upon the expenditures recorded. In other cases, moneys are virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

Revenues from licenses, permits, service charges, fines, penalties and other miscellaneous collections are recorded as revenues when received because they are generally not measurable until actually received.

Expenditures are recognized when the related liability is incurred. Principal and interest on bonds are recognized when amounts have been deposited with the fiscal agent to satisfy such debt in the debt service fund. Claims and judgements are recognized when the obligations are expected to be liquidated with expandable available financial resources.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**D. ENCUMBRANCES**

Encumbrances accounting is used in all governmental funds. Under the encumbrances system all purchased orders, contracts and other commitments for expenditures of resources are recorded to reserve the portion of applicable appropriation for future obligations. Open encumbrances at year-end are reported as a reserve of fund balance since they do not constitute expenditures or liabilities. Encumbrances do not lapse at the close of the fiscal year but are carried forward as a reserve of fund balance until liquidated.

**E. BUDGETARY CONTROL**

In establishing the budgetary data presented in the general purpose financial statements, the Municipality follows the procedures which are required by the Municipal Law.

The Municipality's annual budget is prepared on the budgetary basis of accounting, which is not in accordance with GAAP, and represents departmental appropriations recommended by the Mayor and approved by the Municipal Legislature prior to the beginning of the fiscal year. Amendments to the budget require the approval of the Municipal Legislature. Transfers of appropriations within the budget, known as Mayor's Resolutions, do not require the approval of the Municipal Legislature.

The Municipality prepares its annual budget including the operations of the general and the debt service funds. Certain other budget are prepared on a grant or project basis, including the activities programmed under the Community Development Block Grant/State's Program (CDBG), however these are not legally enacted.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**E. BUDGETARY CONTROL (Continued)**

The Combined Statement of Revenues and Expenditures - Budget and Actual (NON-GAAP Budgetary Basis), accordingly, includes only the operations of the general and the debt service funds.

For budgetary purposes, encumbrance accounting is used. The encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The unencumbered balance of any appropriation at the end of the fiscal year will lapse at the end of such fiscal year.

The annual budget as presented in the Combined Statement of Revenues and Expenditures - Budget and Actual (NON-GAAP Budgetary Basis) is the budget ordinance to June 30, 2001 representing the original budget adjusted by various Mayor's Resolutions and Municipal Legislature Ordinances.

**F. CASH**

The Municipality's Finance Director is responsible for investing available resources. The Municipality is restricted by law to invest only in savings account and certificates of deposit with banks qualified as a depository of public funds by the Puerto Rico Treasury Department (PRTD) or in instruments of the Government Development Bank for Puerto Rico (GDB). The Municipality's policy is to invest any excess cash in certificates of deposit with institutions qualified by the PRTD. Earnings from these funds are recorded in the corresponding fund.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**F. CASH (Continued)**

Cash with fiscal agent in the debt service fund represents special additional property tax collections retained by the Commonwealth of Puerto Rico and restricted for the payment of the Municipality's debt service, as established by law.

**G. INTERFUND TRANSACTIONS**

The general fund provides services at cost to the special revenue fund. The amounts charged to these funds for the services provided are treated as a reduction of expenditures in the special revenue fund.

**I. RESERVATIONS OF FUND BALANCE**

Reservation of funds balance are those portions of fund balances that are not appropriable for expenditure or that are legally segregated for a specific future use. The Municipality has the following reservations of fund balance:

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**I. RESERVATIONS OF FUND BALANCE (Continued)**

- Encumbrances—represent future expenditures under purchase orders, contracts and other commitments. Generally these committed amounts will become liabilities in future periods as the goods or services are received or performed. At June 30, 2001 the amount reserved for encumbrances was \$39,149.
- Debt Service – represent net assets available to finance future debt service payments. At June 30, 2001 the amount reserved was \$663,652.
- Special Revenue Fund – represents net assets available for specific use under federal grant programs. At June 30, 2001, the amount reserved was \$278,586.
- Capital Project Fund - represents net assets available for specific capital projects under federal or state grant programs. At June 30, 2001, the amount reserved was \$1,520,688.

**H. COMPENSATED ABSENCES**

Employees accumulate vacation leave at rate of 2.5 days per month up to a maximum of 60 days. Unpaid vacation time accumulated is fully vested to the employees from the first day of work. This liability is presented in the general long-term debt account group because it will not be funded with expandable financial resources.

Employees accumulate sick leave at a rate of 1.5 days per month up to a maximum of 90 days. Upon retirement, an employee receives compensation for all accumulated and unpaid sick leave at the then current rate.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**J. RISK FINANCING**

The Municipality carry commercial insurance to cover casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Puerto Rico Treasury Department and costs are allocated among all the municipalities of Puerto Rico. Cost of insurance allocated to the Municipality and deducted from the gross property tax collections by the Municipal Revenue Collection Center ("CRIM") for the year ended June 30, 2001 amounted to approximately \$76,875. The CRIM also deducted \$145,513 for workers compensation insurance covering all municipal employees.

**K. TOTAL COLUMNS (MEMORANDUM ONLY)**

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present consolidated financial position or results of operations, in conformity with accounting principles generally accepted in the United States of America. Such data is not comparable to a consolidation since interfund eliminations have not been made.

**L. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

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

**M. LONG-TERM DEBT**

The liabilities reported in the general long-term debt account group include the general and special obligation bonds, bank and long-term notes, other long-term liabilities, such as vacation, sick leave, litigation and long-term liabilities to other governmental entities.

**N. FIXED ASSETS**

For governmental fund types, general fixed asset acquisition are recorded as expenditures in the acquired fund and are capitalized in the general fixed assets account group for those assets where records are available to support costs. General fixed assets are recorded at cost, or at estimated historical cost if actual historical cost is not available. No depreciation is provided on general fixed assets, and interest cost incurred during construction is not capitalized. General fixed assets do not include infrastructure such as roads, streets and similar assets that are immovable and of value only to the Municipality.

MUNICIPALITY OF VILLALBA, PUERTO RICO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

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

O. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Boards (GASB) has issued the following statements that the Municipality have not yet adopted:

<u>Statement Number</u>		<u>Adoption required in fiscal year</u>
34	Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Government	2002-03
37	Basic Financial Statements - and Management Discussion and Analysis- for State and Local Governments: Omnibus an amendment of GASB Statements No. 21 and 34	2002-03
38	Certain Financial Statement Note Disclosures	2002-03

Specifically statement number 34 and 37 establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will required new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected.

The Municipality has not yet determined the full impact that adoption of these statements will have on the financial statements.

## MUNICIPALITY OF VILLALBA, PUERTO RICO

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

#### 2. PROPERTY TAXES

The personal property tax is self assessed by the taxpayer on a return which is to be filed by May 15 of each year with the Municipal Revenue Collection Center (CRIM), a governmental entity created by the government of Puerto Rico as part of the Municipal Governmental Autonomy Law of August 30, 1991. Since July 1, 1993, real property tax is assessed by the CRIM on each piece of real estate and on each building.

The assessment is made as of January 1 of each year and is based on current values for personal property and on estimated values as of 1957 for real property tax. The tax on personal property must be paid in full together with the return by May 15. The tax on real property may be paid in two installments by July 1 and January 1. The CRIM is responsible for the billing and collections of real and personal property taxes on behalf of all the municipalities of Puerto Rico. Prior to the beginning of each fiscal year, the CRIM informs the Municipality of the estimated amount of property tax expected to be collected for the ensuing fiscal year. Throughout the year, the CRIM advances funds to the Municipality based on the initial estimated collections. The CRIM is required by law to prepare a settlement statement on a fiscal year basis, whereby a comparison is made between the amounts advanced to the Municipality and amounts actually collected from taxpayers. This settlement has to be completed on a preliminary basis not later than three months after fiscal year-end, and a final settlement made not later than six months after the year end. If the CRIM remits to the Municipality property tax advances, which are less than the tax actually collected, a receivable from the CRIM is recorded at June 30. However, if advances exceed the amount actually collected by the CRIM, a payable to the CRIM is recorded at June 30. Total advances from CRIM as of June 30, 2001 presented in the general long-term debt account group amounted to \$1,141,797.

## MUNICIPALITY OF VILLALBA, PUERTO RICO

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

#### 2. PROPERTY TAXES (CONTINUED)

Currently, the Municipality has received the final settlement from CRIM related to fiscal year 2000-2001. Based on the final settlement, during the year ended June 30, 2001, the amount collected from taxpayers and charges by CRIM of \$4,205,898, is below the advances received by the Municipality for the same period by \$840,636. Such amount is presented as due to other governmental entities in the general fund in the combined balance sheet.

In accordance with Public Law 190 enacted on July 30, 1999 the Municipality was entitle to a moratorium on the payment of any debt to CRIM arising from the final settlements of advances vs. actual collections through fiscal year 1998-99. Such moratorium was due to expire on June 30, 2001 after which date the Municipality has a right to request a payment plan for a period of up to five years, in accordance with Public Law 234, enacted on August 12, 1998. However, on January 26, 2000, Public law 42 was enacted which revoked laws 190 and 234, and which authorized the CRIM to obtain a loan up to \$200 million, and for a term not exceeding 10 years, to allow for the financing of the debt that the Municipalities have with the CRIM arising from final settlements of property tax advances vs. actual collections through fiscal year 1999-2000. The amounts that the Municipalities will collect from the additional property taxes resulting from the increase in the subsidy from the Central Government to the Municipalities are assigned through this law to repay such loan. The increase in this subsidy was the result of Public Law 238, enacted on August 15, 1999.

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 Puerto Rico Treasury Department assumes payment of the basic tax to the Municipalities, except for property assessed at less than \$3,500 for which no payment is made. As part of the Municipal Autonomous Law of 1991, the exempt amount to be paid by the Puerto Rico Treasury Department to the Municipalities was frozen as of January 1, 1992. In addition, the law grants a tax exemption from the payment of personal property taxes of up to \$50,000 of the assessed value to retailers having annual net sales of less than \$150,000.

## MUNICIPALITY OF VILLALBA, PUERTO RICO

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

#### 2. PROPERTY TAXES (CONTINUED)

The annual tax rate for fiscal year 2000-01 is 8.33% for real property and 6.33% for personal property of which 1.03% of both tax rates is for the redemption of public debt issued by the Commonwealth of Puerto Rico. The remaining percentage is distributed as follows: (a) 6.0% and 4.0%, respectively, represents the Municipality's basic property tax rate which is appropriated for general purposes and accounted for in the general fund. A portion of such amount is deposited in an equalization fund together with a percentage of the net revenues of the Puerto Rico electronic lottery and a subsidy from the Commonwealth of Puerto Rico. From such fund, a distribution is made to all municipalities; (b) 1.50% represents the ad valorem tax restricted for debt service and accounted for in the debt service fund. The Commonwealth also contributes an annual tax rate of 0.2% of the property tax collected and such amount is accounted for similar to item (a) above.

#### 3. MUNICIPAL LICENSE TAX

The Municipality imposes a municipal license tax on all business that operate within the Municipality, which are not totally or partially exempt from the tax pursuant to the Industrial Incentives Acts of the Commonwealth of Puerto Rico. This is a self-assessed tax based on the prior years gross sales. Entities with sales volume of \$1 million or more must include audited financial statements together with the tax return. During the fiscal year ended June 30, 2001, tax rates were as follows:

- Financial business - 1.50% of gross revenues
- Other organizations - 0.50% of gross revenues

All taxpayers are required to file their declaration five days after April 15 of each year. This tax is due in two equal installments on July 1 and January 1 of each fiscal year. A discount of 5% is allowed when full payment is made on or before five days after April 15 of each year.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

**3. MUNICIPAL LICENSE TAX (CONTINUED)**

Municipal license taxes collected prior to June 30 but pertaining to the next fiscal year are recorded as deferred revenues.

**4. GENERAL FIXED ASSETS (UNAUDITED)**

The Municipality has not maintained detailed, complete and adequate records of its general fixed assets. Also, there are no written procedures to ascertain that all capital expenditures are properly recorded in the property ledger. In addition, the Municipality has not taken a physical inventory of its property and equipment. As a result, no adequate records exist to classify the general fixed assets account group between land, construction in progress, building and other equipment neither for accurate recording of all assets acquired, disposed, or sold.

The following schedule summarizes the changes in the general fixed assets account group for the year ended June 30, 2001:

Balance at July 1, 2000	\$	17,092,321
Additions (records were not available)		--
Retirement (records were not available)		<u>--</u>
Balance at June 30, 2001	\$	<u>17,092,321</u>

MUNICIPALITY OF VILLALBA, PUERTO RICO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

5. DUE TO OTHER GOVERNMENTAL ENTITIES

Current liabilities with other governmental entities at June 30, 2001 are as follows:

	<u>Due to</u>
Puerto Rico Electric Power Authority	\$ 24,111
Puerto Rico Aqueducts and Sewer Authority	183,110
Municipal Revenues Collection Center (CRIM)	840,636
Retirement System Administration	39,567
Internal Revenue Service	21,723
Puerto Rico Telephone Company	26,027
Department of Labor	147,544
Others	<u>1,887</u>
	<u>\$1,284,805</u>

Municipal Revenue Collection Center (CRIM) Recap:

Final settlement fiscal year 1999-1998	\$ 153,206
Final settlement fiscal year 1998-1999	<u>988,791</u>
Due to CRIM at June 30, 2000	1,141,997
Final settlement fiscal year 1999-2000	<u>( 917,441)</u>
Balance as presented at June 30, 2000	224,556
Final settlement fiscal year 2000-2001	840,636
Collections during fiscal year 2000-2001	917,441
Transfer to Long-Term Debt Account Group	<u>(1,141,997)</u>
Due to CRIM at June 30, 2001	<u>\$ 840,636</u>

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

**6. GENERAL LONG-TERM DEBT**

Changes in general long-term debt are summarized as follows:

	<u>Balance at July 1, 2000</u>	<u>Borrowings or Additions</u>	<u>Payments or Deduction</u>	<u>Balance at June 30, 2001</u>
General obligations	\$ 682,000	\$ 590,000	\$ 149,000	\$1,123,000
Advances from PRTD	408,912	--	40,801	368,111
Advances from CRIM	--	1,141,997	--	1,141,997
Accrued vacations and sick leave	670,468	100,982	--	771,450
P.R. Department of Labor and Human Resources	<u>239,143</u>	<u>300,444</u>	<u>249,032</u>	<u>290,555</u>
 Total	 <u>\$2,000,523</u>	 <u>\$2,133,423</u>	 <u>\$ 438,833</u>	 <u>\$3,695,113</u>

Since September 15, 2000, the Municipality has had an approved operating loan in the amount of \$385,000 for the payment of statutory debts. The monies has never been used. Subsequently, on July 18, 2001, the loan was cancelled an a formal penalty was assessed for the cancellation of the loan. The penalty was in the amount of \$249 monthly for 48 months (\$11,964). Interest expense of \$1,921 related to the above loan was charge to expense during the year.

On November 6, 2000, a formal agreement for the payment of property tax advances to the Puerto Rico Treasury Department was signed. The agreement consist in 59 equal payments of \$6,800 and a final payment of \$7,711, starting January 1, 2001. All the payments will be made through retention from the monthly remittance from CRIM.

MUNICIPALITY OF VILLALBA, PUERTO RICO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

6. GENERAL LONG-TERM DEBT (CONTINUED)

General obligations at June 30, 2001, consist of bonds and notes as follows:

• 1992 public improvements bonds due in annual installments of \$10,000 to \$31,000, through January 1, 2016, with interest at 5%.	\$ 328,000
• 1995 public improvements bonds due in annual installments of \$20,000 to \$35,000, through July 1, 2001; with interest ranging from 4.70% to 7.25%.	--
• 1998 general obligations note due in annual installments of \$25,000 to \$45,000, through July 1, 2004; with interest ranging from 4.865% to 6.710%.	125,000
• 1998 general obligation note due in annual installments of \$20,000 to \$35,000, through July 1, 2005; with interest ranging from 4.865 to 6.310%.	120,000
• 2000 general obligation note due in annual installments of \$35,000 to \$50,000, through July 1, 2007; with interest ranging from 5% to 8%.	260,000
• 2001 general obligation bond due in annual installments of \$5,000 to \$30,000, through July 1, 2025; with interest ranging from 5% to 8%.	<u>290,000</u>
Total general long-term debt obligations	<u>\$1,123,000</u>

MUNICIPALITY OF VILLALBA, PUERTO RICO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

6. GENERAL LONG-TERM DEBT (CONTINUED)

During fiscal year 2000-2001, the Municipality issued an \$295,000 general obligation note and \$295,000 general obligation bond for the acquisition and improvements of certain capital projects.

The Municipality is subjected to a legal debt margin requirement, which is equal to 10% of the total assessment of property located within the Municipality. In addition, before any new bonds are issued, the revenues of the debt service fund should be sufficient to cover the project debt service requirement.

The annual requirements for the amortization of general obligations outstanding as of June 30, 2001, is as follow:

<u>Year ended June 30,</u>	<u>Principal</u>
2002	\$ 120,000
2003	131,000
2004	137,000
2005	103,000
2006	73,000
Thereafter	<u>559,000</u>
	<u>\$ 1,123,000</u>

During the fiscal year 2001 the Municipality refinanced a liability amounting to \$300,444, with the Puerto Rico Department of Labor. As a result, the amount was included in the General Long-Term Debt Account Group and accordingly as an other financing source in the Statement of Revenues, Expenditures and changes in Fund Balance (Deficit) at June 30, 2001.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

**7. DEBT SERVICE FUND**

Revenues for Debt Service Fund mainly consists of the ad valorem property taxes which are recognized as revenues when collected and reported by the CRIM. These taxes are for the debt service requirements of the bonds and notes obligations issued by the Municipality. Principal and interest on these obligations are paid by the Government Development Bank for Puerto Rico from funds obtained from the ad valorem taxes and received from the CRIM.

**8. OPERATING TRANSFER FROM (TO) OTHER FUNDS**

During the fiscal year ended June 30, 2001, the Debt Service Fund transferred to the General Fund a total of \$13,476 representing interest earned from cash held on behalf of the Municipality by the Government Development bank of Puerto Rico.

**9. COMMITMENTS AND CONTINGENCIES**

The Municipality is a defendant in a number of lawsuits arising principally from claims against the Municipality for alleged improper actions. It is management's opinion, based on the advise of the legal counsels, that the potential claims against Municipality not covered by insurance will not materially affect the financial condition of the Municipality.

The Municipality participates in a number of federal financial assistance programs funded by the Federal Government. Expenditures financed by these programs are subjected to financial and compliance audits by the appropriate grantor. The "Reports on Compliance and Internal Control in Accordance with Government Auditing Standards and the Requirements of OMB Circular A-133" - for the year ended June 30, 2001, disclosed several material instances of noncompliance with applicable laws and regulations and with internal accounting and administrative controls.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

**June 30, 2001**

**9. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

If expenditures are disallowed due to noncompliance with grant programs regulations, the Municipality may be required to reimburse the grantor. Management believes that the Municipality will be able to comply with the terms of corrective action plans that may be requested by the federal grantors. Management has not provide in the general long-term debt account group an estimated liability for the total exposure for claims and judgements arising lawsuits or federal actions.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2001**

<b>FEDERAL GRANTOR/ PASS-TROUGH GRANTOR/ <u>PROGRAM TITLE</u></b>	<b>FEDERAL CFDA <u>NUMBER</u></b>	<b>PASS-THROUGH GRANTOR <u>NUMBER</u></b>	<b><u>EXPENDITURES</u></b>
<b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct Programs:			
Lower-Income Housing Assistance Program ( Section 8 - Existing Housing)	14.857	N/A	\$ 99
Lower-Income Housing Assistance Program ( Section 8 - Vouchers)	14.855	RQ-049-VO	<u>259,656</u> <u>259,755</u>
Pass-through State - Municipal Service Administration:			
Community Development Block Grant / State's program	14.228*	B-93-CD-72-0001	30,080
	14.228*	B-95-CD-72-0001	27,005
	14.228*	B-96-CD-72-0001	9,013
	14.228*	B-97-CD-72-0001	196,734
	14.228*	B-98-CD-72-0001	47,395
	14.228*	B-99-CD-72-0001	583,105
	14.228*	B-00-CD-72-0001	<u>818,849</u> <u>1,712,181</u>
<b>TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>1,971,936</u>

See Notes to Schedule of Expenditures of Federal Awards.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2001**

<u>FEDERAL GRANTOR/ PASS-TROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH/ GRANTOR NUMBER</u>	<u>EXPENDITURES</u>
<b>DEPARTMENT OF JUSTICE</b>			
Pass-through State-Office of the Governor: Crime Victims Assistance Grant	16.575	98-VA-VCV-01	20,502
Office of Community Oriented Policing Services	N/A	97-UM-WX-0236	82,449
Local Law Enforcement Block Grant	N/A	98-LB-MV-01	<u>38,000</u>
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<u>140,951</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
FEMA 1247 Georges	83.544	N/A	<u>187,772</u>
<b>FEDERAL TRANSIT ADMINISTRATION</b>			
Section 5311 Project (49 USC)	N/A	PR-18-X014-76 (3)	<u>215,500</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ <u>2,516,159</u></b>

\* Major Program  
N/A- Number not available

See Notes to Schedule of Expenditures of Federal Awards.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

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

**Year ended June 30, 2001**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting and was prepared primarily from the Municipality's internal accounting records. The financial statements of the Municipality are presented on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is presented in a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for by individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts and other accounting records of the Municipality were not designed to capture the information required to prepare the general purpose financial statements, consequently, such information was obtained from different individuals, departments and accounting records or reports which are not integrated into a double entry bookkeeping system. In addition, several departments within the Municipality are responsible for managing federal financial assistance and there is no centralized control for all federal financial assistance programs.

**2. CATALOG OF FEDERAL DOMESTIC ASSISTANCE ("CFDA")**

Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for programs for which such numbers are available.

MUNICIPALITY OF VILLALBA, PUERTO RICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2001

3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Revenues and expenditures of the federal awards are included in the Municipality's general purpose financial statements within the Special Revenue and Capital Projects Funds. The reconciliation between the expenditures in the general purpose financial statements and expenditures in the Schedule of Expenditures of Federal Awards is as follows:

Expenditures in the general purpose financial statements:

Special Revenue Fund	\$ 920,323
Capital Project Fund	3,927,179
Less: non-federal expenditures	<u>(2,331,343)</u>
Expenditures in the Schedule of Expenditures of Federal Awards	<u>\$2,516,159</u>

Honorable Mayor and Members of the Municipal Legislature  
Municipality of Villalba  
Villalba, Puerto Rico

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Municipality of Villalba ("Municipality") as of and for the year ended June 30, 2001, and have issued our report thereon dated March 21, 2002. In our report, our opinion on the general purpose financial statements was qualified because we were unable to obtain sufficient competent evidential matter with respect to the reported value of the Municipality's general fixed assets account group and the amounts presented as due from other funds and due to other funds at June 30, 2001. Except as discussed above, 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'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 financial statements 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2001-01 thru 2001-20.

Honorable Mayor and Members of the Municipal Legislature  
Municipality of Villalba  
Villalba, Puerto Rico  
Page # 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipality's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgement, could adversely affect the Municipality's ability to record process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-01 thru 2001-20.

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 relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Municipal Legislature, Municipality's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rosaly, Ocasio*  
*Auditing & Consulting Group, P.S.C.*  
License No. 74  
Expires December 1, 2004

March 21, 2002



Honorable Mayor and Members of the Municipal Legislature  
Municipality of Villalba  
Villalba, Puerto Rico

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

Compliance

We have audited the compliance of the Municipality of Villalba ("Municipality") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The Municipality'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 grant applicable to each of its major federal programs is the responsibility of the Municipality's management. Our responsibility is to express an opinion on the Municipality's compliance based on our audit.

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

Honorable Mayor and Members of the Municipal Legislature  
Municipality of Villalba  
Villalba, Puerto Rico  
Page #2

In our opinion, except for the noncompliance described in the schedule of findings and questioned cost, Section III, the Municipality 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, 2001.

#### Internal Control Over Compliance

The management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Municipality's internal control over compliance with requirements that could have a direct 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 judgement, could adversely affect the Municipality's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-01 thru 2001-20.

Honorable Mayor and Members of the Municipal Legislature  
Municipality of Villalba  
Villalba, Puerto Rico  
Page #3

A material weakness is condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Municipal Legislature, Municipality's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rosaly, Ocasio*  
*Auditing & Consulting Group, P.S.C.*

March 21, 2002

License No. 74.  
Expires December 1, 2004



**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

**Financial Statements**

Type of auditors' report:	<u>Qualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes <u>X</u> no
Reportable condition(s) identified not considered to be material weakness (es)?	<u>X</u> yes ___ none reported
Non compliance material to financial statements noted?	___ yes <u>X</u> no

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	___ yes <u>X</u> no
Reportable condition(s) identified not considered to be material weakness (es)?	<u>X</u> yes ___ none reported
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a) Dollar threshold used to distinguish between Type A and Type B programs:	___ <u>X</u> yes ___ no
Auditee qualified as low-risk auditee?	\$ <u>300,000</u> ___ yes <u>X</u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings**

**2001-01      GENERAL FIXED ASSETS**

**CONDITION:**

We were unable to make an examination of the general fixed assets. The following deficiencies were noted:

- a)      There are no control procedures to ascertain that all applicable expenditures are properly recorded in the general fixed assets property ledger.
- b)      The subsidiary ledger is not reconciled with the Municipality's accounting records.
- c)      The Municipality has not taken a physical inventory of its fixed assets to determine the existence and condition of the property recorded in the subsidiary.
- d)      The property records do not provide the necessary information to make the disclosures required by 1980 GAAFR (Governmental Accounting, Auditing and Financial Reporting).
- e)      The acquisition of fixed assets are not always informed to the property custodian for the updating of the general fixed assets ledger on a timely basis.

As a result of these situations, there is no adequate information available to properly classify the Municipality's property and equipment between, land, building, equipment and construction in progress.

This situation will have a material impact during the implementation of Governmental Accounting Standards Board Statement 34, which is required to be implemented for the fiscal year ended June 30, 2003.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-01      GENERAL FIXED ASSETS (Continued)**

**RECOMMENDATION:**

We recommend that the Municipality:

- a)      Establish adequate internal control procedures to assure that all applicable expenditures are properly recorded in the Municipality's accounting records on a timely basis.
  
- b)      Perform a physical inventory of all property and equipment and compare it with the items recorded in the property ledger. All differences noted should be immediately investigated and resolved. After updating the property ledger, formal procedures should be established to take a physical inventory on a periodic basis.
  
- c)      Revise the property records to provide the information necessary to make the disclosures required by the 1980 GAAFR, which consist of the following:
  - General fixed assets by sources
  - General fixed assets by function and activity classifications for each major assets class
  - Changes in general fixed assets by function and activities
  - Changes in general fixed assets by major assets class

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-01      GENERAL FIXED ASSETS (Continued)**

- d)      Designed a person to analyze the expenditures accounts to identify and prepare a report of all items that should be included in the property records. This record should be sent to the property custodian to reconcile and update the property ledger on a monthly basis.
  
- e)      Design and implement a formal strategic plan for the implementation of GASB 34.

**2001-02      ACCOUNTING SYSTEM**

**CONDITION:**

The Municipality does not have accounting practices and policies that provide for the preparation on a timely basis of the general purpose financial statements in accordance with accounting principles generally accepted in the United States of America. The accounting system only provides for the recording of cash receipts and cash disbursements and a limited number of the other transactions, therefore, the financial information to prepare the general purpose financial statement was obtain from various departments and accounting records within the Municipality. In addition, the accounting records are not integrated, and do not follow a double entry system (debits and credits). The system lacks the necessary supporting records for the preparation of general purpose financial statements in accordance with accounting principles generally accepted in the United States of America. We noted in the Municipality's accounting records that certain records in use were not adequately maintained or posted on a timely basis.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-02      ACCOUNTING SYSTEM (Continued)**

**RECOMMENDATION:**

The Municipality should implement a plan to convert its accounting system to allow for the preparation of monthly and year-end financial statements in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities. This plan should provide for:

- a) The implementation of a double entry accounting system, the integration of all subsidiary ledgers and the reconciliation with the records maintained for the federal funds,
- b) the preparation of the bank reconciliations on a timely monthly basis,
- c) recording of all fiscal year transactions in the general ledger,
- d) periodic financial reports to the Finance Director, the Mayor and the Municipal Legislature,
- e) reconciliation of financial records with the reports prepared and submitted to the federal government.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-03      OPERATING DEFICIT OF GENERAL FUND**

**CONDITION:**

The Municipality has an accumulated deficit in its General Fund. The general purpose financial statements show an excess of expenditures over revenues amounting \$1,077,197, for the year ended June 30, 2001, and an accumulated deficit of \$1,900,166, for the General fund as of June 30, 2001. This is caused by the cumulative results from the past years in which expenditures have exceeded revenues. This is not in compliance with Chapter 7 of the Law 81 of August 30, 1991, which provide specific requirements for the preparation of budgets. We noted the following instances of noncompliance concerning the budget for the fiscal year 2000-2001.

- The current budget did not include an amount to reduce the accumulated deficit as required by law (Chapter VII, Article 7.003).
- Excess of budget revenues is allocated for activities not included in the original budget, without first considering those expenditures with current or expected overruns.
- Subsequent to the approval of the annual budget through the appropriation ordinance by the Municipal Legislature, certain adjustments to the annual budget were made through executive orders authorized by the Mayor. During our test of the Municipal budget, we noted that the budget of the General Fund was out of balance. The General fund budgeted expenditures exceeded budgeted revenues by \$3,960. A detail of the difference follows:

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-03 OPERATING DEFICIT OF GENERAL FUND (Continued)**

<u>General Fund</u>	<u>Approved Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>
Budgeted revenues	\$ 6,670,260	\$ 109,277	\$ 6,779,537
Budgeted expenditures	<u>6,670,260</u>	<u>113,237</u>	<u>6,783,497</u>
Difference	\$ <u>    --</u>	\$ <u>  3,960</u>	\$ <u>  3,960</u>

Also, we noted that the approved budget for the Debt Service Fund was out of balance by \$220,086.

<u>Debt Service Fund</u>	<u>Approved Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>
Budgeted revenues	\$ 220,086	\$ --	\$ 220,086
Budgeted expenditures	<u>    --</u>	<u>    --</u>	<u>    --</u>
Difference	\$ <u> 220,086</u>	\$ <u>          </u>	\$ <u> 220,086</u>

As a result of these deficiencies, the management did not have timely and accurate information regarding its operations and could not adequately control the adherence to the established budget appropriations.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-03      OPERATING DEFICIT OF GENERAL FUND (Continued)**

**RECOMMENDATION:**

We recommend the preparation of accurate periodical reports providing for comparison of actual results of operations against budgeted amounts. In addition, to comply with the applicable law, the management should appropriate the required amounts in future budgeted to reduce the accumulated deficit.

**2001-04      CASH AND BANK ACCOUNTS**

**CONDITION:**

The Municipality has not established adequate and sufficient controls in the handling of bank accounts to prevent errors and irregularities from being timely detected. Also, the Municipality is not adequately documenting the management review and supervision function over the preparation of bank reconciliations. The following control deficiencies were noted during our examination:

- a) The cash balance shown by the Municipality's treasury Department of the Debt Service Fund as of June 30, 2001, did not agree with the notification of the account Activity of the Municipal Revenues Collection Center, known by its Spanish acronym (CRIM). This is due to transactions for the fiscal year which were not recorded in the Municipality's books.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-04 CASH AND BANK ACCOUNTS (Continued)**

**RECOMMENDATION:**

We recommend that the transactions affecting funds held by the CRIM for the Municipality's Debt Service Fund, should be recorded on a timely basis and balances reconciled on a monthly basis.

- b) Also, the Municipality did not prepared the bank reconciliation for the following bank account:

– Banco Gubernamental de Fomento

FEMA Huracán Georges	124-7067-9
CRIM - Villalba (CAE)	250-17534

**RECOMMENDATION:**

All bank accounts shall be reconciled every month and all reconciling differences must be investigated and cleared. All bank accounts must be recorded in books of the Municipality and any inactive account should be promptly closed and the available funds transferred to the general account or any other account which may be required in the circumstances. We recommend that the Municipality's accounting system shall provide for the adequate approval of bank reconciliations as an adequate control procedure.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-05      USE OF RESTRICTED FUNDS**

**CONDITION:**

During the fiscal year ended June 30, 2001, the Municipality used funds arising from legislative resolutions to finance the operations of the General fund and fulfill its current cash needs.

However, such funds were earmarked for specific capital projects and therefore, should not been used for other purposes.

**RECOMMENDATION:**

The general fund should promptly reimburse amounts borrowed from the legislative resolutions and execute the projects for which they were approved.

**2001-06      INTERFUND TRANSACTIONS**

**CONDITION:**

The Municipality does not maintain adequate control over interfund transactions. Cash transferred between funds is recorded as revenue in the receiving fund and as an expenditure in the disbursing fund. Several adjustments were made to reconcile such interfund transactions and properly account for these transfers as interfund receivable or payable.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-06 INTERFUND TRANSACTIONS (Continued)**

**RECOMMENDATION:**

We recommend that adequate control procedures be established to assure proper accountability of interfund transactions. These procedures should be designed to properly segregate cash transferred on a loan basis from cash which represents revenue to the program since these transactions have different accounting treatment for financial statement presentation.

**2001-07 PERSONNEL FILES AND PAYROLL RELATED PROCEDURES**

**CONDITION:**

As part of our payroll test, we selected a sample of 60 personnel files. The following will summarize the deficiencies noted:

- In 5 (8%) of the sample examined, personnel files were not available for our review.
- In 2 (4%) of the sample examined, the Employee Changes Report (Form OPM-15- Informe de Cambio) were missing.
- In 7 (13%) of the sample examined, the employee naming and pledge were missing.
- In 45 (83%) of the sample examined, Federal Form I-9 were missing or incomplete.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-07 PERSONNEL FILES AND PAYROLL RELATED PROCEDURES (Continued)**

- In 41 (75%) of the sample examined, "Hacienda Form 499/R4" were missing or incomplete.
- In 9 (16%) of the sample examined, copy of the social security card were missing.
- In 21 (38%) of the sample examined, the good behavior certificate were missing.
- In 19 (35%) of the sample examined, the medical exam requirement were missing.
- In 32 (58%) of the sample examined, sign job description were missing.
- In 2 (4%) of the sample examined, the gross salary did not match the most recent Employee Changes Report.
- In 2 (4%) of the sample examined, the check endorsement did not matched with the employees signature in file.
- In 17 (31%) of the sample examined, personal history were missing.
- In 3 (6%) of the sample examined, payroll deduction authorization for medic plan were missing.
- In 9 (16%) of the sample examined, birth certificate were missing.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-07 PERSONNEL FILES AND PAYROLL RELATED PROCEDURES (Continued)**

- In 27 (49%) of the sample examined, Drug & Alcohol Policy Certificate were missing.
- Payroll registers for the following periods were not available for our review: 09/30/00, 01/15/01, 01/31/01, 03/31/01 and 04/15/01.

**RECOMMENDATION:**

The Municipality should implement a checklist to be used for each employee to assure completeness of the required documentation and perform follow-up procedures in order to update such files.

**2001-08 MUNICIPAL LICENSE TAX**

**CONDITION:**

During our municipal licence tax test, we selected a sample of 35 municipal license tax files, amounting to \$332,450. For 9 (26%) of the sample selected (amounting to \$7,411), the following exceptions were noted:

- In 2 (6%) of sample selected (amounting to \$1,144), we noted that they were not properly certified by an authorized municipal official or by a public notary.
- In 5 (14%) of the sample selected, (amounting to \$5,959), we noted that required copy of the income tax return were not available in the municipal license tax file.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-08      MUNICIPAL LICENSE TAX (Continued)**

- In 2 (6%) of the sample selected (amounting to \$308), penalties were not computed and impose to the tax payers as required by law.
- In 1 (3%) of the sample selected (amounting to \$232), interest and late payment charges were not computed and impose to the taxpayers as required by law.

**RECOMMENDATION:**

The Municipality should improve the existing procedures related to the municipal license taxpayer files, to ascertain it completeness and accuracy. Also, the Municipality should implement a checklist to be used for each taxpayer to assure completeness of the required documentation.

**2001-09      LONG-TERM DEBT**

**CONDITION:**

The Municipality does not maintain adequate records of its outstanding long-term obligations, and consequently, solely relies on the notification from the Government Development Bank for Puerto Rico to acknowledge and record the balance of the outstanding debt and the amounts needed to fund its debt service.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-09      LONG-TERM DEBT(Continued)**

**RECOMMENDATION:**

The Municipality should design a system and establish adequate procedures to maintain accounting records of its outstanding long-term obligations. These records will be used to verify the correctness of the amounts informed by the CRIM for the Municipality's Debt Service Fund under the custody of the Government Development Bank for Puerto Rico and the outstanding balance of the long-term debt.

**2001-10      ACCOUNTS PAYABLE AND ENCUMBRANCES**

**CONDITION:**

Under the Municipality's current accounting system, there is no adequate segregation between items representing actual accounts payable and those representing encumbrances due to the fact that the liability is recognized when the purchase order is issued.

**RECOMMENDATION:**

The Municipality should establish procedures to clearly distinguish between encumbrances and amounts actually owned for goods and services that have not been received at year end. Generally accepted accounting principles for government require that purchase orders issued for which the goods or services have not been received at year end be reported as an encumbrance, while the goods or services received but not paid at year end be recorded as a liability.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-11 CASH MANAGEMENT**

**CONDITION:**

The OMB Common Rule requires that grantees' cash management system should include administrative procedures to minimize the elapsing time between the transfer of federal funds and their related disbursement. When advances of funds are made by the letter of credit method, funds shall be disbursed no later than three days after the date of the drawdown.

Federal regulation requires that grantees shall conform to the standards of timing and amounts as applicable to advances by federal agencies. Amounts requested should be limited to the program's immediate cash needs.

Our disbursements test revealed instances in which disbursements were made several days after the funds were received.

**RECOMMENDATION:**

We recommend that the Municipality's management should instruct the federal programs personnel to strictly follow the established procedures regarding cash management requirements.

In accordance with Federal Regulations, the Municipality should estimate drawdown of federal funds as closely as possible to the actual disbursement.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-12      BIDDING PROCEDURES**

**CONDITION:**

As part of our procurement procedures test, we selected five files out of ten bids performed during the fiscal year, of those five one was for trolleys purchase and four for construction. The following summarize the exceptions noted

- The Non-Collusive affidavit was missing in 80% (4 of 5) of the bids.
- The site visit affidavit for construction projects was missing in 75% (3 of 4) of the bids. (this condition does not apply to trolleys purchase bids.)
- State and local real estate taxes certification was missing in 60% (3 to 5) of the bids.
- Hacienda form Modelo SC2888 (Income Tax Return Certification) was missing in 60% (3 to 5) of the bids.
- Labor of Department Debt Certification was missing in 80% (4 of 5) of the bids.

**RECOMMENDATION:**

The Municipality should properly document the procedures followed in the evaluation of the quotations and in the final determination. The method of documentation shall be by the preparation of a comparison analysis, specially when the auction contains different items, the Municipality should implement a checklist to be used for each auction file to assure completeness of the required documentation.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-13      YEAR-END FINANCIAL REPORTS**

**CONDITION:**

The year-end financial report ("Liquidación Presupuestaria" Forms 30A, 30B, 31A, 31B y 31C) were not filed before the office of the Commissioner of Municipal Affairs (OCAM) before September 30, 2001.

**CRITERIA:**

According to Law 81 of August 30, 1991, (Chapter 2, Section 10) the Finance Director should submit an year-end financial report to the Commissioner in or before September 30 of any fiscal year.

**RECOMMENDATION:**

Procedures should be implemented to ascertain that the Municipality complies with the established state regulation, as prescribed by Law 81.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-14 CASH DISBURSEMENTS-GENERAL ACCOUNT**

**CONDITION:**

As part of our test of cash disbursements during the year, we selected a sample of 77 checks from the general account. The following exceptions were noted:

- Fifteen items of the items tested selected requires bids or quotes. In 3 (20%) of them no bid or quote were available.
- In 9 (12%) of the items tested one or more signatures were missing from the disbursement voucher.
- Check 14941, payment voucher 0011973 and 11974 does not include a certification describing the purpose of the travel.
- None of the invoices or certification tested had a received date stamp or written on them.
- For the check number 14068, no documents, except the cancelled check was available.
- For the check number 14438 no detail or reference as to whom perform the service was provided.
- For the check number 14402, only seven out of fourteen invoices were available.
- For the check number 14519, neither invoice, purchase order or payment voucher were specific as to service rendered.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-14 CASH DISBURSEMENTS-GENERAL ACCOUNT  
(Continued)**

**CRITERIA:**

According to the revised Regulation on Basic Standards for the Municipalities of Puerto Rico, the pre-auditing unit or person in charge of pre-auditing the documents correctness in all of its parts and that the transaction is in order to pursuant the correct legislation, ordinances, resolutions, contracts ad regulations. Once everything is found to be in order, the document shall be certified as pre-audited and shall be sent for the approval of the Finance Director. In addition, of the aforementioned regulation, the vouchers, all cancelled checks and any other document, that justifies a payment, shall be filed by the Finance Director to be audited by the Puerto Rico Comptroller's Office or any other agency as required by law.

**RECOMMENDATION:**

The Municipality should improve the pre-audit procedures of the disbursement vouchers to assure compliance with the prescribed procedures. In addition, the Municipality should follow the prescribed procedures outline in the municipal purchasing manual for the acquisition of goods and services.

The Municipality should enforce strict compliance with the procedures prescribed by the revised regulations on Basic Standards for the Municipalities of Puerto Rico during the process of acquisition of materials and supplies, equipment, and construction and service contracts.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-15      RECORDS RETENTION REQUIREMENT-STATE FUNDS**

**CONDITION:**

The Municipality did not maintain adequate control over the evidence supporting the disbursement process. During the audit of the expenditures, payables and purchases of state funds we noted that the Municipality could not provide some supporting documentation subject to audit procedures.

The inability to properly file and maintain evidence and documentation supporting transactions presented in the accounting records may expose the Municipality to questioned costs, either by the federal government, if the unsupported transaction involves federal funds, or by the Puerto Rico Comptroller's Office.

**CRITERIA:**

Revised Regulation on basic Standards for the Municipalities of Puerto Rico requires that disbursements vouchers, canceled checks or any other documents supporting a disbursement should be filed by the Finance Director as evidence for future audits.

**RECOMMENDATION:**

The Municipality should improve its file management and documentation procedures in order to comply with state and federal regulations.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-16 CASH DISBURSEMENTS-OTHERS ACCOUNTS**

**CONDITION:**

As part of our test of cash disbursements during the year, we selected a sample from all others accounts. The following exceptions were noted:

- Crime Victims (account number 127-010904) (thirteen checks tested)

In 1 (8%) of the items tested no specific purpose was stated nor the beneficiary identity.

In 13 (100%) of the items tested, pre-intervention official signature (approval) was missing.

- CDBG (account number 127-867422) (six checks tested)

In 1 (17%) of the items tested the cancelled check was not available for our inspection.

In 2 (34%) of the items tested no detail was provided as to the recipient of the donation.

In 1 (17%) of the items tested no evidence of quote or bid was provided.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-16 CASH DISBURSEMENTS (Continued)**

CONDITION (Continued):

- Section 8 Existing (account number 127-831142)
- Section 8 Vouchers (account number 127-831223)

In 11 (37%) the payment vouchers were not properly cancelled.

In 2 (7%) the check endorsement were missing.

In 30 (100%) the form HUD-50058 (Family Reports) were not filed in the tenant's records.

In 10 (3%) the housing authority and the owner contract for the year 07/01/00-06/30/01 were not available.

In 2 (7%) the payment vouchers were missing signatures.

- CDBG (account number 127-012540) (twelve checks tested)

In 1 (8%) of the items tested, purchase order was missing.

- Resoluciones Conjuntas (account number 127-013075)(thirty-nine checks tested)

In 39 (100%) of the sample selected no information was provided for our tests.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-16 CASH DISBURSEMENTS (Continued)**

CONDITION (Continued):

- Departamento de Trabajo (account number 127-009906) (one check tested)

In 1 (100%) of the items tested the payment voucher was not properly cancelled.

CRITERIA:

Revised Regulation on Basic Standards for the Municipalities of Puerto Rico requires that disbursements vouchers, canceled checks or any other documents supporting a disbursement should be filed by the Finance Director as evidence for future audits.

RECOMMENDATION:

The Municipality should improve its file management and documentation procedures in order to comply with state and federal regulations.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-17      BUDGET EXPENDITURES AND ENCUMBRANCES  
PROHIBITIONS**

**CONDITION:**

The Municipality maintains internal financial reports which shows that as of December 31, 2000, 51% of the approved and amended budget for fiscal year ending June 30, 2001 was expended and 11% was encumbered. Specifically, for the account number 01-02-04-92.01, (Transitory Employees), a 90% of the approved and amended budget was expended. The original budget for this account was \$346,252.

The Municipality budgeted a "reserved" (account number 01-03-04-94.75) of \$680,565. During July 1, 2000 through December 31, 2000, the Municipality through the issuance of municipal ordinances transferred approximately \$310,565 from the reserved account to the Transitory Employees account for a total of \$656,817.

**CRITERIA:**

According to Law 81 of August 30, 1991, Chapter VIII Article 8.009, the Municipality should not expend or encumbrance more than 50% of its budget during the six month period ending December 31 for any electionary year.

**RECOMMENDATION:**

Adequate procedures should be implemented to ascertain that the Municipality comply with the established state regulation.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-18      SINGLE AUDIT ACT**

**CONDITION:**

The single audit report for the year ended June 30, 2000 was submitted on April 3, 2001.

**CRITERIA:**

The Single Audit Act requires that the single audit report must be submitted to the Federal Government within the earlier of 30 days after the receipt of the auditors' report, or nine months after the end of the audited period.

**RECOMMENDATION:**

Adequate internal controls procedures should be implemented to ascertain that the Municipality complies with the established federal regulation, as prescribed by Circular A-133.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section II - Financial Statements Findings (Continued)**

**2001-19      CORRECTIVE ACTION PLANS**

**CONDITION:**

The Correction Action Plan for the fiscal years ended June 30, 1997, 1998 and 1999 were not filed until November 2, 2001. The Corrective Action Plan for the fiscal year ended June 30, 2000 was filed on September 10, 2001.

**CRITERIA:**

The Single Audit Act requires that the audit report must be submitted to the Federal Government not later than nine months after the end of the audit period.

**RECOMMENDATION:**

Adequate internal controls procedures should be implemented to ascertain that the Municipality complies with the established Federal Regulation, as prescribed by Circular A-133.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
All Programs	<p><b>2001-20 INADEQUATE PROPERTY RECORDS</b></p> <p>STATEMENT OF CONDITION:</p> <p>The Municipality is not maintaining adequate property records that provide all the information required by the federal regulations. Property records maintained by the federal programs only included limited information such as property number, item description and quantity, if any.</p> <p>The Common Rule, 45 CFR Part 92, Subpart C, requires that property records shall include, the source of property, acquisition date, percentage of federal participation in the property and any disposition data, including the date of disposal and sale price.</p> <p>RECOMMENDATION:</p> <p>The federal programs should include all required information on property records to adequately safeguard all property and must assure that it is used solely for authorized purposes. Also, must comply with the above mentioned requirement in order to comply with federal regulation.</p> <p>(See finding no. 2001-01 of the Section II of the schedule of findings and questioned costs)</p>	<p>NONE</p>

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

**Section III - Federal Award Audit Findings and Questioned Costs**

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
Section 8 Programs CFDA No. 14.855 CFDA No. 14.857 Consolidated into: CFDA No. 14.871 Section 8 Housing Choice Vouchers	<p><b>2001-21      FEDERAL FINANCIAL REPORTS</b></p> <p><b>STATEMENT OF CONDITION:</b></p> <p>The accounting records maintained by the Federal Program Office are not reconciled with the accounting records maintained by the Municipality's central accounting department records. The Municipality has not established procedures for the reconciliation of the transactions recorded in the Program's accounting records with those recorded in the Municipality's central accounting department records. As a result, this condition may allow for inaccurate reporting of programs supported activities. Also, we noted that the Municipality has not established administrative procedures to ascertain that required financial reports are submitted within the required submission dates.</p> <p>OMB circular A-102, 20 (b) (2) requires recipient of federal funds to have financial management system that provides for the maintenance of accurate, current and complete records of the financial results of federally assisted activities in accordance with the financial reporting requirements of the federal program.</p> <p><b>RECOMMENDATION:</b></p> <p>The Municipality should prepare federal financial reports based on the Program's underlying accounting records.</p>	<p>NONE</p>

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
Section 8- Rental Certificate Program CFDA No. 14.857	<p data-bbox="451 640 1170 674"><b>2001-22 YEAR-END SETTLEMENT STATEMENT</b></p> <p data-bbox="451 722 881 751">STATEMENT OF CONDITION:</p> <p data-bbox="451 800 1195 940">We could not determine the timeliness of the submission of the Year-End Settlement Statement, Form HUD-52681, since there is no written evidence of the submission date to the federal government.</p> <p data-bbox="451 982 605 1012">CRITERIA:</p> <p data-bbox="451 1060 1195 1161">According to HUD Handbook, 7420.7, Form HUD-52681 must be submitted 45 calendar days after the end of the public housing agency calendar year.</p> <p data-bbox="451 1203 764 1232">RECOMMENDATION:</p> <p data-bbox="451 1281 1195 1610">The Municipality should improve existing procedures to ensure the timely submission of the Year-End Settlement Statement, Form HUD-52681, in order to comply with federal regulation. Also, the Municipality should consider implementing a reporting calendar to maintain all personnel aware of the reporting deadlines of each federal financial report. This will provide an additional tool to help the Municipality in complying with the existing federal regulation.</p>	NONE

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
Section 8- Rental Certificate Program CFDA No. 14.857	<b>2001-23 REQUISITION FOR PARTIAL PAYMENT OF ANNUAL CONTRIBUTION</b>  STATEMENT OF CONDITION:  We could not determine the timelessness of the submission of the Requisition for Partial Payment of Annual Contributions Form, HUD-52663, since there is no written evidence of the submission date of the report to the federal government.  CRITERIA:  According to HUD Notice PHI 94-64, the Annual Requisition must be submitted along with the housing agency consolidated Forms HUD-52672 and HUD-52673, covering the housing agency entire fiscal year 90 days before the beginning of the housing agency fiscal year.  RECOMMENDATION:  The Municipality should improve existing procedures to ensure timely submission of the Requisition for Partial Payment of Annual Contribution, Form HUD-52663, in order to comply with federal regulation.	NONE

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
Section 8-Rental Certificate Program CFDA No. 14.857	<p><b>2001-24 SUPPORTING DATA FOR ANNUAL CONTRIBUTIONS ESTIMATES</b></p> <p>STATEMENT OF CONDITION:</p> <p>We could not determine the timelessness of the submission of the Supporting Data for Annual Contributions Estimates, Form HUD-52672 and the Estimate of Total Required Annual Contributions, Form HUD-53673, since there is no written evidence of the submission date of the reports to the federal government.</p> <p>CRITERIA:</p> <p>According to HUD Handbook, 7420.7 Forms HUD-52672 and HUD-52673 must be submitted at least 90 calendar days before the beginning of each public housing agency fiscal year.</p> <p>RECOMMENDATION:</p> <p>The Municipality should implement adequate procedures to provide for a timely preparation of Form HUD-52672 and HUD-52673, by the end of the year to comply with the established federal regulation. Also, the Municipality should consider implementing a reporting calendar to maintain all personnel aware of the reporting deadlines of each federal financial report. This will provide an additional tool to help the Municipality in complying with the federal regulation.</p>	NONE

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
Section 8-Rental Certificate Program CFDA No. 14.855	<b>2001-25 YEAR-END SETTLEMENT STATEMENT</b>  STATEMENT OF CONDITION:  We could not determine the timeliness of the submission of the Year-End Settlement Statement, Form HUD-52681, since there is no written evidence of the submission date to the federal government.  CRITERIA:  According to HUD Handbook, 7420.7, Form HUD-52681 must be submitted 45 calendar days after the end of the public housing agency calendar year.  RECOMMENDATION:  The Municipality should improve existing procedures to ensure the timely submission of the Year-End Settlement Statement, Form HUD-52681, in order to comply with federal regulation. Also, the Municipality should consider implementing a reporting calendar to maintain all personnel aware of the reporting deadlines of each federal financial report. This will provide an additional tool to help the Municipality in complying with the existing federal regulation.	NONE

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
Section 8-Rental Certificate Program CFDA No. 14.855	<p><b>2001-26 REQUISITION FOR PARTIAL PAYMENT OF ANNUAL CONTRIBUTION</b></p> <p>STATEMENT OF CONDITION:</p> <p>We could not determine the timelessness of submission of the Requisition for Partial Payment of Annual Contributions Form, HUD-52663, since there is no written evidence of the submission date of the report to the federal government.</p> <p>CRITERIA:</p> <p>According to HUD Notice PHI 94-64, the Annual Requisition must be submitted along with the housing agency consolidated Forms HUD-52672 and HUD-52673, covering the housing agency entire fiscal year 90 days before the beginning of the housing agency fiscal year.</p> <p>RECOMMENDATION:</p> <p>The Municipality should improve existing procedures to ensure timely submission of the Requisition for Partial Payment of Annual Contribution, Form HUD-52663, in order to comply with federal regulation.</p>	NONE

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
Section 8-Rental Certificate Program CFDA No. 14.855	<b>2001-27 SUPPORTING DATA FOR ANNUAL CONTRIBUTIONS ESTIMATES</b>  STATEMENTS OF CONDITION:  We could not determine the timelessness of the submission of the Supporting Data for Annual Contributions Estimates, Form HUD-52672 and the Estimate of Total Required Annual Contributions Estimates, Form HUD-53673, since there is no written evidence of the submission date of the reports to the federal government.  CRITERIA:  According to HUD Handbook, 7420.7 Forms HUD-52672 and HUD-52673 must be submitted at least 90 calendar days before the beginning of each public housing agency fiscal year.  RECOMMENDATION:  The Municipality should implement adequate procedures to provide for a timely preparation of Form HUD-52672 and HUD-52673, by the end of the year to comply with the established federal regulation. Also, the Municipality should consider implementing a reporting calendar to maintain all personnel aware of the reporting deadlines of each federal financial report. This will provide an additional tool to help the Municipality in complying with the federal regulation.	NONE

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>																
Community Development Block Grants/State's Program CFDA No. 14.228	<p><b>2001-28 QUARTERLY REPORTS</b></p> <p>STATEMENT OF CONDITION:</p> <p>Our review of the quarterly reports sent to the Office of the Commissioner of Municipal Affairs (OCAM), reveled the following deficiencies:</p> <p>We could not determine the timeless of the submission of the quarterly reports for the following quarters:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Program Year</u></th> <th style="text-align: left;"><u>Quarter Ended</u></th> </tr> </thead> <tbody> <tr><td>• SBGP 1993</td><td>December 31, 2000</td></tr> <tr><td>• SBGP 1995</td><td>December 31, 2000</td></tr> <tr><td>• SBGP 1996</td><td>December 31, 2000</td></tr> <tr><td>• SBGP 1997</td><td>December 31, 2000</td></tr> <tr><td>• SBGP 1998</td><td>December 31, 2000</td></tr> <tr><td>• SBGP 1999</td><td>December 31, 2000</td></tr> <tr><td>• SBGP 2000</td><td>December 31, 2000</td></tr> </tbody> </table> <p>Also, we were unable to test for accuracy these and the other three quarterly reports because the accounting registers supporting the report amounts were not available for our review.</p>	<u>Program Year</u>	<u>Quarter Ended</u>	• SBGP 1993	December 31, 2000	• SBGP 1995	December 31, 2000	• SBGP 1996	December 31, 2000	• SBGP 1997	December 31, 2000	• SBGP 1998	December 31, 2000	• SBGP 1999	December 31, 2000	• SBGP 2000	December 31, 2000	NONE
<u>Program Year</u>	<u>Quarter Ended</u>																	
• SBGP 1993	December 31, 2000																	
• SBGP 1995	December 31, 2000																	
• SBGP 1996	December 31, 2000																	
• SBGP 1997	December 31, 2000																	
• SBGP 1998	December 31, 2000																	
• SBGP 1999	December 31, 2000																	
• SBGP 2000	December 31, 2000																	

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
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**2001-28 QUARTERLY REPORTS (Continued)**

**CRITERIA:**

According to OCAM circular 94-09, quarterly reports must be submitted at least 30 days after the close of each quarter.

According to Attachment G of OMB, Circular A-102 Grantee's financial system shall provide for accurate, current and complete disclosure of the financial results of each grant Program.

**RECOMMENDATION:**

The Municipality should improve existing procedures to ensure the timely submission of the quarterly reports in order to comply with federal regulation.

Also, the Municipality should consider implementing a reporting deadlines of a each report. In addition, the Municipality's management should establish adequate controls over the financial reports in order to provide for written evidence of the compliance with the filing requirement.

The Municipality should improve the existing procedures for verifying the financial information reported in the quarterly reports, and ascertain that it includes accurate disclosure of the grant financial operations for the fiscal year. Also, the Municipality should establish procedures for the monthly closing of the accounting records and the reconciliation of these records with those maintained at the central accounting department.

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
Crime Victims Program 97-VA-VCV-01	<p><b>2001-29 QUARTERLY REPORTS</b></p> <p>STATEMENT OF CONDITION:</p> <p>Our review of the quarterly reports sent to Puerto Rico Department of Justice revealed the following deficiencies:</p> <ul style="list-style-type: none"> <li>• We could not determine the timelessness of the submission of the quarterly reports for the following quarters:</li> </ul> <p style="text-align: center;"><b><u>Quarter Ended</u></b></p> <p style="text-align: center;">September 30, 2000  December 31, 2000  March 31, 2001  June 30, 2001</p> <p>We were unable to test for accuracy these reports because the accounting registers supporting the report amounts were not available for our review.</p> <p>CRITERIA:</p> <p>According to the grant agreement, quarterly reports must be submitted at least 10 days after the close of each quarter.</p> <p>According to Attachment G of OMB, Circular No. A-102 grantee's financial system shall provide for accurate, current and complete disclosure of the financial results of each grant program.</p>	<p>NONE</p>

**MUNICIPALITY OF VILLALBA, PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

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

<u>Program</u>	<u>Findings / Noncompliance and Recommendations</u>	<u>Questioned Costs</u>
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**2001-29 QUARTERLY REPORTS (Continued)**

**RECOMMENDATION:**

The Municipality should improve existing procedures to ensure the timely submission of the quarterly reports in order to comply with federal regulation. Also, the Municipality should consider implementing a reporting deadlines of each report

In addition, the Municipality's management should establish adequate controls over the financial reports in order to provide for written evidence of the compliance with the filing requirements.

The Municipality should improve the existing procedures for supporting the financial information reported in the quarterly reports, and ascertain the it includes accurate disclosure of the grant financial operations for the fiscal year. Also, the Municipality should establish procedures for the monthly closing of the accounting records and the reconciliation of these records with those maintained at the central accounting department.

MUNICIPALITY OF VILLALBA, PUERTO RICO

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance and on Internal Control over Financial reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standard for the Fiscal Year ended June 30, 2000. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
00-01	Fixed Assets	NR
00-02	Accounting System	NR
00-03	Operating Deficit of General Fund	NR
00-04	Cash and Bank Accounts	NR
00-05	Use of Restricted Funds	NR
00-06	Interfund Transactions	NR
00-07	Investments	FR
00-08	Cash Receipts	NR
00-09	Cash Disbursements	NR
00-10	Personnel Files and Payroll Related Procedures	NR
00-11	Expenditures Analysis	NR
00-12	Records Retention Requirement - State Funds	NR
00-13	Municipal License Tax	NR
00-14	Long-Term Debt	NR
00-15	Accounts Payable and Encumbrances	NR
00-16	Cash Management	NR

MUNICIPALITY OF VILLALBA, PUERTO RICO

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Financial Compliance in Accordance with OMB Circular A-133 for the Fiscal Year ended June 30, 2000. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
00-17	Inadequate Property Records	NR
00-18	Federal Financial Reports	NR
00-19	Voucher for Payments of Annual Contribution and Operating Statement	NR
00-20	Requisition for Partial Payment of Annual Contribution	NR
00-21	Supporting Data for Annual Contribution	NR
00-22	Cash Management System	NR
00-23	Voucher for Payment of Annual Contribution and Operating Statement	NR
00-24	Federal Management System	NR
00-25	Requisition for Partial Payment of Annual Contribution	NR
00-26	Supporting Data for Annual Contribution	NR
00-27	Cash Management System	NR
00-28	Cash Management System	NR
00-29	Cash Management System	NR
00-30	Disbursements Test (Federal Funds)	NR

MUNICIPALITY OF VILLALBA, PUERTO RICO

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Financial Compliance in Accordance with OMB Circular A-133 for the Fiscal Year ended June 30, 2000. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
00-31	Cash Management System	NR
00-32	Cash Management System	NR
00-33	Cash Management System	NR
00-34	Cash Management System	NR
00-35	Quarterly Reports	NR
00-36	Quarterly Reports	NR
00-37	Davis - Bacon Act	NR
00-38	Davis - Bacon Act	NR
00-39	Quarterly Reports	NR
00-40	Quarterly Reports	NR
00-41	Cash Management System	NR

MUNICIPALITY OF VILLALBA, PUERTO RICO

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance and on Internal Control over Financial reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standard for the Fiscal Year ended June 30, 1999. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
99-1	Fixed Assets	NR
99-2	Accounting System	NR
99-3	Operating Deficit of General Fund	NR
99-4	Cash and Bank Accounts	NR
99-5	Use of Restricted Funds	NR
99-6	Interfund Transactions	NR
99-7	Advanced Payments to Contractors	FR
99-8	Investments	FR
99-9	Cash Receipts	NR
99-10	Cash Disbursements	NR
99-11	Personnel Files and Payroll Related Procedures	NR
99-12	Municipal License Tax	NR
99-13	Bidding Procedures	NR
99-14	Long-Term Debt	NR
99-15	Accounts Payable and Encumbrances	NR
99-16	Cash Management	NR
99-17	Single Audit	NR

MUNICIPALITY OF VILLALBA, PUERTO RICO

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Financial Compliance in Accordance with OMB Circular A-133 for the Fiscal Year ended June 30, 1999. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
99-18	Inadequate Property Records	NR
99-19	Federal Financial Reports	NR
99-20	Balance Sheet for Section 8	FR
99-21	Voucher for Payments of Annual Contribution and Operating Statement	NR
99-22	Requisition for Partial Payment of Annual Contribution	NR
99-23	Supporting Data for Annual Contribution	NR
99-24	Cash Management System	NR
99-25	Balance Sheet for Section 8	FR
99-26	Voucher for Payment of Annual Contribution and Operating Statement	NR
99-27	Federal Management System	NR
99-28	Requisition for Partial Payment of Annual Contribution	NR
99-29	Supporting Data for Annual Contribution	NR
99-30	Cash Management System	NR

MUNICIPALITY OF VILLALBA, PUERTO RICO

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Financial Compliance in Accordance with OMB Circular A-133 for the Fiscal Year ended June 30, 1999. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
99-31	Cash Management System	NR
99-32	Cash Management System	NR
99-33	Cash Management System	NR
99-34	Cash Management System	NR
99-35	Cash Management System	NR
99-36	Quarterly Reports	NR
99-37	Quarterly Reports	NR
99-38	Contract Provision - Davis - Bacon Act	NR
99-39	Davis - Bacon Act	NR
99-40	Federal Cash Management System	NR
99-41	Cash Management System	NR

## MUNICIPALITY OF VILLALBA, PUERTO RICO

### SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance and on Internal Control over Financial reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standard for the Fiscal Year ended June 30, 1998. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
98-1	Fixed Assets	NR
98-2	Cash Disbursements	NR
98-3	Accounting System	NR
98-4	Personnel Files and Payroll Related Procedures	NR
98-5	Municipal License Tax	NR
98-6	Bidding Procedures	NR
98-7	Operating Deficit of General Fund	NR
98-8	Cash and Bank Accounts	NR
98-9	Long-Term Debt	NR
98-10	Interfund Transactions	NR
98-11	Accounts Payable and Encumbrances	NR
98-12	Cash Management	NR
98-13	Single Audit	NR

**MUNICIPALITY OF VILLALBA, PUERTO RICO**

**SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS**

**June 30, 2001**

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Financial Compliance in Accordance with OMB Circular A-133 for the Fiscal Year ended June 30, 1999. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
98-14	Inadequate Property Records	NR
98-15	Federal Financial Reports	NR
98-16	Balance Sheet for Section 8	FR
98-17	Balance Sheet for Section 8	FR
98-18	Voucher for Payments of Annual Contribution and Operating Statement	NR
98-19	Cash Management	PR
98-20	Balance Sheet for Section 8	FR
98-21	Voucher for Payments of Annual Contribution and Operating Statement	NR

MUNICIPALITY OF VILLALBA, PUERTO RICO

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Financial Compliance in Accordance with OMB Circular A-133 for the Fiscal Year ended June 30, 1998. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
98-22	Federal Management System	NR
98-23	Federal Cash Management System	NR
98-24	Federal Cash Management System	NR
98-25	Quarterly Reports	NR
98-26	Quarterly Reports	NR
98-27	Federal Cash Management System	NR
98-28	Federal Cash Management System	NR
98-29	Davis - Bacon Act	NR
98-30	Quarterly Reports	NR
98-31	Contract Provision - Davis - Bacon Act	NR
98-32	Quarterly Reports	NR
98-33	Federal Cash Management System	NR
98-34	Quarterly Reports	NR
98-35	Federal Cash Management System	NR
98-36	Federal Cash Management System	NR
98-37	Quarterly Reports	NR
98-38	Federal Financing Reporting	NR
98-39	Federal Cash Management System	NR

MUNICIPALITY OF VILLALBA, PUERTO RICO

SUMMARY OR PRIOR YEARS AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance and on Internal Control over Financial reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standard for the Fiscal Year ended June 30, 1997. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
97-1	Fixed Assets	NR
97-2	Cash Disbursements	NR
97-3	Accounting System	NR
97-4	Personnel Files and Payroll Related Procedures	NR
97-5	Municipal License Tax	NR
97-6	Bidding Procedures	NR
97-7	Single Audit Act	NR

## MUNICIPALITY OF VILLALBA, PUERTO RICO

### SUMMARY OR PRIOR YEARS AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance and on Internal Control over Financial reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standard for the Fiscal Year ended June 30, 1997. Under the heading Corrective Action Taken there will be the following:

FR- Fully resolved.

PR- Partially resolved.

NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
97-8	Inadequate Property Records	NR
97-9	Federal Financial Reports	NR
97-10	Supporting Data for Annual Contribution	NR
97-11	Balance Sheet for Section 8	FR
97-12	Balance Sheet for Section 8	FR
97-13	Voucher for Payments of Annual Contribution and Operating Statement	NR
97-14	Cash Management	NR
97-15	Supporting Data for Annual Contribution	NR
97-16	Requesting Payments of Required Annual Contribution	NR
97-17	Balance Sheet for Section 8	FR
97-18	Balance Sheet for Section 8	FR
97-19	Voucher for Payments of Annual Contribution and Operating Statement	NR
97-20	Federal Cash Management System	NR
97-21	Federal Cash Management System	NR

MUNICIPALITY OF VILLALBA, PUERTO RICO

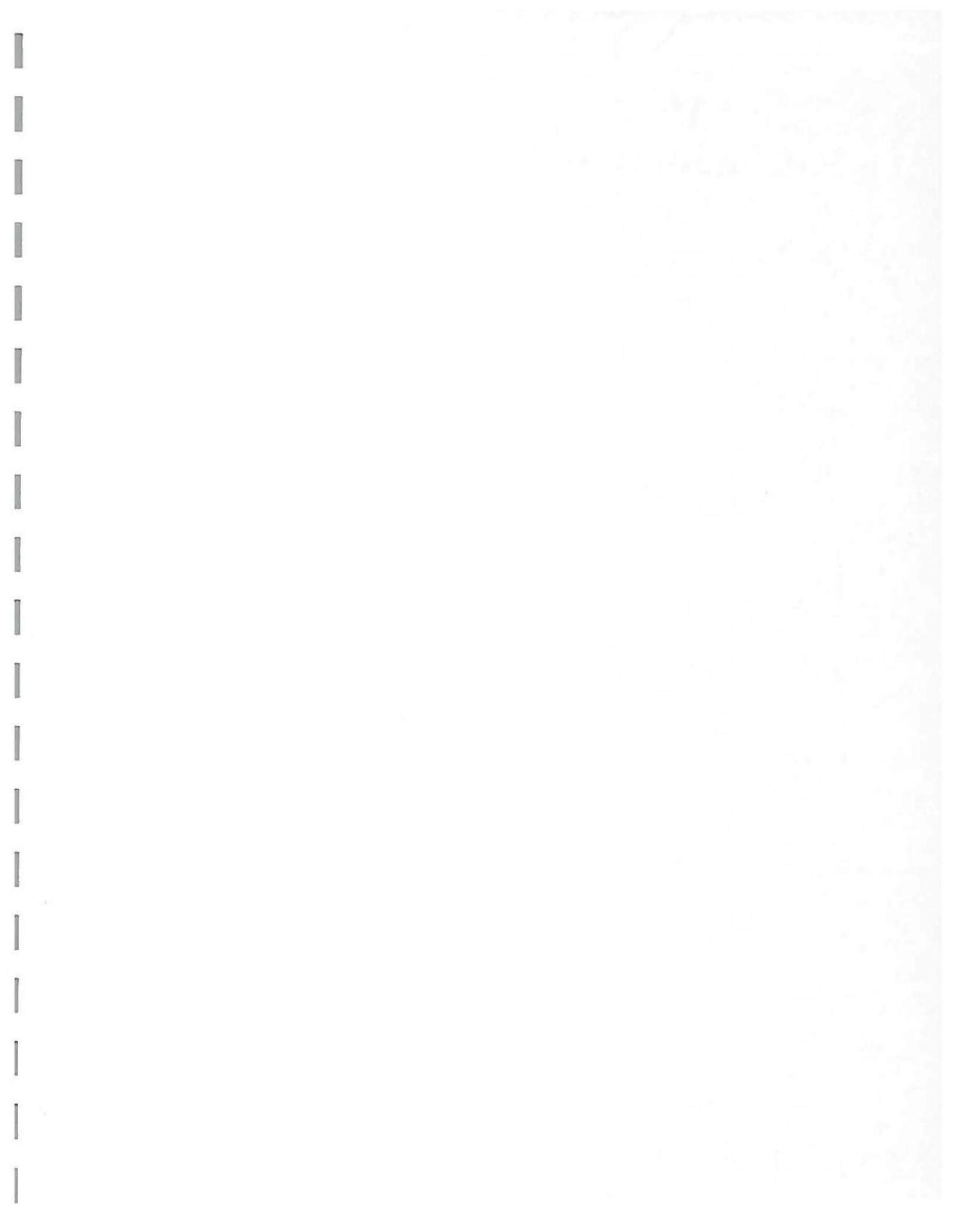
SUMMARY OR PRIOR YEARS AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2001

The following schedule contains the findings number and title of each of the findings included in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Financial Compliance in Accordance with OMB Circular A-133 for the Fiscal Year ended June 30, 1997. Under the heading Corrective Action Taken there will be the following:

- FR- Fully resolved.
- PR- Partially resolved.
- NR- Not resolved yet.

<u>Finding Number</u>	<u>Title</u>	<u>Corrective Action Taken</u>
97-22	Federal Management System	NR
97-23	Federal Cash Management System	NR
97-24	Quarterly Reports	NR
97-25	Quarterly Reports	NR
97-26	Federal Cash Management System	NR
97-27	Federal Cash Management System	NR
97-28	Davis - Bacon Act	NR
97-29	Quarterly Reports	NR
97-30	Quarterly Reports	NR
97-31	Federal Cash Management System	NR
97-32	Quarterly Reports	NR



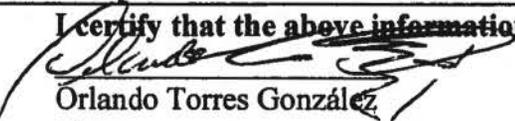
**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF VILLALBA  
CORRECTIVE ACTION PLANS  
SINGLE AUDIT REPORT**

Audit Year: June 30, 2000

Date: March 27, 2002

FINDING	CORRECTIVE ACTIONS	RESULTS
<p><b>Finding 2001-01</b> <b>General Fixed Asset</b></p>	<p>A letter was sent to the person in charge of the property with the commitment to update the inventory of all the municipal property. It was instructed to make a periodical physical inventory of the municipal property. In addition we are evaluating the steps to follow in order to implement the GASB #34.</p>	<p>It was partially accomplished. At this moment the person in charge of the property in coordination with personnel from the Office of Municipal Affairs (OCAM), is bringing up to date the Municipal property inventory.</p>
<p><b>Finding 2001-02</b> <b>Accounting System.</b></p>	<p>At this moment the municipality utilize the mechanized system from OCAM that accomplished The General Accepted Accounting Principles (GAAP). We have been in touch with the OCAM personnel to keep up tracking the use of the accounting system. It was created the Accounting Head position (ordinance #51, 2000-2001) in order to help improve the procedures in this area.</p>	<p>Accomplished. It was hired an Accounting Head and at this moment the deficiencies are being corrected.</p>

I certify that the above information is correct:

  
Orlando Torres González  
Mayor

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF VILLALBA**

**CORRECTIVE ACTION PLANS  
SINGLE AUDIT REPORT**

FINDING	CORRECTIVE ACTIONS	RESULTS
<p><b>Finding 2001-03</b> <b>Operating Deficit of General Fund.</b></p>	<p>On January 8, 2001, this Municipal Administration became in charge of the municipal government finding a precarious financial condition. When the new budget was approved we took certain good administrative policies and assigned \$80,000 dollars to amortize the accumulated deficit. At this moment a monthly analysis of the budget has been prepared.</p>	<p>Accomplished.</p>
<p><b>Finding 2001-04</b> <b>Cash And Bank Accounts.</b></p>	<p>It was hired an Accounting Head that is supervising the banking reconciliation and establishing better procedures to improve a same.</p>	<p>Accomplished. The Banking Reconciliation are being prepare monthly.</p>
<p><b>Finding 2001-05</b> <b>Use Of Restricted Funds.</b></p>	<p>A letter was sent to the Financial Director explaining that the money from the Legislative Resolution should be reimburse in the Resolutions and used to perform the projects approved.</p>	<p>Accomplished. At this moment the Legislative Resolutions are being analized in order to reimburse the money utilized.</p>

**COMMONWEALTH OF PUERTO RICO  
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**CORRECTIVE ACTION PLANS  
SINGLE AUDIT REPORT**

FINDING	CORRECTIVE ACTION	RESULTS
<p><b>Finding 2001-06</b> <b>Interfund Transactions.</b></p>	<p>The Finance Director and the Accounting head were oriented that they must follow the General Accepted Accounting Principles in all the transactions between funds. Each money transfer must be registered as an account payable for the recipient and as an account receivable for the lender.</p>	<p>Accomplished. This situation was corrected and all the transactions are registered following GAAP.</p>
<p><b>Finding 2001-07</b> <b>Personnel Files And Payroll Related Procedures.</b></p>	<p>An specialized person was hired to help the Human Resources Division correct the deficiencies found. An evaluation of each file has be made to collect all the documents required in each file.</p>	<p>Partially Accomplished.</p>
<p><b>Finding 2001-08</b> <b>Municipal License Tax.</b></p>	<p>Mr. José K. Alvarado was appointed as the collector Coordinator in order to improve in this Department.</p>	<p>Partially Accomplished.</p>
<p><b>Finding 2001-09</b> <b>Long Term Debt.</b></p>	<p>The Finance Director and the Accounting head were oriented that they must correct the deficiencies founding in the Long Term Debts.</p>	<p>Partially Accomplished. This is one of the priorities to actualize the Long Term Debts Register.</p>

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**CORRECTIVE ACTION PLANS  
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FINDING	CORRECTIVE ACTIONS	RESULTS
<p><b>Finding 2001-10</b> <b>Accounts Payable And Encumbrances.</b></p>	<p>The Financial Director was oriented regards the Account Payable Encumbrances procedures and to help him in this matter, an accounting head was hired.</p>	<p>Accomplished. The OCAM System provides the reports necessary to separate the accounts payables from the Encumbrances.</p>
<p><b>Finding 2001-11</b> <b>Cash Management.</b></p>	<p>The federal Program Director was instructed to establish the required procedures in the cash management.</p>	<p>Accomplished.</p>
<p><b>Finding 2001-12</b> <b>Bidding Procedures.</b></p>	<p>We will implement that recommendation in order to improve the method of documentation and assure completeness.</p>	<p>Partially Accomplished.</p>
<p><b>Finding 2001-13</b> <b>Year End Financial Report.</b></p>	<p>Instruction were given to the Financial Director in order that he can assure that the Year-End Financial Report is submitted on or before the limit date. Now, we prepare a Monthly Report in which the information is kept up to date. So we could prepare the budget liquidations faster and accurate.</p>	<p>Partially Accomplished.</p>

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**CORRECTIVE ACTION PLANS  
SINGLE AUDIT REPORT**

FINDING	CORRECTIVE ACTIONS	RESULTS
<p><b>Finding 2001-14</b> <b>Cash Disbursements- General Account.</b></p>	<p>It was required to the person that had the faculty to pre-intervene all the payments that she must comply with her responsibilities. In addition it were created the Pre-interventor Head and the Accounting Head to supervise and improve the process.</p>	<p>Partially Accomplished. At the present all disbursement are pre-intervene to avoid error in the procedures.</p>
<p><b>Finding 2001-15</b> <b>Records Retention Requirement- State Fund.</b></p>	<p>A meeting was held with the Financial Director in with it was discussed his responsibility in the custody of all documentation that justify the payments.</p>	<p>Partially Accomplished.</p>
<p><b>Finding 2001-16</b> <b>Cash Disbursements-General Account.</b></p>	<p>It was established the control measures that when a payment document before it is authorized, must be evaluated by the pre-interventor officer and authorized before the payment is done. This could avoid irregularities.</p>	<p>Partially Accomplished.</p>

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**CORRECTIVE ACTION PLANS  
SINGLE AUDIT REPORT**

FINDING	CORRECTIVE ACTIONS	RESULTS
<p><b>Finding 2001-17</b> <b>Budget Expenditures And</b> <b>Encumbrances Prohibition.</b></p>	<p>Mr. Angel R. Guzmán was hired as Financial Director and specific instruction were given to accomplish all the law requirements applicable to correct the deficiencies. It was required to the pre-interventor to do her assigned responsibilities because the previous Financial Director obstruct her task as pre-interventor. Instructions were given to comply with her requirement or pre-intervene all disbursement so all documentation and signatures required are included.</p>	<p>Accomplished. At the present all disbursement documents are pre-intervene and certified minimizing irregularities in the procedure.</p>
<p><b>Finding 2001-18</b> <b>Single Audit Act.</b></p>	<p>The situation corrected establishing adequate controls. The Single Audit Report for fiscal year ending on June 30,2001, was sent on time..</p>	<p>Accomplished.</p>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF VILLALBA**

**CORRECTIVE ACTION PLANS  
SINGLE AUDIT REPORT**

FINDING	CORRECTIVE ACTIONS	RESULTS
<p><b>Finding 2001-19</b> <b>Corrective Action Plans.</b></p>	<p>When we started in January, 2001, the correction to the Action Plan for the year ended on June 30, 1997-June 30, 1998-June 30, 1999 and June 30, 2000, was not prepared; On November 2001 we prepare all of them.</p>	<p>Accomplished. This situation was corrected and the CAP is going to be send with the Single Audit Report.</p>
<p><b>Finding 2001-20</b> <b>Inadequate Property Records.</b></p>	<p>The Financial Director and the person in charge of the Property were instructed to file all the property bought with federal funds in a proper manner in order to comply with the Federal Regulations.</p>	<p>Partially Accomplished.</p>
<p><b>Finding 2001-21</b> <b>Federal Financial Reports .</b></p>	<p>We had a meeting with the Federal Program Accountant. The purpose of the meeting was to evaluate the actual situation of the Federal Program accounting in order to correct the deficiencies.</p>	<p>Accomplished. At this moment the accounting transactions of the Federal Programs are accomplishing the uniform accounting system and reconciliated in the Accounting Department.</p>

**COMMONWEALTH OF PUERTO RICO  
MUNICIPALITY OF VILLALBA**

**CORRECTIVE ACTION PLANS  
SINGLE AUDIT REPORT**

FINDING	CORRECTIVE ACTIONS	RESULTS
<p><b>Finding 2001-22</b> <b>Year End Settlement Statement.</b></p>	<p>Instructions were given to the section 8 Coordinator to comply with this Federal Regulation.</p>	<p>Accomplished. On August 15, 2001, form HUD-52681, was sent complying with the regulation.</p>
<p><b>Finding 2001-23</b> <b>Requisition For Partial Payment Of Annual Contribution.</b></p>	<p>Instructions were given to the section 8 Coordinator to comply with the regulations.</p>	<p>Accomplished. On March 23, 2001, form HUD-52663, was sent complying with the Regulation.</p>
<p><b>Finding 2001-24</b> <b>Supporting Data For Annual Contribution Estimated.</b></p>	<p>Instructions were given to the section 8 coordinator to comply with this Federal Regulation.</p>	<p>Accomplished. On March 23, 2001, form HUD-52672 and HUD-52673 were sent.</p>
<p><b>Finding 2001-25</b> <b>Voucher For Payment Of Annual Contribution And Operating Statement.</b></p>	<p>Instructions were given to the section 8 coordinator to comply with this Federal Regulation.</p>	<p>Accomplished. On August 15, 2001, form HUD-52681, was sent complying with the regulations.</p>

**COMMONWEALTH OF PUERTO RICO  
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**CORRECTIVE ACTION PLANS  
SINGLE AUDIT REPORT**

FINDING	CORRECTIVE ACTIONS	RESULTS
<p><b>Finding 2001-26</b> <b>Requisition For Partial Payment Of Annual Contribution.</b></p>	<p>Instructions were given to the section 8 coordinator to comply with this Federal Regulation.</p>	<p>Accomplished. On August 15, 2001, the form HUD-52663 was sent comply with the requirement.</p>
<p><b>Finding 2001-27</b> <b>Supporting Data For Annual Contributions Estimates.</b></p>	<p>Instructions were given to the section 8 Coordinator to comply with this Federal Regulation.</p>	<p>Accomplished. Instructions were given to comply with the regulations and on March 23, 2001, forms HUD-52672 and HUD-52673 were sent.</p>
<p><b>Finding 2001-28</b> <b>Quarterly Reports.</b></p>	<p>Ms. Sara Robles was appointed as the Federal Program Director and instruction were given to her to established controls in order to prepare the Quarterly Reports on time to comply with the Regulations.</p>	<p>Accomplished. On April 30, 2001, the January-March Quarterly Report was submitted; On July 23, 2001, the April-June Quarterly Report was submitted; complying with the Regulation.</p>
<p><b>Finding 2001-29</b> <b>Quarterly Reports.</b></p>	<p>It was instructed to the Federal Program Director and Accountant that the information of the financial results of the Program included in the Quarterly Reports must be complete, correct and exact.</p>	<p>Accomplished. On April 30, 2001, the January-March Quarterly Report was submitted; On July 23, 2001, the April-June Quarterly Report was submitted; complying with the Regulation.</p>