López-Vega, CPA, PSC
Certified Public Accountants / Management Advisors

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

March 29, 2017

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

In connection with our audit of the basic financial statements of the **Municipality of Coamo** as of and for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

Also, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatements, we performed test over the **Municipality of Coamo's** compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion or overall compliance with such provisions.

As a result of our evaluation, we noted certain areas where financial matters should be considered, procedures improved and administrative controls strengthened. This memorandum summarizes our comments and suggestions. These comments are not significant enough to be considered significant deficiencies as defined by AU Section 325. "Communicating Internal Control Related Matters Identified in an Audit". A separate report dated March 29, 2017 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 29, 2017 contain our report on compliance with laws, regulations, contracts, and grants based on an audit of the financial statements. This letter does not affect our report dated March 29, 2017 on the financial statements as of and for the year ended June 30, 2016.

We will hope to provide our services you in the next fiscal year audit. Thank you for your trust in our Firm.

Very truly yours,

Angel Alfredo López Vega
President

López-Vega, CPA, PSC

Calle Paraná #1686, El Cerezal, San Juan, P.R. 00926-3144 – Tel. (787) 777-8044 / Fax (787) 764-9377

I. Financial Matters

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

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

Deviation	Cases
The requisition of the disbursement voucher was not signed by the Director Department.	2
The disbursement voucher was not signed by the official payer.	1
The disbursement voucher was not available for auditing.	4

In addition, our test of seven (7) bids revealed the following:

Deviation	Cases
The purchase order is prepared after the contract.	3
The date of receipt of the proposal is the same day of the date of the auction. The receipt hours do not match.	2

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that all disbursement vouchers contain all supporting documents before making the payment. Also, we recommend that the Municipality should improve its internal control and procedures in order to assure that before the bid adjudication to suppliers or contractors the Municipality has documented in the bid files all required documentation.

B. Payroll and Related Liabilities – Payroll Preparation and Timekeeping

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

Deviation	Cases
Difference between sick vacation days per compensated absences cards with the license record prepared by the municipality.	2

Recommendation:

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

López-Vega, CPA, PSC
Certified Public Accountants / Management Advisors

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

March 29, 2017

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

In connection with our audit of compliance of the **Municipality of Coamo** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement in Accordance with the Uniform Guidance* applicable to each major federal programs for the year ended June 30, 2016 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Coamo's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As a result of our evaluation, we noted certain immaterial matters involving the internal control over compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement in Accordance with the Uniform Guidance* applicable to each major federal programs for the year ended June 30, 2016, as identified in the summary of auditors' results section of the schedule of findings and questioned costs, where procedures should be improved and administrative controls strengthened. This letter summarizes our comments and suggestions. These comments are not significant enough to be considered significant deficiencies as defined by AU Section 801 "Compliance Audit". A separate report dated March 29, 2017 contains our report on compliance with the types of compliance requirements described in *US. Office of Management and Budget (OMB) Compliance Supplement in Accordance with the Uniform Guidance*, and our report on internal control over such compliance requirements. This letter does not affect our report dated March 29, 2017 on the financial statements as of and for the year ended June 30, 2016.

We will hope to provide our services you in the next fiscal year audit. Thank you for your trust in our Firm.

Very truly yours,

Ángel Alfredo López Vega
President
López-Vega, CPA, PSC

Calle Paraná #1686, El Cerezal, San Juan, P.R. 00926-3144 – Tel. (787) 777-8044 / Fax (787) 764-9377

II. Compliance Matters

A. Cash Management

In our audit of fund requisitions and cash management requirement of the Twenty First Century Community Learning Centers Program CFDA No. 84.287 we found the following deviations:

CFDA No.	Deviation
84.287	The Program maintain an excessive cash balance during the fiscal year. Also we noted that in two (2) months, the program has insufficient money to cover the expenditures amounts.

Recommendation:

We recommend to the Management of the Twenty First Century Community Learning Centers Program CFDA No. 84.287 strengthen its controls and procedures in order to ensure compliance with the agreement and to establish a procedure that permits a sufficient cash balance to cover the outstanding checks amounts and disburse the fund in a reasonable lapse of time required by laws and regulation.

B. Special test- Parents and Community Integration

In our audit of the Twenty First Century Community Learning Centers Program CFDA No. 84.287 we found the following deviation:

CFDA No.	Deviation
84.287	The program not comply with the 45% offered to the parents and community related to the participants.

Recommendation:

We recommended to the Program's Management that evaluate the availability dates of the parents and establish the activities accordingly to that dates and hours. Also, the program must verify the needs of parents and students in order to obtain interest and participation.

C. Eligibility

In our test of fifteen (15) tenant files of the Housing Choice Vouchers Program CFDA 14.871, we found the following deviations:

CFDA No.	Deviation	Cases
14.871	The annual inspection was not signed by the tenant.	8
	The third party income was not signed by the tenant and the personal department.	2

Recommendation:

It is recommended to include in the Administrative Plan these procedures of quality control for the maintenance of the Quality Control Inspections and strengthen the procedures for reviewing documents; this will lead to the compliance of this requirement.