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

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

February 22,2016

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, 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 Cataño'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 February 22, 2016 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated February 22, 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 February 22, 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.

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

I. Financial Matters

A. Expenditures for Goods and Services and Accounts Payable – Purchasing and Receiving

We performed a cash disbursement test and examined a sample of sixty (60) disbursement vouchers. The following will summarize the situations noted:

Deviation	Cases
The voucher was not approved by the responsible official.	3
The purchase of order was not signed by the department director.	1
The invoice was not original.	2
There was no evidence of the purchase of order	1
Documents were not marked as paid.	1
The invoice was not dated.	2
Requisition was not signed by the Finance Director.	1
Invoice and services was received before purchase of order.	2

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that disbursement vouchers are documented as established by regulation and disbursement process is followed as established by law.

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

Our test of fifteen (15) employee's files revealed the following:

Deviation	Cases
The regular vacations per Compensated Absences Cards did not agree with the regular vacations per Accrued Compensated Absences Detail prepared by the Municipality.	1
The I-9 form was not signed by the employer.	2
We did not find evidence of the W-2 Form, in the employee's file.	1
The salary reported on 6/30/2015 payroll does not match as authorized in the last Change Report of the employee.	1

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 Detail to correct any discrepancy.

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February 22, 2016

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

In connection with our audit of compliance of the **Municipality of Cataño** 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 Cataño'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 February 22, 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 February 22, 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.

Cordially,

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

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II. Compliance Matters

A. Allowable Activities

I. Housing Rehabilitation Test

Our test of six (6) participants' files of the Community Development Block Grant – State's Program revealed the following:

CFDA No.	Deviation	Cases
14.228	We did not found evidence of the participant's contract in the file.	1
14.228	We did not found evidence of Pre-Inspection in the participant file.	1
14.228	The contract was not dated.	1

II. Housekeeper Test

Our test of six (6) participants' files of the Community Development Block Grant – State's Program revealed the following:

CFDA No.	Deviation	Cases
14.228	We did not found evidence of approval (OCAM-AH-004A.)	6
14.228	Four evaluations were not signed by the participant (11/14/2014, 12/2/2014, 1/13/2015, and 1/30/2015).	1

Recommendation:

We recommended management to strengthen its controls and procedures in order to assure that the Program complies with all requirement documentation in the files as established by the program.

B. Program Income

We performed a program income test related with the Community Development Block Grant – State's Program and found the following:

CFDA No.	Deviation	Cases
14.228	The program income reports related with the quarters October-December 2014 were not available for our review.	1