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, 2019

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

In connection with our audit of the basic financial statements of the **Autonomous Municipality of Cayey** 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 **Autonomous Municipality of Cayey'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 15, 2019 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 15, 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 15, 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

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 twenty (20) disbursement vouchers which belonged to the Head Start & Early Head Start Program, five (5) disbursement vouchers of Section 8 Housing Choice Vouchers, thirteen (13) which belonged to Disaster Grants - Public Assistance, fourteen (14) disbursement vouchers of Joint Resolutions, and eight (8) disbursement vouchers of the General Fund for a total of sixty (60) vouchers. The following will summarize the internal control exceptions noted:

CFDA No.	Deviation	Cases
93.600	The rent studies for the granting of contracts were out of date.	7
93.600	The purchase order was prepared after the invoice.	6
14.871	The purchase order was prepared after the invoice.	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 and are issued according to the applicable laws and regulations.

B. Payroll and Related Liabilities – Payroll Preparation and Timekeeping

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

Deviation	Cases
Salary is higher than indicated by the "Plan de Retribución y clasificación".	1

Recommendation:

We recommend that the Municipality should review the "Plan de Retribución y clasificación" to assure completeness of the documentation and perform periodically follow-up procedures in order to update salaries. Also, we recommend that the Human Resources Department should review the license record schedule to correct any discrepancy.

THIS SPACE HAS BEEN INTENTIONALLY LEFT BLANK

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, 2109

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

In connection with our audit of compliance of the **Autonomous Municipality of Cayey** 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 **Autonomous Municipality of Cayey'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 (*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, 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 as defined by AU Section 801 "Compliance Audit". A separate report dated March 15, 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 15, 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

In our audit of fund requisitions and cash management requirement of the Head Start & Early Head Start Programs we found the following deviations:

CFDA No.	Deviation	Cases
93.600	The request of funds system maintained by the Municipality and the pass-through agency did not provide the Program to disburse these cash advances on a reasonable lapse of time. This situation causes that the program maintains an excessive cash balance during the year in the bank account.	Overall
93.600	The request of funds was sent out of date.	2

Recommendation:

We recommend to the Federal Program's Management prepare a monthly reconciliation of checks paid against the funds received on each requisition to adjust the request of funds and reduce the cash balances in the account. We recommend to the Management of the Federal Program's to strengthen its controls and procedures in order to assure compliance with the agreement and to establish a procedure with the pass-through agencies that permits disburse the fund in a reasonable lapse of time required by laws and regulations.

B. Eligibility

During our compliance audit of the eligibility requirement of the Section 8 Housing Choice Vouchers found the following situations:

CFDA No.	Deviation	Cases
14.871	A family income and composition reexamination was not made	1

Recommendation:

The Program should strengthen its internal supervisory quality controls in order to ensure performance and compliance of the procedures. Also, management has to train the staff on file documentation and verification process.

C. Equipment & Real Property Management

During our compliance audit of the equipment and real property management requirement of the Head Start Program we found the following situations:

CFDA No.	Deviation	Cases
93.600	The equipment was not included the Municipality's subsidiary ledger.	21
93.600	The person in charge of the property was not updated in the inventory.	10

Recommendation:

We recommend Program's Management to strengthen its procedures of property management especially in the preparation of inventories and in the task of place the required property tags to the equipment acquired as established by the Department of Public Housing for a complete tracking of goods acquired and a reconciliation of the information. Also we recommend to the Program accountant to add and/or deduct from the subsidiary ledger the Property acquired and disposed for complete accounting information.