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 25, 2016

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

In connection with our audit of the basic financial statements of the Municipality of Vega Baja as of and for the year ended June 30, 2015, 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 Vega Baja'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 SAS 115 "Communicating Internal Control Related Matters Identified in an Audit". A separate report dated March 25, 2016 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 25, 2016 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 25, 2016 on the financial statements as of and for the year ended June 30, 2015.

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. Expenditures for Goods and Services and Account Payables – Purchasing and Receiving

During our examination of the Municipality's procedures related to the purchasing and receiving process, we examined sixty (60) disbursements vouchers and found the following situations:

Deviation	Cases
• The documents in the disbursement voucher were not marked as paid.	5
• The disbursement voucher does not include the original invoice.	2
• The disbursement voucher does not include the requisition.	2
• The disbursement voucher does not include required quotations.	5
• The disbursement voucher does not include the receiving report or certification of the functionary who received goods or services.	2

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that disbursement vouchers contain all supporting documents and approvals before making the payments.

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

Our test of thirty (30) employee files revealed the following:

Deviation	Cases
• The employee's file did not include the W-4 Form.	1

Recommendation:

We recommend the Municipality to improve its procedures to assure that the Human Resources Department maintains updated employees files and include updated License Record Reports for all employees.

C. Cash – Receipts

Our test of thirty (30) cash receipts transactions revealed the following:

Deviation	Cases
For the audited period, the supporting documents were not found.	5
There is no evidence to support the collection.	2

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that the cash receipts and revenue register procedures are documented as established by regulation.