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

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

June 30, 2021

To the Honorable Mayor
And the Municipal Legislature
Municipality of Coamo
Coamo, Puerto Rico

In connection with our audit of the basic financial statements of the **Municipality of Coamo** as of and for the year ended June 30, 2020, 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 tests over the **Municipality of Coamo** 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 June 30, 2021, contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated June 30, 2021, 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 June 30, 2021, on the financial statements as of and for the year ended June 30, 2020.

We 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 thirty-nine (39) disbursement vouchers of General Fund, nine (9) of Joint Resolutions, eleven (11) disbursement vouchers of Community Disaster Loan, and one (1) disbursement voucher of Housing Choice vouchers. The following will summarize the internal control deviations noted:

Deviation	Cases
The disbursement voucher was not marked as paid.	3
Lack of segregation of duties in the receiving control.	3
The purchase order was prepared after the invoice date.	11
The functionary who requested the quotation did not include their name in the procurement process.	1
The disbursement voucher did not contain an authorized receiving report.	1
The disbursement voucher did not contain all required approvals.	1
We did not obtain evidence of three quotations in the procurement process.	1

Recommendation:

We recommend that the Municipality should improve its internal control, assuring that all disbursement vouchers are complete during the disbursement approval process, segregation of duties should be established by assigning functionaries with no relation to purchasing certify the goods received, purchase orders must be created prior to invoices received in order to properly state possible encumbrances, these additions should promote a better internal control structure.

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

In this process, we examined twenty-five (25) employee's files. The following will summarize the internal control deviations noted:

Deviation	Cases
Employee's compensation as per Change Report (OP-15 Form) did not agree to payroll register.	1
Employee's academic preparation evidence was not found in the file.	2
Vacation or sick leave license was not computed correctly.	4
Employee's position per Change Report (OP-15 Form) did not agree with the sick and leave detail prepared by client.	4

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation and for verification of employee information and documents that need revision. Also, we recommend that the Human Resources Department should review the License Record Detail to assure that the balance presented agrees with the compensated absences while also ensuring employee discounts are performed correctly each period. During the issuance of Change Reports and hiring's, employee compensation and positions should agree to the Retribution and Classification Plan.

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C. Bids

In this process, we examined ten (10) bids. The following will summarize the internal control deviations noted:

Deviation	Cases
The State Insurance Fund Policy was dated after the signing of the project contract.	1

Recommendation:

We recommend that the Municipality should review the adjudicating bidders' file prior to the signing of the contract associated with the bid to ensure that all documentation is in accordance and complete.

D. Cash Receipts

During this process, we examined twenty-five (25) cash receipts. The following will summarize the internal control deviations noted:

Deviation	Cases
The collection receipt amount could not be recalculated by auditor.	1

Recommendation:

We recommend the Municipality should improve the internal controls over cash collections and receipts, by establishing a better system of documentation filing and record keeping that is organized by tax payers, types of tax or revenue sources, fiscal years, periods and any other document tagging or identification that allows access for timely retrieval of documentation.