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 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, 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 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 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 will hope to provide our services to 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 six-teen (16) disbursement vouchers of Community Disaster Loan, three (3) of Federal Emergency Management Agency, four-teen (14) disbursement voucher of Child Care and Development Block Grant, five (5) disbursement voucher of Corona Virus Relief Fund and thirty-eight (38) disbursement vouchers of the General Fund for a total of seventy-six (76) vouchers. The following will summarize the internal control deviations noted:

Deviation	Cases
The purchase order was prepared after services were rendered.	3

Recommendation:

We recommend that the Municipality should improve its internal control and procedures by immediately creating purchase orders after receiving all approvals in order to assure that the purchase orders are created before invoices to accurately reflect obligations.

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

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

Deviation	Cases
Employee's regular license card contained mathematical miscalculations in the accumulation and deduction process.	2
Employee's compensatory time balance contained miscalculations in the accumulation and deduction process.	1
The employee's position did not agree to the "Plan de Retribución y Clasificación".	1
The employee's salary did not agree to the "Plan de Retribución y Clasificación".	1

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

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation. Employee's positions and salaries should be confirmed with the approved plan to assure positions and salaries are in accordance with the criteria. Employee's accumulated or deducted compensated absences should be traced back and recalculated to dates and periods accumulated or deducted to assure accuracy in balances.

C. Bids

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

Deviation	Cases
The Payment and Performance Bond related to the project was not found on file.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure completeness of documentation. The Municipality must ensure all documentation required is complete before the signing of contracts.

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