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

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

February 28, 2020

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, 2019, 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** 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 February 28, 2020 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated February 28, 2020 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 February 28, 2020 on the financial statements as of and for the year ended June 30, 2019.

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. 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 two (2) disbursement vouchers of Community Disaster Loan Program, seven (7) disbursement vouchers of Community Development Block Grant, fourteen (14) Joint Resolutions Fund and twenty-seven (27) disbursement vouchers of General Fund and thirteen (13) disbursement vouchers of Disaster Grants-Public Assistance. The following will summarize the internal control exceptions noted:

Deviation	Cases
The disbursement voucher did not contain the purchase of order.	1
The municipality does not properly retain the 10%of the construction project invoice for guarantee the completeness of the work.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that disbursement vouchers contain all supporting documents before making the payment. Also, we recommend that the municipality ensure to discount of the withholdings established by law before make the disbursement.

B. Bids

Our test of ten (10) bids files revealed the following:

Deviation	Cases
The file does not contain the sealed envelope of the submitted proposals.	1

Recommendation:

The Municipal Legislature Department must safeguard the evidence of sealed proposals to ensure that the process was performed in accordance with the regulations.

C. Cash Receipts

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

Deviation	Cases
The cash receipt was not made in accordance to the construction excise percentage established by law.	1
The Municipality did not found the construction excise file.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that the cash receipt amount were properly calculated. Also, we recommend that the Municipality implement internal controls to safeguard the taxpayer's file.

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

Process, we examined fifteen (25) employee's files. The following will summarize the internal control exceptions note.

Deviation	Cases
The employee's file does not include the updated Change Report (OP-15).	1
The employee's file does not include the direct deposit authorization.	1
Employee's time assistance card does not agree with the balance of the cumulative cards.	2
The balance included in the balance included in the License Record Detail as of 6/30/2019 prepared by the Municipality does not agree with the balance on the cumulative cards.	1
Employee was included in the License Record Detail as of 6/30/2019 prepared by the Municipality.	1
The I-9 form was not completed in all of its parts.	4

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation. Also, we recommend that the Human Resources Department should review the License Record Detail for guarantee that the balance presented were validate with the compensated absences card.

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February 28, 2020

To the Honorable Mayor
and the Municipal Legislature
Municipality of Cataño
Juncos, 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, 2019 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 (*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, 2019, 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 February 28, 2020 contains our report on 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,* and our report on internal control over such compliance requirements. This letter does not affect our report dated February 28, 2020 on the financial statements as of and for the year ended June 30, 2019.

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

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I. Compliance Matters

A. Allowable Activities – Eligibility

We performed an eligibility test related with the Community Disaster Loans Program and found the following:

CFDA No.	Deviation	Cases
97.030	The municipality did not provide evidence of the request for proposals.	1

Recommendation:

We recommend that the Municipality request proposals that contain specific descriptions of the acquisition of services for more than $ 100,000.

B. Reporting – Financial Administration

We performed an Reporting Test of the Disaster Grants-Public Assistance Program and revealed the following exception:

CFDA No.	Deviation	Cases
97.036	There is no evidence of quarterly reports (SF-425, Federal Financial Report) due to a change in system made by the Federal Emergency Management Agency.	1

Recommendation:

We recommend that the Municipality strengthens its internal control procedures in order to keep a copy of all the electronically submitted reports in case there are failures or changes in the system.