López-Vega, CPA, PSC
Certified Public Accountants / Management Advisors

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

December 28, 2018

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

In connection with our audit of the basic financial statements of the **Municipality of Yabucoa** as of and for the year ended June 30, 2017, 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 Yabucoa'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 December 28, 2018 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated December 28, 2018 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 December 28, 2018 on the financial statements as of and for the year ended June 30, 2017.

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

I. Financial Matters

A. Expenditures for Goods and Services and Account Payables – Purchasing

We performed a cash disbursement test and examined a sample of thirty seven (37) disbursement vouchers related to General Fund and Community Development Block Grant funds. The following will summarize the situations noted:

Deviation	Cases
There was no evidence of Requisition in the disbursement voucher.	3
There was no evidence of receiving report or the certification of the Municipality's employee who have knowledge of the receiving of the goods or services.	5
The Purchase Order issued before the receiving of good or services	1

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 – Payroll Preparation and Timekeeping

Our test of fifteen (15) employee files revealed the following:

Deviation	Cases
The employee files were not available for our evaluation.	2

Recommendation:

We recommend that the Municipality should review the personnel's files to assure that the all files were available.

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December 28, 2018

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

In connection with our audit of compliance of the **Municipality of Yabucoa** 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, 2017 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Yabucoa'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, 2017, 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 December 28, 2018 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 December 28, 2018 on the financial statements as of and for the year ended June 30, 2017.

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

II. Compliance Matters

A. Activities Allowed – Housekeeper Activities (MW)

During our examination of housekeeping assistance project participant files by the Municipality during the fiscal year ended on June 30, 2017, we noted the following situations:

Program	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 date.	1

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. Special Test and Provisions-Housing Rehabilitation

During our Housing Rehabilitation Test, we examined construction contracts during the fiscal year ended on June 30, 2017, and we noted the following situations:

Program	Deviation	Cases
14.228	The Housing Rehabilitation file's did not have evidence of the final visit	3

Recommendation:

We recommend management strengthens its controls procedures in order to ensure that the file has all documents required.