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 21, 2023

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, 2022, 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 March 21, 2023, contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 21, 2023, 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 21, 2023, on the financial statements as of and for the year ended June 30, 2022.

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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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 twenty (20) disbursement vouchers of Coronavirus Relief Fund, three (3) of Coronavirus State and Local Fiscal Recovery Funds and thirty-seven (37) disbursement vouchers of General Fund for a total of sixty (60) vouchers. The following will summarize the internal control deviations noted:

Deviation	Cases
Documents along the disbursement voucher were not marked as paid.	11
The requisition was not authorized by all parties.	2
The purchase order was not prepared before the contract agreement was signed.	1
The invoice is not mathematically correct.	1

Recommendation:

We recommend the Municipality to improve its internal control, assuring that all disbursement vouchers are complete during the disbursement approval process. The Municipality should implement a checklist system that details the approval process to make sure that all signatures and documents are complete before the payment is disbursed.

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

In this area, we examined ten (10) employee's files from the Coronavirus Relief Fund, fifteen (15) from the Coronavirus State and Local Fiscal Recovery Funds and two (2) from different offices of the Municipality, for a total of twenty-seven (27) employee's files. The following will summarize the internal control deviations noted:

Deviation	Cases
The form I-9 was not completed.	1
The updated direct deposit authorization sheet was not in the file.	7

Recommendation:

We recommend the Human Resources Department to improve its internal controls by implementing a checklist system to make sure that all required documents related to the hiring and payroll process are complete and up to date.