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 20, 2024

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, 2023, 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 20, 2024, contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 20, 2024, 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 20, 2024, on the financial statements as of and for the year ended June 30, 2023.

We hope to provide our services to 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

Financial Matters

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

During our audit procedures, we examined nine (9) employee's files from the Child Care and Development Block Grant Program, nine (9) from the Coronavirus State and Local Fiscal Recovery Funds and seven (7) from different offices of the Municipality, for a total of twenty-five (25) employee's files. The following will summarize the internal control deviations noted:

Deviation	Cases
The form I-9 was not completely filled.	5
The updated direct deposit authorization sheet was not on the file.	1
The time taken by the employee was not properly deducted from the employee balance of compensated absences.	2

Recommendation:

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