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, 2019

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

In connection with our audit of the basic financial statements of the **Municipality of Toa Baja** as of and for the year ended June 30, 2018, 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 Toa 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 29, 2019 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 29, 2019 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, 2019 on the financial statements as of and for the year ended June 30, 2018.

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

Municipality of Toa Baja
Single Audit 2017-2018
Management Letter

I. Financial Matters

A. Cash Receipts

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

Deviation	Cases
The deposit slip was not available at the time of our examination.	14
The cash receipt documentation did not include evidence of the daily report collections.	7
The collections were not deposited in the same day or in the next labor day of its collection.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that the cash receipts and revenue register procedures are documented as established by regulation.

B. Payroll and Related Liabilities – Payroll Preparation and Timekeeping

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

Deviation	Cases
W-4 form was not included in the employee file.	3
I-9 form was not included in the employee file	1
The regular vacations days at 06/30/18 per Compensated Absences Cards do not agree with License Records prepared by client.	3

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, 2019

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

In connection with our audit of compliance of the **Municipality of Toa 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, 2018 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Toa 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, 2018, 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 by AU Section 801 *"Compliance Audit*". A separate report dated March 29, 2019 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 29, 2019 on the financial statements as of and for the year ended June 30, 2018.

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

Our test of the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program cash average, revealed the following:

CFDA No.	Deviation	Cases
97.036	During one (1) month, the cash bank reconciliation for the Disaster Grant bank account reported a bank overdraft.	1

Recommendation:

We recommend management to follow cash management system procedures developed by it in order to assure that funds requested are disbursed as required by regulation.