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 27, 2016

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

In connection with our audit of the basic financial statements of the **Autonomous Municipality of Dorado** 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 **Autonomous Municipality of Dorado'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 27, 2016 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 27, 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 27, 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

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

I. Financial Matters

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

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

Deviation	Cases
• The employee's file did not include the W-4 Form.	1
• The net amount per payroll and the gross wage rate does not agree with the evidence of the direct payment stub.	2
• The employee was not included in the Compensated Absence Detail prepared by client.	5

Recommendation:

We recommend the Municipality to improve its procedures to assure that the Human Resources Department maintains updated employees files.

B. Bid Test

Our test of ten (10) bid files revealed the following:

Deviation	Cases
• There was no evidence of certified mail delivery.	1
• There was no evidence of the adjudgment letter being delivered.	2
• There was no evidence of the Bid Bond.	1

Recommendation:

We recommend the Municipality to improve its procedures to assure that maintains updated bid files.

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 27, 2016

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

In connection with our audit of compliance of the **Autonomous Municipality of Dorado** 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 **Autonomous Municipality of Dorado'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 27, 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 27, 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,

Angel 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

II. Compliance Matters

A. Cash Management- Average Balance

During our Cash Management Test of Early Head Start Program, we found the following situations:

Program	Deviation
93.600	During one (1) month the bank reconciliation reflects an overdraft.

Recommendation:

We recommend management to follow cash management system procedures developed by it in order to assure that funds requested are disbursed as required by regulation.

B. Reporting Test

In our Reporting Test of Head Start Program, we found the following situations:

Program	Deviation
93.600	We found differences between the amounts in the Federal Financial Report and the programs General Ledger.

Recommendation:

We recommend the Program to establish monitoring procedures to assure the accuracy of accounting records and a correct completion of the closing reports.

C. Matching Share Test

In our Matching Share Test of Head Start Program, we found the following situations:

Program	Deviation
93.600	We found differences between the amounts in the Federal Financial Report, General Ledger and Monthly Reports.

Recommendation:
The Program fiscal area most assures that accounting records are updated at the end of each month in order to prepare accurate reports to the federal agency.