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
Municipality of Yabucoa
Yabucoa, Puerto Rico

In connection with our audit of the basic financial statements of the **Municipality of Yabucoa** 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 **Municipality of Yabucoa'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,

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

I. Financial Matters

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

Our test of fifty (50) employee files revealed the following:

Deviation	Cases
• Employee does not have the required academic preparation to fill the position.	1
• Change report is not updated when there are transfers due to necessity in other departments.	3
• Change report in the employee's file indicates that the employee's status is transitory and on the payroll he/she is paid regular salary.	1
• The employee's file include the W-4 form incomplete.	12
• The employee's file includes the Immigration Form (I-9) incomplete.	15
• Compensation exceeds the maximum according to the Personnel Guidelines for Head Start/Early Head Start Program Areas.	3
• Employee file does not contain evidence of CDA credentials required for their position.	3
• Regular vacations and sick vacations days per Compensated Absences Cards did not agrees with the Compensated Absences Detail prepared by Client.	14
• Employee's position per employee's file did not agrees with the employee's position included on the compensated absences detail prepared by client.	1

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 two (2) disbursement vouchers of Head Start, three (3) disbursement vouchers of Head Start (payroll), two (2) disbursement vouchers of Yabucoa's CDT, eleven (11) disbursement vouchers of Federal Emergency Management Agency (FEMA), fifteen (15) disbursement vouchers of Head Start Disaster Recovery, one (1) disbursement voucher of Building-Federal Account, five (5) disbursement vouchers of Community Development Block Grant, eleven (11) disbursement vouchers of Special Funds, four (4) disbursement vouchers of COVID-19 CRF and seven (7) disbursement vouchers of the General Fund for a total of sixty-one (61) vouchers. The following will summarize the internal control exceptions noted:

Deviation	Cases
• Disbursement was charged incorrectly as to account.	12
• Disbursement Voucher do not have evidence of the Requisition.	13
• Disbursement Voucher do not have evidence of invoice.	6
• Disbursement Voucher do not have evidence of the Requisition and the Purchase Order.	3
• 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.	11
• Disbursement Voucher do not have the sign of the Finance Director or his representative.	1
• Disbursement Voucher do not have the evidence of payment (cancelled check or EFT report).	3
• Purchase Order issued after the receiving of good or services.	7
• Purchase Order was not made in accordance with applicable laws and regulations.	9
• There is not a certification of adjudication, the selected quote was not the lowest quotation.	1

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

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
No Adjudgment Letter was sent to the awarded bidder.	1
Non-adjudgment Letter not mailed.	1
There is no evidence that the contractor paid the patent related to the project in the bid file.	3
There is no evidence that the contractor paid the taxes related to the project in the bid file.	3
There is no evidence of the Bid Bond required from contractors and/or the suppliers to participate in the bid process for one bidder out of three bidders in total.	1

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.