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 10, 2015

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

In connection with our audit of the basic financial statements of the **Municipality of Patillas** as of and for the year ended June 30, 2014, 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 Patillas** 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 10, 2015 contains our report on significant deficiencies in the Municipality's internal control structure, and separate report dated March 10, 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 March 10, 2015 on the financial statements as of and for the year ended June 30, 2014.

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

I. Financial Matters

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

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 disbursement vouchers were not properly complete.	27
The purchase order was issued after the receiving of good or services.	4
Purchase order was not signed.	2
The canceled check was not included in the voucher.	15
The disbursement voucher was not marked as paid.	15
The document does not have all the signatures needed.	22
The purchase order is not included.	1
Disbursement voucher was not available for our test	1

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.

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

Our test of twenty (20) employee files revealed the following:

Deviation	Cases
The direct deposit amounts not agree with the net income amount presented in the payroll of the employee. The difference was immaterial.	2
The Form W4 was not available for our examination.	3
The I-9 form was not found in the employee file.	3
The I-9 form was not properly completed.	2
The gross wage per payroll did not agree with the change report.	1

Recommendation:

We recommend that the Municipality should improve its internal control and procedures in order to assure that the employee's files included all required documents. We also recommend a monitoring process in order to assure the accuracy of the documentation and the correction of the errors founded in a reasonable lapse of time.

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March 10, 2015

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

In connection with our audit of compliance of the **Municipality of Patillas** 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 Patillas** 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, 2014, 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 10, 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 March 10, 2015 on the financial statements as of and for the year ended June 30, 2014.

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

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II. Compliance Matters

A. Cash Management

In our compliance audit of the cash management requirement we examined third-teen (13) fund requisitions of the CDBG State Program and six (6) of the Head Start program, we found the following situation:

Program CFDA No.	Deviation	Cases
14.228 93.600	We found a difference of more than three (3) days between the day the Municipality received the funds and the disbursement day, which five (5) belonged to CDBG and six (6) belonged to Head Start.	11

Recommendation:

We recommend Management strengthens its disbursement procedures to minimize the time elapsed between the transfer of funds and the disbursements made by the Municipality.

B. Davis Bacon Act

We examined one (1) contract formalized by the Municipality during fiscal year ended on June 30, 2014. The following will summarize the situations noted:

Program CFDA No.	Deviation	Cases
14.228	On-site visits were not performed to monitor classifications of workers and wage rates paid to them.	1
14.228	The contractor was not informed about the Davis Bacon Act before signing the contract with the Municipality.	1

Recommendation**:**

We recommend management should establish defined procedures to monitor the enforcement of the Davis-Bacon Act's regulation.

C. Reporting Test

In our reporting test for year ended on June 30, 2014, we noted the following situation:

Program CFDA No.	Deviation	Cases
14.228	The second quarter report was not submitted in time.	1
14.228	We found differences between the quarter report and the mayor general.	1

Recommendation:

We recommend management to maintain the quarter reports and accounting reports up to date and do the proper adjustments.

D. Special tests and provisions

Our test of ten (25) waiting list compliance and the waiting list internal control revealed the following situations:

Program CFDA No.	Deviation	Cases
14.871	The waiting list files do not have confirmation letter evidence which indicated that the applicant was not accepted in the program.	10
14.871	The Municipality maintains multiple waiting lists.	1

Recommendation:

We recommend management to maintain the quarter reports and accounting reports up to date and do the proper adjustments also to maintain just one waiting list to avoid skips.