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

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

November 30, 2015

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

In connection with our audit of the basic financial statements of the **Municipality of Cayey** 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 Cayey'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 112 "Communicating Internal Control Related Matters Identified in an Audit". A separate report dated November 30, 2015 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated November 30, 2015 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 November 30, 2015 on the financial statements as of and for the year ended June 30, 2015.

We will hope to provide our services you in the next fiscal year audit. Thank you for your trust in our Firm.

Very truly yours,

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

Calle Paraná #1686, El Cerezal, San Juan, P.R. 00926-3144 – Tel. (787) 777-8044 / Fax (787) 764-9377

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 twenty-one (21) disbursement vouchers which belonged to the 21st Century Community Learning Centers Program, fifteen (15) disbursement vouchers of Community Development Block Grant-Entitlement Program, nineteen (19) which belonged to Head Start. The following will summarize the internal control exceptions noted:

CFDA No.	Deviation	Cases
84.287, 93.600, 43.218	The disbursement voucher was not include the required number of quotations.	7
84.287	The disbursement voucher was not include the original supplier invoice.	2
93.600 43.218	The certification of receiving of the goods or services made by the Municipality's employee was not included in the disbursement voucher file.	4

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that all disbursement vouchers contain all supporting documents before making the payment and are issued according to the applicable laws and regulations.

B. Payroll and Related Liabilities – Payroll Preparation and Timekeeping

Our test of twenty five (25) employee files revealed the following:

Deviation	Cases
The sick vacations days per compensated absences cards do not agree with the compensated absences detail prepared by client.	6
The regular vacations days per compensated absences cards do not agree with the compensated absences detail prepared by client.	2

Recommendation:

We recommend that the Municipality should review the personnel's files to assure completeness of the required documentation and perform periodically follow-up procedures in order to update such files. Also, we recommend that the Human Resources Department should review the License Record schedule to correct any discrepancy.

D. Cash Receipts

Our test of twenty six (26) cash receipts files revealed the following:

Deviation	Cases
The evidence of the deposits was not available for our review.	3
The evidence of the pre-numbered receipts was not available for our review.	1

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.

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November 30, 2015

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

In connection with our audit of compliance of the **Municipality of Cayey** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each major federal programs for the year ended June 30, 2015 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Cayey's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As a result of our evaluation, we noted certain immaterial matters involving the internal control over compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each major federal programs for the year ended June 30, 2015, as identified in the summary of auditors' results section of the schedule of findings and questioned costs, where procedures should be improved and administrative controls strengthened. This letter summarizes our comments and suggestions. These comments are not significant enough to be considered significant deficiencies as defined by SAS 112 "Communicating Internal Control Related Matters Identified in an Audit". A separate report dated November 30, 2015 contains our report on compliance with the types of compliance requirements described in the *US. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and our report on internal control over such compliance requirements. This letter does not affect our report dated November 30, 2015 on the financial statements as of and for the year ended June 30, 2015.

We will hope to provide our services you in the next fiscal year audit. Thank you for your trust in our Firm.

Very truly yours,

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

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II. Compliance Matters

A. Cash Management

In our audit of fund requisitions and cash management requirement of the Twenty First Community Learning Centers Program and Head Start Program we found the following deviations:

CFDA No.	Deviation	Cases
84.287	The request of funds system kept by Department of Education with the Municipality did not provide the Program to disburse these cash advances on a reasonable lapse of time. This situation causes that the program maintain an excessive cash balance during the year in the bank account.	Overall
84.287	The first request of fund was made thirty-three (33) days after the date established in the grant agreement.	Overall
93.600	The request of funds system maintained by the Municipality and the pass-through agency did not provide the Program to disburse these cash advances on a reasonable lapse of time.	Overall

Recommendation:

We recommend to the Management of the Twenty First Century Community Learning Centers CFDA No. 84.287 strengthen its controls and procedures in order to assure compliance with the agreement and to establish a procedure that permits disburse the fund in a reasonable lapse of time required by laws and regulations. Also, we recommend that the Management provide to the accountant of the Program the grant agreement immediately after the signed of the same. We recommend to the Head Start Management to strengthen its controls and procedures in order to assure that the disbursements will be made between the time required by laws and regulations. The payroll advances of three (3) fortnights that the Program receive contributes to elevates the cash balance, is for this reason that we recommend to the Management not make the request of the payroll advances or make only part of this request.

B. Equipment & Real Property Management

During our compliance audit of the equipment and real property management requirement of the Twenty First Century Community Learning Centers Program and Head Start Program, we found the following situations:

CFDA No.	Deviation	Cases
84.287	We found that the equipment not have the required property tag number.	1
93.600	The equipment acquired during the year was not included in the property records.	2
93.600	We found difference between cost information detailed in the property records versus the cost information contained in the supplier invoice.	1

Recommendation:

We recommend Program's Management to strengthen its procedures of property management especially in the task of place the required property tags to the equipment acquired as established by the Department of Education. We recommend to the Management of the Head Start Program to strengthen its procedures of property management especially in the additions of equipment for the year and the cost information contained in the property records for a complete tracking of goods acquired and a reconciliation of the information.

C. Special Tests and Provisions – Participant and Professional Services File Tests

In our revision of the participants and professional services contracted by the Program Twenty First Century Community Learning Centers during the fiscal year 2014-2015, we found the following situations:

CFDA No.	Deviation	Cases
84.287	We did not found evidence of the pre-test offered by the teacher.	6
84.287	We did not found evidence of the employee evaluation by the Coordinator.	2
84.287	We did not found the Good Behavior Certificate.	3
84.287	We did not found the Health Certificate.	1
84.287	The participant application's for participation was not complete.	4
84.287	We did not found evidence of the post-test offered by the teacher.	7

Recommendation:

The Program should strengthen its internal supervisory quality controls in order to ensure performance and compliance of the procedures. Also, the management should train their staff on the file documentation and verification process.