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 21, 2017

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

In connection with our audit of the basic financial statements of the **Municipality of Cataño** 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 Cataño'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 21,2017 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 21,2017 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 21, 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.

Cordially,

Angel Alfredo López Vega , CPA
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. Payroll and Related Liabilities – Personnel, Employment and Rate Authorizations

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

| Deviation | Cases |
|---|---|
| The salary reported on the payroll as 6/30/2016 payroll does not agree as authorized in the last Change Report of the employee. | 1 |
| We did not find evidence of direct deposit in the employee file. | 2 |
| We did not find evidence of Retirement eligibility. | 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. Also, we recommend that the Human Resources Department should review the License Record Detail to correct any discrepancy.

### B. Cash Receipts

Our test of twenty-five (25) cash receipts revealed the following:

| Deviation | Cases |
|---|---|
| The Municipal License Tax file was not available for our review. | 1 |

**Recommendation:**

We recommend that the Municipality implement internal controls to safeguard the Municipal License Tax files.

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March 21, 2017

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

In connection with our audit of compliance of the **Municipality of Cataño** 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 Cataño'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 *(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 *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 21,2017 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*. This letter does not affect our report dated March 21, 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.

Cordially,

Angel Alfredo López Vega, CPA
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## II. Compliance Matters

### A. Allowable Activities

#### I. Housing Rehabilitation Test

Our test of six (6) participants' files of the Community Development Block Grant – State's Program revealed the following:

| CFDA No. | Deviation | Cases |
|---|---|---|
| 14.228 | We did not find evidence of the participant's contract in the file. | 1 |

#### II. Housekeeper Test

Our test of eight (8) participants' files of the Community Development Block Grant – State's Program revealed the following:

| CFDA No. | Deviation | Cases |
|---|---|---|
| 14.228 | We did not find evidence of approval (OCAM-AH-004A.) | 8 |
| 14.228 | Final evaluation didn't include the date. | 1 |

**Recommendation:**

We recommended management to strengthen its controls and procedures in order to assure that the Program complies with all requirement documentation in the files as established by the program.