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 18, 2016

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

In connection with our audit of the basic financial statements of the **Municipality of Yauco** 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 Yauco'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 18, 2016 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 18, 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 18, 2016 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 Accounts Payable – Purchasing

We performed a cash disbursement test and examined two (2) payments which belonged to Neighborhood Stabilization Program, two (2) which belonged to Disaster FEMA, five (5) which belonged to Community Development Block Grant-Entitlement Grant, three (3) which belonged to Federal Transit Administration, one (1) which belonged to Community Oriented Policing Services, eighteen (18) which belonged to Special Funds. The following will summarize the internal control exceptions noted:

Deviation	Cases
The disbursement voucher was not sign by the official payer.	6
The disbursement voucher had one quotation only.	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.

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March 18, 2016

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

In connection with our audit of compliance of the **Municipality of Yauco** 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, 2014 as identified in the summary of auditors' results section of the schedule of findings and questioned costs, we considered the **Municipality of Yauco'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 117 "Compliance Audit'". A separate report dated March 18, 2016 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 March 18, 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,

Ángel Alfredo López Vega
President

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II. Compliance Matters

A. Cash Management

Our test of eight (8) cash advances or requisitions from the Community Development Block Grants – Entitlement Program revealed the following:

CFDA No.	Deviation	Cases
14.218	The time elapsed between the deposit of the requisition to the disbursement exceeded the time required by the program. (Disbursements made between four (4) to fifteen (15) days after the deposit was made.)	3

Recommendation:

We recommend 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.

B. Special test and Provisions – Housing Rehabilitation

Our reporting test of the Community Development Block Grants –Entitlement Program revealed the following:

CFDA No.	Deviation	Cases
14.218	The final inspection has the same date of final inspection.	2

Recommendation:

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