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 27, 2017

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

In connection with our audit of the basic financial statements of the **Municipality of Vega Baja** 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 Vega Baja'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 27, 2017 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 27, 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 25, 2017 on the financial statements as of and for the year ended June 30, 2016.

We will hope to provide our services to 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

## I. Financial Matters

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

During our examination of the Municipality's procedures related to the purchasing and receiving process, we examined sixty (60) disbursements vouchers and found the following situations:

| Deviation | Cases |
|---|---|
| • The documents in the disbursement voucher were not marked as paid. | 3 |
| • The disbursement voucher does not establish whether it was for quotation or formal bid. | 3 |
| • The disbursement voucher does not include the requisition. | 3 |
| • The disbursement voucher does not include the required quotations. | 1 |
| • The disbursement voucher includes only one (1) quotation. | 13 |

Recommendation:

We recommend that the Municipality should improve its internal control procedures in order to assure that disbursement vouchers contain all supporting documents and approvals before making the payments.

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March 27, 2017

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

In connection with our audit of compliance of the **Municipality of Vega Baja** 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 Vega Baja'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 Audits". A separate report dated March 27, 2017 contains our report on 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,* and our report on internal control over such compliance requirements. This letter does not affect our report dated March 27, 2017 on the financial statements as of and for the year ended June 30, 2016.

We will hope to provide our services to 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

## II. Compliance Matters

### A. Cash Management- Average Balance

During our Cash Management Test of Community Development Block Grant, Entitlement Program, we found the following situations:

| Program | Deviation |
|---|---|
| 14.218 | During five (5) months, the bank reconciliations reflects a bank overdraft. |

Recommendation:

We recommend management to follow its cash management system procedures in order to assure that funds are requested and disbursed as required by regulation, taking into account the Program's monthly cash needs. Before the issuances of checks to vendors is made, a review of the cash funds available at the bank should be made in order to prevent bank overdrafts due to timing differences in the receipt of funds.