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

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

July 13, 2022

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

In connection with our audit of the basic financial statements of the **Municipality of Cayey** 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 tests over the **Municipality of Cayey** 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 July 13, 2022, contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated July 13, 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 July 13, 2022, on the financial statements as of and for the year ended June 30, 2021.

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

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 six (6) disbursement vouchers of Federal Transit Administration, five (5) of Section 8 Housing Choice Vouchers Program, sixteen (16) disbursement vouchers of General Fund, eleven (11) disbursement vouchers of Coronavirus Relief, sixteen (16) vouchers of Head Start, one (1) voucher of Early Head Start, six (6) vouchers of Head Start Recovery, five (5) vouchers of Head Start Covid and two (2) vouchers of Early Head Start Covid for a total of sixty-eight (68) vouchers. The following will summarize the internal control deviations noted:

Deviation	Cases
The disbursement voucher did not contain all authorized signatures.	2
The disbursement voucher documents were not marked as paid.	1
The disbursement was not charged to the correct account.	1
The disbursement voucher and all supporting documents were not available.	1

Recommendation:

We recommend that the Municipality should improve its internal control, assuring that all disbursement vouchers are complete during the disbursement approval process, a check list system that details the approval process, the concept of the payment, the key documents and amounts should promote a better internal control structure.

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

In this process, we examined five (5) employee's files from the Municipal Hospital, five (5) from the COVID-19 Tracing and Surveillance Fund, four (4) from the Office of Federal Programs, three (3) from the FTA Program, four (4) from the Head Start Recovery Program and four (4) from the Head Start Program for a total of twenty-five (25) employee's files. The following will summarize the internal control deviations noted:

Program	Deviation	Cases
Head Start Recovery	Employee's assistance cards balances did not agree with the compensated absences cards balances.	1
Municipal Hospital	Employee's position was not created in the "Plan de Retribución y Clasificación"	1

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation. The Municipality should verify the employee information and documents that need revision. Also, we recommend that the Human Resources Department should review the License Record Detail to guarantee 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 with the Retribution and Classification Plan.

C. Bids

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

Deviation	Cases
Contract amendments were not made to increase the project amounts as obligated on Purchase Orders.	4
We were not able no trace Purchase Orders to signed contracts.	1
Bid files did not contain the General Liability Insurance.	1

C. Bids (continued)

Recommendation:

We recommend that the Municipality establishes a centralized bid file were all the required documentation can be found. The Bid Board should 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 General Liability Insurance before the agreement is made. Communication must be established between the Department of Finance and the Bid Board to make sure that: 1) a Purchase Order is prepared for each signed contract and every amended agreement; 2) All the changes orders that exceeds the original contract amount need the corresponding contract amendment.

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July 13, 2022

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

In connection with our audit of compliance of the **Municipality of Cayey** 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, 2021 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Cayey** 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, 2021, 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 July 13, 2022, 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 July 13, 2022, on the financial statements as of and for the year ended June 30, 2021.

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
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II. Compliance Matters

A. Eligibility and Special Tests and Provisions - Housing Assistance Payment (HAP)

We performed an eligibility test related to Section 8 Housing Choice Vouchers Program (Assistance Listing 14.871) and we found the following:

Assistance Listing No.	Deviation	Cases
14.871	We found immaterial differences in Housing Assistance Payments calculations.	4

Recommendation:

We recommend the Municipality improves its internal control methods and procedures to ensure that the HAP calculation is correct.