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, 2022

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

In connection with our audit of the basic financial statements of the **Autonomous Municipality of Arroyo** as of and for the year ended June 30, 2021, 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 Arroyo'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 March 31, 2022 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 31, 2022 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, 2022 on the financial statements as of and for the year ended June 30, 2021.

We will hope to provide our services to you in the next fiscal year audit. Thank you for your trust in our Firm.

Very truly yours,

Ángel Alfredo López Vega
President
López-Vega, CPA, PSC

I. Financial Matters

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

Our test of twenty-five (25) employee files revealed the following:

Deviation	Cases
• There is no evidence of the academic preparation.	4

Recommendation:

We recommend the Municipality to improve its procedures to assure that the Human Resources Department maintains updated employees' files.

B. Expenditures for Goods and Services and Accounts Payable – Purchasing

During our examination of the Municipality's procedures related to the purchasing and receiving process, we examine one (1) disbursement voucher of Section 8 Moderate, one (1) disbursement voucher of FCPM, one (1) disbursement voucher of "Balneario", eight (8) disbursement vouchers of Federal Emergency Management Agency (FEMA), ten (10) disbursement vouchers of Insurance, two (2) disbursement vouchers of Rural Grants, five (5) disbursement vouchers of Community Development Block Grant, four (4) disbursement vouchers of Joint Resolution, fifteen (15) disbursement vouchers of COVID-19 Tracking, six (6) payroll payment electronic transfers with Community Disaster Loan funds and seven (7) disbursement vouchers of the General Fund for a total of sixty (60) vouchers. The following will summarize the internal control exceptions noted:

Deviation	Cases
• Disbursement Voucher does not were canceled or marked as paid the documents along it.	7
• Purchase Order was not made in accordance with applicable laws and regulations	11
• Disbursement Voucher did not have evidence of invoice.	6
• Disbursement was charged incorrectly as to account.	15
• Disbursement Voucher do not have Receiving Report or the certification of the Municipality's employee who have knowledge of the receiving of the goods or services.	6

B. Expenditures for Goods and Services and Accounts Payable – Purchasing (continued)

Deviation	Cases
• Disbursement Voucher not Approved due to incomplete signatures.	13
• Disbursement Voucher do not have Approved and Prenumbered Purchase Order.	14
• Original Invoice is not signed by the supplier.	1
• Original Invoice do not have the disclaimer of conflict of interest.	7
• The functionary who asks for the quotations do not include its name, title, and signature in each stage of the quotation's process.	1

Recommendation:

We recommend management to improve its monitoring procedures to assure that disbursements include all the supporting documents and approvals in compliance with laws and regulations.

C. Bids

Our test of five (5) bids files revealed the following:

Deviation	Cases
The file does not have evidence of the execution of "Performance Bond" and "Payment Bond".	2

Recommendation:

We recommend that the Bid Board do not proceed with the adjudication of the contract without having all the required documents from the bidders. The Bid Board must be certain that the bidders deliver the Performance Bond and the Payment Bond before the agreement is made.