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 31, 2020

To the Honorable Mayor
And the Municipal Legislature
Autonomous Municipality of Vega Baja
Vega Baja, Puerto Rico

In connection with our audit of the basic financial statements of the **Autonomous Municipality of Vega Baja** 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 **Autonomous Municipality of Vega Baja** 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 31, 2020 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 31, 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 March 31, 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. 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 eight (8) disbursement vouchers of Community Disaster Loan Program, eight (8) disbursement vouchers of Section 8 Housing Choice Voucher Program, ten (10) Community Development Block Grant, twelve (12) disbursement vouchers of Head Start and Early Head Start Program and twenty-four (24) disbursement vouchers of General Fund. The following will summarize the internal control exceptions noted:

Deviation	Cases
The disbursement voucher only contains the one quotation.	1
The municipality made the purchase order after the date of service.	2
The disbursement voucher was not mark as paid.	1
The service was for vehicle repairs, but the disbursement was charged to the building maintenance account.	1
The disbursement vouchers were not available at the time of our evaluation	5

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. The municipality must make the purchase order before receiving the services to guarantee that the funds will be available at the time of receiving the service. Also, we recommend that the municipality ensure to discount of the withholdings established by law before make the disbursement.

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 attendance card dose not shows evidence of the employee punches.	1
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.	11

Recommendation:

We recommend that the Municipality should review the personnel's files to assure that all employee complies with the evidence of worked hours in the assistance card. 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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March 31, 2020

To the Honorable Mayor
and the Municipal Legislature
Autonomous Municipality of Vega Baja
Juncos, Puerto Rico

In connection with our audit of compliance of the **Autonomous Municipality of Vega 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, 2019 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Autonomous Municipality of Vega 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 (*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 March 31, 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 March 15, 2019 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 or Unallowed and Allowable Costs/Cost Pinciples

We performed a test related with the Section 8 Housing Choice Voucher Program and Community Disaster Loans Program and found the following:

CFDA No.	Deviation	Cases
14.871	The disbursement vouchers were not available at the time of our evaluation	1
97.030	The municipality did not document adequately the request for proposals.	1

Recommendation:

We recommend the Municipality improves its internal control methods and procedures in order to ensure that the supporting documents are completed. Also, we recommend that the municipality establish internal control to safeguard disbursement vouchers.

B. Eligibility

We performed a test related with the Section 8 Housing Choice Voucher and found the following:

CFDA No.	Deviation	Cases
14.871	The municipality did not consider all dependents for the HAP calculation.	1
14.871	The municipality did not consider the disability for the participant HAP calculation.	1

Recommendation:

We recommend that the Municipality strengthens its internal control procedures in order to assure that all dependents and their conditions be considered for HAP calculation.

C. Reporting – Financial Administration

We performed a Reporting Test of the Community Development Block Grant and Section 8 Housing Choice Voucher Program and revealed the following exception:

CFDA No.	Deviation	Cases
14.218	The Reports were submitted between 66 and 167 days late.	3
14.871	Difference between the information presented in the Voucher Management System and the Municipality accounting.	4
14.871	The Municipality did not comply with the use of 95% of the assigned vouchers. .	4

Recommendation:

We recommend that the Municipality strengthens its internal control procedures in order to submit reports on the established dates. Also the municipality most verifies and reconciliate the accounting before submit the information in the Voucher Management System. The municipality have to strengthens its procedures in order assure that complies with the minimum use of the 95% of the assigned vouchers.

D. Special Tests and Provisions

We performed the Housing Quality Standards Inspections of the Section 8 Housing Choice Voucher and revealed the following exception:

CFDA No.	Deviation	Cases
14.871	The participant did not pass the annual inspection, but there was no evidence of the second inspection or the fixes deficiency.	1

Recommendation:

We recommend strengthening its internal control procedures in order to assure that Municipality makes the second re-inspections to verify that the participant has complied with the correction of deficiency established in the first inspection.

D. Special Tests and Provisions (Continued)

We performed the Program Governance test of the Head Start an Early Head Start Program and revealed the following exception:

CFDA No.	Deviation
93.600	The municipality does not provide evidence of an licensed attorney as part of the program governance body

Recommendation:

We recommend that the Municipality strength its internal control procedures in order to assure that Governance Body include all members established by the program.