Lopez, Vega, CPA, PSC

Certified Public Accountants & Management Advisors

Member of:
- American Institute of Certified Public Accountants
- Puerto Rico Society of Certified Public Accountants

Mach 15, 2019

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, 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 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 Mach 15, 2019 contains our report on significant deficiencies in the Municipality's internal control structure and on compliance with laws, regulations, contracts, and grants based on an audit of the financial statements. This letter does not affect our report dated Mach 15, 2019 on the financial statements as of and for the year ended June 30, 2018.

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,

Ángel Alfredo López Vega
President

López-Vega, CPA, PSC

I. Financial Matters

A. Expenditures for Goods and Services and Accounts Payable – Purchasing and Receiving

During our examination of the Municipality's procedures related to the purchasing and receiving process, we examined forty (40) disbursement vouchers of General Fund, ten (10) disbursement vouchers of Head Start Program and ten (10) disbursement vouchers of Public Assistance Grant Program. The following will summarize the internal control exceptions noted:

Deviation	Cases
The General Fund disbursement vouchers were not available at the time of our examination.	2

We recommend that the Municipality implement internal controls to safeguard the disbursement voucher.

B. Cash Receipts

Our test of thirty (30) cash receipts revealed the following situations:

Deviation	Cases
The Declaration of Business Sales Volume (Municipal License Tax Return) was not available at the time of our examination.	3

Recommendation:

We recommend that the Municipality improves its internal controls in order to ensure that the Declaration of Business Sale Volume files were kept in a safe place.

C. Payroll and Related Liabilities – Personnel, Employment and Rate Authorizations

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

Deviation	Cases
The salary presented in the last Change Report was not the same of the Licensing Report provided by the Municipality.	1
The salary presented in the last Change Report was not the same of the payroll.	1

C. Payroll and Related Liabilities – Personnel, Employment and Rate Authorizations (Continued)

Recommendation:

We recommended that the Municipality should improve its internal control and procedures in order to ensure that the salary payed to the employee is according to the Change Reports. The Human Resources Department should review the License Record Detail to correct any discrepancy.