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 15, 2017

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

In connection with our audit of the basic financial statements of the Municipality of Patillas 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 Patillas 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 15, 2016 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 15, 2016 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 15, 2016 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 Accounts Payable – Purchasing

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

Deviation	Cases
The disbursement voucher does not have the Quotation.	9
The voucher does not have the construction invoice and payment certification.	1
The disbursement voucher only have (1) Quotation.	23
The quotation forms are not approved by purchase Director.	2
The voucher does not have the Mayor signature.	23
The voucher does not have the Finance Director signature.	23
The voucher does not have the evidence of the invoice.	2
The quotation form is not signed by any purchase department employee.	2
The disbursement voucher is not signed by the official payer.	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.

B. Payroll and Related Liabilities – Personnel, Employment and Rate Authorization

Our test of twenty (20) employee files revealed the following:

Deviation	Cases
The vacation balance does not agreed with the assistance list.	4
The I-9 does not have the employee's signature and the employers requirements not filled.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that the employee's files included all required documents and required signature. We also recommend that the vacation balance agreed with the assistance list and employers requirements filled.

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March 15, 2017

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

In connection with our audit of compliance of the Municipality of Patillas with the types of compliance requirements described in the 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 Patillas internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with (*OMB*) Super Circular.

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 SAS 117 "Compliance Audit". A separate report dated March 7, 2016 contains our report on compliance with the types of compliance requirements described in the *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 15, 2016 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

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II. Compliance Matters

A. Cash Management

In our compliance audit of the cash management requirement we examined fifteen (15) fund requisitions of the CDBG State Program we found the following situation:

Program CFDA No.	Deviation	Cases
14.228	We found a difference of more than three (3) days between the day the Municipality received the funds and the disbursement day.	3

Recommendation:

We recommend Management strengthens its disbursement procedures to minimize the time elapsed between the transfer of funds and the disbursements made by the Municipality.

B. Procurement

We performed a procurement test and examined a sample of one (1) Municipal Project of the CDBG Housing Choice Vouchers Program (CFDA No. 14.228). The following summarize the deficiencies found:

Deviation	Cases
The contract does not have the GAO evidence.	1
The contract does not have the last three years retention records.	1

Recommendation:

We recommend Management strengthens its controls procedures in order to ensure that contract have the GAO evidence and the last three years retention records.

C. Reporting Test

In our reporting test for year ended on June 30, 2016, we noted the following situation:

Program CFDA No.	Deviation	Cases
14.228	We found that the Municipality does not sent the quarterly report timely.	2

Recommendation:

We recommend management to maintain the quarter reports and accounting reports up to date and do the proper adjustments.