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

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

September 30, 2022

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, 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 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 September 30, 2022 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated September 30, 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 September 30, 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

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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, thirty-four (34) disbursement vouchers of General Fund and eighteen (18) disbursement vouchers of Coronavirus Relief Fund for a total of seventy-seven (60) vouchers. The following will summarize the internal control deviations noted:

Deviation	Cases
There are some documents were not marked as paid.	9
The purchase order did not contain all authorize signatures.	1
The requisition did not contain all authorize signatures.	3
The invoice did not contain all signatures.	1
The purchase order was created after receiving the invoice from the supplier.	2

Recommendation:

We recommend that the Municipality should improve its internal control, assuring that all disbursement vouchers are complete during the disbursement approval process, should be established a check list system that details the approval process the concept of the payment, uniformity in the authorized signatures on all documents, effective dates, the key documents and amounts, this should promote a better internal control structure. It's of the most importance to maintain uniformity in internal disbursement controls.

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

In this process, we examined twenty (20) employee's files. The following will summarize the internal control deviations noted:

Deviation	Cases
There are immaterial differences between Accumulative Card and Compensated Absences Details.	2
Employee do not fulfill the minimum requirements established by the Retribution and Classification Plan.	1

Recommendation:

We recommend that the Human Resources Department should review the License Record Detail for guarantee that the balance presented agrees with the compensated absences while also ensuring employee discounts are performed correctly each period in the correct time. During the issuance of Change Reports and hiring's, employee compensation and positions should be agreed to the Retribution and Classification Plan.