

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY**

**INDEPENDENT AUDITORS' REPORT AND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
(WITH THE ADDITIONAL REPORTS AND INFORMATION
REQUIRED UNDER TITLE 2 U.S CODE OF FEDERAL
REGULATIONS PART 200)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
FISCAL YEAR ENDED JUNE 30, 2021
TABLE OF CONTENTS**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

PART I – FINANCIAL SECTION:

Independent auditors’ report.....	1 - 3
Statement of Cash Receipts and Disbursements.....	4
Notes to the Statement of Cash Receipts and Disbursements.....	5 - 19

PART II – SINGLE AUDIT SECTION

Supplementary Information

Schedule of Expenditures of Federal Awards.....	20 - 21
Notes to the Schedule of Expenditures of Federal Awards.....	22 - 24

Compliance Section

Independent auditors’ report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards.....	25 -26
Independent auditors’ report on compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	27 -30
Schedule of Findings and Questioned Costs.....	31 - 51
Summary Schedule of Prior Year Audit Findings.....	52 - 55
Corrective Action Plan.....	56 - 63

FIRM’S QUALITY CONTROL REVIEW	64 - 65
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PART I – FINANCIAL SECTION



LEADING BUSINESS SOLUTIONS

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

Honorable Ciení Rodríguez-Troche
Secretary of the Department of the Family
San Juan, Puerto Rico

Report on the Financial Statement

We have audited the accompanying Statement of Cash Receipts and Disbursements (“the Statement”) of the Department of the Family of the Commonwealth of Puerto Rico (“the Department”) for the year ended June 30, 2021, and the related notes to the financial statement.

Management’s Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to error or fraud.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors’ judgment, including the assessment of the risk of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.



Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Department of the Family of the Commonwealth of Puerto Rico for the year ended June 30, 2021, in accordance with the cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the Statement, which describes the basis of accounting. The Statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other information

Our audit was conducted for the purpose of forming an opinion on the Department's Statement as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards*, and is not a required part of the Statement of the Department.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the Statement. Such information has been subjected to the auditing procedures applied in the audit of the Statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement or to the Statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of the Federal Awards is fairly stated in all material respects in relation to the basic Statement taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023, on our consideration of the Department's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our tests of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

D'Leady Business Solutions

D' LEADING BUSINESS SOLUTIONS, LLC.

Certified Public Accountants and Business Advisors

San Juan, Puerto Rico

December 6, 2023

Stamp number **E525282**

of the Puerto Rico Society
has been affixed to the original of this report.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Receipts			
Grants and contributions	\$ -	\$ 3,353,227,802	\$ 3,353,227,802
Legislative appropriations and other assignments	264,521,179		264,521,179
Total Receipts	<u>264,521,179</u>	<u>3,353,227,802</u>	<u>3,617,748,981</u>
Disbursements			
Grants, donations and other distributions	89,741,271	3,443,164,564	3,532,905,835
Salaries and fringe benefits	98,631,255	69,392,535	168,023,790
Contracted and other services	29,256,914	26,987,689	56,244,603
Professional services	10,212,765	22,729,385	32,942,150
Facilities and utilities	11,368,759	2,468,612	13,837,371
Capital outlays	2,110,865	10,447,809	12,558,674
Operating transfers	3,627,000	6,597,678	10,224,678
Materials	1,229,969	1,201,258	2,431,227
Transportation and subsistence	1,206,729	864,727	2,071,456
Other expenses, individually under \$2MM	2,255,362	5,309,783	7,565,145
Total Disbursements	<u>249,640,889</u>	<u>3,589,164,039</u>	<u>3,838,804,928</u>
Excess (Deficit) of Cash Receipts over Disbursements	<u>\$ 14,880,290</u>	<u>\$ (235,936,237)</u>	<u>\$ (221,055,947)</u>

See accompanying notes to the Statement of Cash Receipts and Disbursements

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Department of the Family (“**the Department**”) is an executive agency of the Commonwealth of Puerto Rico (“**the Commonwealth**”) created by Act No. 171 of June 30, 1968 and amended by Reorganization Plan Number 1 of July 28, 1995. The Department is responsible for carrying out the programs directed towards the solution or mitigation of social problems in Puerto Rico, including social services programs with emphasis on the rehabilitation of individuals and the interrelationships between individuals, families, and the community.

Through its actions or in coordination with other government or private organizations, the Department carries out programs of direct economic aid to needy persons, service for the welfare of children, youths, and disabled persons, rehabilitation and training programs, community improvement projects, programs for employing unemployed individuals, guidance programs for individuals and families, and any other activity which leads to the social improvement of individuals as well as of families and communities. The Secretary of the Department is appointed by the Governor of the Commonwealth.

The Department, which has ten regional offices and at least one service office in each municipality of Puerto Rico, is organized as follows:

1. Secretariat, which is responsible for the fiscal control, general administration, planning, coordination, supervision, and evaluation of the operations of the Department and its components. The Secretariat is responsible for documenting, evaluating, and adjudicating all disability claims made to the Social Security - Disability Insurance by insured workers, their widows (if between 50 and 59 years old), and disabled dependents that are at least 18 years old. Additionally, the Secretariat facilitates the procedures to obtain information and provides counseling to claimants.
2. The Families and Children Administration, is responsible for promoting and supporting the efforts of individuals, families, and communities contributing to its development and that of society. Accordingly, it facilitates social, educational, remedial, and preventive services directed to achieving better and more effective participation, equality, and social justice.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. The Child Support Enforcement Administration, which is responsible for procuring the compliance of i) non-custodial parents of minors under 21 years of age; ii) the descendent of individuals older than 60 years of age; and iii) the individuals legally responsible for contributing to the support and welfare of the children of elderly parents and, safeguarding their rights to receive alimony.
4. The Socioeconomic Development Administration, which is responsible for facilitating: i) the development of opportunities for socially and economically disadvantaged individuals to assist them in achieving self-sufficiency and integration to the social system in a productive manner and ii) the familiar and community common living.
5. The Integral Care and Development of the Children Administration, which is responsible for ensuring the care and development of minors who participate in the Head Start Program and the Child Care and Development Program.

The Secretary of the Department has oversight responsibilities over the Corporation of Industries of the Blind, Mentally Retarded, and Other Disabled People (“the CIB”), which is responsible for contributing to the social and economic rehabilitation of blind and disabled individuals. Although the Department has oversight responsibilities over the CIB, it is not included in the accompanying Statement since its operations are subject to a separate financial or single audit, as applicable.

Basis of presentation

The accounts of the Department are organized in two fund types: A General Fund and a Special Revenue Fund. The Department maintains appropriations for several individual state and federal funds within each fund type. The General Fund is the general operating fund used to account for the funds appropriated by the Legislature of the Commonwealth of Puerto Rico and is the fund through which most functions are typically financed. The Special Revenue Fund accounts for federal financial assistance programs funded by the Federal Government which are legally restricted to expenditures for specific purposes.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of accounting

The Statement of Cash Receipts and Disbursements has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, cash receipts and disbursements are recorded when cash is received or disbursed, respectively. Noncash transactions are not recognized in the Statement. Because the Department participates in a pooled cash arrangement as further discussed herein, cash receipts from Commonwealth appropriations are considered received when the related disbursement is made, except for cash receipts related to indirect cost and special accounts, which are recognized when cash is received.

The timing of cash receipts from the Federal Government may differ from the date federally funded payments are made. The Department draws amounts from the pooled cash account when federal funds have not yet been received and the same is replenished once the federal funds are received. All these factors in cash receipts recognition result in an excess of cash receipts over (under) disbursements at year-end.

Inventories

The Department purchases office, printing supplies, and other items for operational purposes. The cost of purchases is recorded as a cash disbursement in the financial statement.

Property and equipment

Property and equipment acquired are recorded as cash disbursements in the financial statement.

Risk management

The Puerto Rico Department of Treasury purchases commercial insurance covering casualty, theft, tort, claims, and other losses of the Department. The Department reimburses the Commonwealth for premium payments made on its behalf. The Department's current insurance policies have not been canceled or terminated. The State Insurance Fund Corporation, a component unit of the Commonwealth, provides workers' compensation insurance to the Department's employees.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Claims and judgments

The resulting liability for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded when paid.

**NOTE B - CASH WITH FINANCIAL INSTITUTIONS AND WITH FISCAL AGENT
(DEPARTMENT OF THE TREASURY OF THE COMMONWEALTH OF PUERTO
RICO)**

The funds of the Department are under the custody and control of the Secretary of the Puerto Rico Treasury Department pursuant to Act No. 230 of July 23, 1974, as amended, known as “Accounting Law of the Government of Puerto Rico”. The Treasury Department follows the practice of pooling cash and cash equivalents under the custody and control of the Secretary of the Treasury. The funds of the Department in such pooled cash accounts are available to meet its current operating requirements.

NOTE C - LEASE COMMITMENTS

The Department is a lessee under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, neither the assets nor the liabilities of the lease agreements are reflected in the accounting records. Certain leased property is from the Puerto Rico Public Buildings Authority (“the Authority”), a component unit of the Commonwealth of Puerto Rico. The Office of Management and Budget, along with the Puerto Rico Treasury Department are responsible for making these payments to the Authority on behalf of the Department. Rental expenses are recognized as disbursements when paid. Total approximate rental payments made during the year ended June 30, 2021, amounted to \$24,806,813 of which approximately \$6.4 million are included as facilities and utilities disbursements and approximately \$18.4 million are included as contracted and other services.

NOTE D – PENSION REFORM AND PLAN DESCRIPTION

(i) Pension Reform

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-4617 in order to convey to the Primary Government's agencies, public corporations and

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D – PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

municipalities, the new implementation procedures to adopt, effective, July 1, 2017, the new PayGo mechanism for all of the Commonwealth's Retirement Systems.

With the start of fiscal year 2018, employers' contributions, contributions ordered by special laws, and the Additional Uniform Contribution were all eliminated and replaced by a monthly PayGo charge that will be collected from the aforementioned government entities to pay retirees. The Commonwealth Retirement Systems will determine and administer the payment amount per retiree that will be charged to each agency, public corporation, and municipality. The PayGo charge must be submitted to the Treasury Department before the 15th day of each month along with the individual contributions withheld from active employees. As liquid retirement funds become depleted, the PayGo charge is expected to increase.

On June 23, 2017, the Legislative Assembly approved certain other assignments for fiscal year 2018 under Joint Resolution 188, which among other things, ordered the Commonwealth's Retirement Systems to liquidate their assets and pass the net proceeds to the Puerto Rico Treasury Department.

Act 106-2017, enacted on August 23, 2017, approved a substantial pension reform for all of the Commonwealth's Retirement Systems, including Employee Retirement System ("ERS"). This reform modified most of ERS's activities and effectively restructured ERS's operations.

Effective on July 1, 2017, ERS's previously existing pension programs administered by ERS under Act No. 447 of 1951 (as amended) were terminated and transitioned to a PayGo system, in which ERS stopped receiving contributions from employers or plan participants and is no longer managing contributions on behalf of participants. Act 106-2017 created the legal framework so that the Commonwealth can make benefit payments to current pensioners. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the applicable employers (including the Authority).

Act 106-2017 also terminated the previously existing pension programs for ERS participants as of June 30, 2017 and created the New Defined Contribution Plan for existing active members and new employees hired on or after July 1, 2017.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D – PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

This plan is similar to a 401(k) and is managed by a private entity. Future benefits will not be paid by ERS.

Under the New Defined Contribution Plan, members of the prior programs and new governmental employees hired on and after July 1, 2017, will be enrolled in the New Defined Contributions Program that will be selected by the Retirement Board. As of June 22, 2020, the accumulated balance on the accounts of the prior pension programs were transferred to the individual member accounts in the New Defined Contribution Plan.

Act 106-2017, among other things, amended Act No. 447 with respect to ERS's governance, funding, and benefits for active members of the actual program and newly hired members. Under Act 106-2017, ERS's Board of Trustees was eliminated, and a new Retirement Board was created. The Retirement Board is currently responsible for governing all of the Commonwealth's Retirement Systems.

Act 106-2017 also ordered a suspension of ERS's loan programs and ordered a merger of the administrative structures of the retirement systems. At the Retirement Board's discretion, the administration of ERS benefits may be managed by a third-party service provider. The employees of ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act No. 8 of February 8, 2017, known as the *Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico* (Act No. 8 of 2017).

In addition, Act 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating an incentives, opportunities and retraining program for public workers.

(ii) Pension Benefits Transferred

Before July 1, 2017, ERS administered different benefit structures pursuant to Act No. 447, as amended, including a cost-sharing, multi-employer, defined benefit program (the "Defined Benefit Program"), a defined contribution program (the "System 2000 Program") and a contributory hybrid program (the "Contributory Hybrid Program").

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D – PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

Benefit provisions vary depending on a member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (48 Commonwealth agencies, 78 municipalities, and 39 public corporations, including the Authority) are covered by ERS. Effective July 1, 2017, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payment by the applicable employers (including the Authority). As of July 1, 2017, ERS stopped making pension payments to retirees. However, all government employers (including the Authority) are required to reimburse the Commonwealth for benefits paid on account of their employees through the PayGo fee. Since July 1, 2017, ERS continues to help manage the administrative matters of the pension benefits that are being paid by the Commonwealth. The aforementioned defined benefits had been paid by ERS until June 30, 2017.

Before August 23, 2017, membership was mandatory for all regular, appointed, and temporary employees of the Commonwealth at the date of employment in ERS's prior programs. After that date, membership continues to be mandatory in the New Defined Contribution Plan created by Act 106-2017.

Membership continues to be optional for the Governor of the Commonwealth, Commonwealth secretaries, heads of public agencies and instrumentalities, among others.

The benefits provided to members of ERS are established by Commonwealth law and may be amended only by law. Act No. 3, in conjunction with other recent funding and design changes, provided for a comprehensive reform of ERS.

This summary of ERS's pension plan provisions is intended to describe the essential features of the plan before the enactment of Act 106-2017. Please note that all eligibility requirements and benefit amounts shall be determined in strict accordance with applicable law and regulations; these benefits were not changed or amended with the enactment of Act 106-2017.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D – PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

Certain benefit provisions are different for the three groups of members who entered ERS prior to July 1, 2013, as described below:

- Members of Act No. 447 are generally those members hired before April 1, 1990.
- Members of Act No. 1 are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (together with Act No. 447 participants, the Defined Benefit Program).
- Members of Act No. 305 (or System 2000) are generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (the System 2000 Program).

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who as of June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013.

Before July 1, 2017, the assets of the Defined Benefit Program, the System 2000 Program, and the Contributory Hybrid Program were pooled and invested by ERS. Each member has a nonforfeitable right to the value of his/her account. Members have three options to invest their contributions. Investment income is credited to the member's account semiannually. The Commonwealth does not guarantee benefits at retirement age.

After July 1, 2017, future benefit payments will be made by the Commonwealth and the New Defined Contribution Program is being administered by a private third party.

Defined Benefit Program

Pursuant to Act No. 447 of May 15, 1951, as amended, all regular employees of the Authority hired before January 1, 2000, and less than 55 years of age at the date of employment became members of ERS, under the Defined Benefit Program, as a

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D – PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

condition of their employment. No benefits are payable if the participant receives a refund of their accumulated contributions.

The Defined Benefit Program provides retirement, death, and disability benefits pursuant to legislation enacted by the Legislature. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after 10 years of plan participation. Disability benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least 10 years of service to receive non-occupational disability benefits.

Prior to July 1, 2017, members who attained 55 years of age and completed at least 25 years of creditable service, or members who have attained 58 years of age and have completed 10 years of creditable service, were entitled to an annual benefit payable monthly for life. The amount of the annuity was 1.5% of the average compensation, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. The annuity for which the participant was eligible was limited to a minimum of \$500 per month and a maximum of 75% of the average compensation, as defined.

Participants who completed 30 years of creditable service were entitled to receive the Merit Annuity. Under the Merit Annuity, participants who had not attained 55 years of age received 65% of the average compensation, as defined; otherwise, they received 75% of the average compensation, as defined.

Prior to July 1, 2017, Commonwealth legislation required employees to contribute 10% of their monthly gross salary to the Defined Benefit Program.

Act No. 1 of February 16, 1990, made certain amendments applicable to new participating employees joining the Retirement System effective April 1, 1990. These changes consisted principally of an increase in the retirement age from 55 to 65, a decrease in the benefit percentage of the average compensation in the occupational disability and occupational death benefits annuities from 50% to 40%, and the elimination of the Merit Annuity for participating employees who have completed 30 years of creditable service.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

System 2000 Program

On September 24, 1999, the Legislature enacted Act No. 305, which amended Act No. 447, to establish the System 2000 Program. In addition, on April 4, 2013, the Legislature enacted Act No. 3, which amended the provisions of the different ERS benefit structures, including the Defined Benefit Program.

The Legislature enacted Act No. 305 on September 24, 1999, which amended Act No. 447 to create, among other things, the System 2000 Program, a new benefit structure, similar to a cash balance plan (such as a defined contribution plan). All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the Defined Benefit Program, received a refund of their contributions, and were rehired on or after January 1, 2000, became members of the System 2000 Program as a condition to their employment. In addition, employees who on December 31, 1999, were participants of the Defined Benefit Program had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the Defined Benefit Program plus interest thereon to the System 2000 Program.

Prior to July 1, 2017, Commonwealth legislation required employees to contribute 10% of their monthly gross salary to the System 2000 Program. Employee contributions were credited to individual accounts established under the System 2000 Program. Participants had three options to invest their contributions to the System 2000 Program. Investment income was credited to the participant's account semiannually.

Under the System 2000 Program prior to July 1, 2017, contributions received from participants were pooled and invested by ERS, together with the assets corresponding to the Defined Benefit Program. Future benefit payments under the Defined Benefit Program and the System 2000 Program were paid from the same pool of assets.

As a different benefit structure, the System 2000 Program was not a separate plan, and the Commonwealth does not guarantee benefits at retirement age. Corresponding employers' contributions were used by ERS to reduce the unfunded status of the Defined Benefit Program.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

The System 2000 Program reduced the retirement age from 65 years to 60 years for those employees who joined the plan on or after January 1, 2000.

Upon retirement, the balance in each participant's account was used to purchase an annuity contract, which provided for a monthly benefit during the participant's life and 50% of such benefit to the participant's spouse in case of the participant's death. Participants with a balance of \$10,000 or less at retirement received a lump-sum payment. In case of death, the balance in each participant's account was paid in a lump sum to the participant's beneficiaries. Participants had the option of receiving a lump sum or purchasing an annuity contract in case of permanent disability.

Contributory Hybrid Program

On April 4, 2013, the Legislature enacted Act No. 3, which amended Act No. 447, Act No. 1 and Act No. 305, to establish, among other things, a defined contribution program similar to the Contributory Hybrid Program to be administered by ERS. All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who on June 30, 2013, were participants of previous plans will become part of the Contributory Hybrid Program. Act No. 3 froze all retirement benefits accrued through June 30, 2013, under the Defined Benefit Program, and thereafter, all future benefits accrued under the defined contribution formula used for the 2000 System Program participants.

Participants in the Defined Benefit Program who as of June 30, 2013, were entitled to retire and receive some type of pension, could have retired on any later date, and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program.

Participants who as of June 30, 2013, did not reach the age of 58 and completed 10 years of service or did not reach the age of 55 and completed 25 years of service could have retired depending on the new age limits defined by the Contributory Hybrid Program and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

Participants in the System 2000 Program who as of June 30, 2013, were entitled to retire because they were 60 years of age could have retired on any later date and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program. Participants in the System 2000 Program who as of June 30, 2013, did not reach the age of 60 could have retired depending on the new age limits defined by the Contributory Hybrid Program and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program.

In addition, Act No. 3 amended the provisions of the different benefit structures under the Retirement System, including, but not limited to, the following:

1. Increased the minimum pension for current retirees from \$400 to \$500 per month.
2. The retirement age for the Act No. 447 participants was gradually increased from age 58 to age 61.
3. The retirement age for the active System 2000 Program participants was gradually increased from age 60 to age 65.
4. Eliminated the "Merit Annuity" available to participants who joined the Retirement System prior to April 1, 1990.
5. The retirement age for new employees was increased to age 67.
6. The employee contribution rate was increased from 8.275% to 10%.
7. For the System 2000 Program participants, the retirement benefits were no longer paid as a lump sum distribution; instead, they were paid through a lifetime annuity.
8. Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

The Christmas bonus payable to current retirees was reduced from \$600 to \$200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings were contributed to ERS.

9. Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
10. Survivor benefits were modified.

Prior to July 1, 2017, employee contributions were credited to individual accounts established under the Contributory Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty five percent (0.25%) was required for the purchase of disability insurance.

Upon retirement prior to July 1, 2017, the balance in each participant's account was used to purchase an annuity contract, which provided for a monthly benefit during the participant's life. In case of the pensioner's death, the designated beneficiaries continued receiving the monthly benefit until the contributions of the participant were completely consumed. In the case of participants in active service, a death benefit was paid in one lump sum in cash to the participant's beneficiaries. Participants with a balance of less than \$10,000 or less than five years of computed services at retirement received a lump-sum payment. In case of permanent disability, the participants had the option of receiving a lump sum or purchasing an annuity contract.

For the fiscal year ended June 30, 2014, the Authority was required to contribute 12.275% of each participant's gross salary under the different benefit structures. ERS used these contributions to increase its level of assets and to reduce the actuarial deficit.

Beginning on July 1, 2014, and up until June 30, 2016, the employer's contribution rate was annually increased by one percent (1%). Beginning July 1, 2016, and up until June 30, 2017, the employer's contribution rate that is in effect on June 30 of every year was annually increased on every successive July 1st by one-point twenty-five percent (1.25%). Beginning July 1, 2017, the employer's contribution is established through the PayGo fee as determined by AAFAF under Act 106-2017.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

Additional information of ERS is provided in its financial statements for the year ended June 30, 2021, a copy of which can be obtained from the administrator of the Retirement System.

NOTE E - COMPENSATED ABSENCES

Regular employees accrue vacation and sick leave of 2.5 days and 1.5 days per calendar month, respectively. The allowed maximum number of accumulated days of regular vacation and sick leave is 60 days and 90 days, respectively. The expense of regular vacations and sick leave is recorded when paid.

NOTE F - INDIRECT COST ALLOCATION PLAN

The United States Department of Health and Human Services (the "HHS"), the Audit Cognizant Agency, approves the rates used by the Department to allocate qualified types of expenditures from state funds to federal financial assistance programs. For fiscal years 2018 through 2021, rates in the indirect cost allocation plan approved by HHS ranged from 2.8% to 19.5% among the different federal programs.

NOTE G - CONTINGENCIES

Litigation

The Department is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. According to the laws of the Commonwealth, the Department is fully represented by the Puerto Rico Department of Justice in defense of all legal cases against it. Any claims with negative financial impact would be paid from the General Fund of the Commonwealth, with no effect on the budget or resources of the Department.

Federal awards

The Department participates in a number of federal financial assistance programs funded by the Federal Government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantors. If expenditures are disallowed due to noncompliance with grant program regulations, the Department may be required to reimburse the grantors.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE G – CONTINGENCIES (CONTINUED)

The Independent Auditors' Reports in the accompanying compliance section on pages 25 through 30 disclose several material weaknesses and significant deficiencies over both financial reporting and programmatic controls including instances of noncompliance with applicable laws and regulations.

The Department is also audited by the Office of the Comptroller for Puerto Rico (the "Comptroller") and the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS). Management understands that any adjustments necessary as a result of these audits are recorded prospectively.

NOTE H - SUBSEQUENT EVENTS

Date of management's review

The Department's management has evaluated subsequent events through December 6, 2023, the date the statement was available to be issued.

Earthquakes and Coronavirus (COVID-19)

As of December 2019, the island was hit by several earthquakes. During March 2020, due to the Coronavirus pandemic the government declared a lock down. These events caused the interruption of services and business activities which resulted in economic hardship. As a result of natural disasters many assets may be destroyed, damaged or impaired. These disasters affected the operations of the Department and the services provided. Natural disasters can result in additional obligations in order to reconstitute the order and normal business environment.

PART II- SINGLE AUDIT SECTION

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Federal Agency / Pass-Through Agency / Program or Cluster Title	Federal CFDA Number	Pass-Through		Federal Disbursements
		Entity Identifying Number	Subrecipient Disbursements	
<u>U.S. Department of Agriculture</u>				
Pass-through PR Department of Education:				
Child and Adult Care Food Program (CACFP)	10.558		\$ -	\$ 263,609
Direct Programs:				
Nutrition Assistance for Puerto Rico	10.566		-	2,778,087,115
Pandemic EBT Food Benefits	10.542		-	499,809,808
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649		-	339,083
			-	<u>3,278,236,006</u>
Food Distribution Cluster:				
Commodity Supplemental Food Program	10.565		-	5,201
Emergency Food Assistance Program (Administrative Costs)	10.568		-	2,157,543
Emergency Food Assistance Program (Food Commodities)	10.569		-	52,416
			-	<u>2,215,160</u>
Sub-total U.S. Department of Agriculture			-	<u>3,280,714,774</u>
<u>U.S. Department of Housing and Urban Development</u>				
Pass-through PR Housing Department:				
Continuum of Care Program	14.267		-	117,363
Direct Program:				
Emergency Solutions Grant Program	14.231	Various	4,257,534	4,566,130
Sub-total U.S. Department of Housing and Urban Development			<u>4,257,534</u>	<u>4,683,493</u>
Sub-Total Carried Forward			<u>4,257,534</u>	<u>3,285,398,267</u>

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Federal Agency / Pass-Through Agency / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Disbursements	Federal Disbursements
Sub-total brought forward			4,257,534	3,285,398,267
<u>U.S. Department of Health & Human Services</u>				
Direct Programs:				
Guardianship Assistance	93.090		-	100,000
Preschool Development Grant Birth through Five (PDG B-5)	93.434		-	242,334
Promoting Safe and Stable Families	93.556	Various	722,888	5,224,531
Temporary Assistance for Needy Families (TANF)	93.558		-	63,682,379
Child Support Enforcement	93.563		-	22,245,517
Low-Income Home Energy Assistance	93.568		-	28,992,513
Community-Based Family Resource and Support Grants	93.590	Various	257,663	279,548
Grants to States for access and visitation programs	93.597		-	81,101
Chafee Education and Training Vouchers Program	93.599		-	358,140
Children's Justice Grants to States	93.643		-	87,092
Stephanie Tubbs Jones Child Welfare Services Program	93.645		-	3,413,261
Foster Care-Title IV-E	93.658		-	36,925,924
Adoption Assistance-Title IV-E	93.659		-	288,928
Social Services Block Grant	93.667		-	7,168,207
Child Abuse and Neglect State Grants	93.669		-	885,340
Family Violence Prevention and Services Act (new)	93.671	Various	1,651,984	1,690,523
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		-	1,492,806
Social Security Disability Insurance	93.802		-	66,267
Sub-total U.S. Department of Health and Human Services			2,632,535	173,224,410
Head Start Cluster				
Head Start Disaster Recovery From Hurricanes Harvey, Irma, and Maria	93.356	Various	16,975,823	17,016,523
Head Start	93.600	Various	46,363,845	49,841,091
			63,339,668	66,857,614
Child Care & Development Fund Cluster				
Child Care and Development Block Grant	93.575	Various	14,854,232	24,620,048
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		-	20,402,706
			14,854,232	45,022,754
Total U.S. Department of Health and Human Services			80,826,435	285,104,778
<u>U.S. Social Security Administration</u>				
Social Security-Disability Insurance	96.001		-	18,713,410
Total Cash Disbursements of Federal Awards			\$ 85,083,969	\$ 3,589,216,455

See accompanying notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE A -BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activities of the Department of the Family (the "Department") and is presented on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance").

State or local government redistributions of federal awards to the Department known as "pass-through awards", should be treated by the Department as though they were received directly from the federal government. The Uniform Guidance requires the Schedule to include the name of the passthrough entity and the identifying number assigned to the pass-through entity for the federal awards received. Numbers identified as NAV are not available.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used by the Department in the preparation of the Schedule follows:

- a) The accompanying Schedule of Expenditures of Federal Awards is prepared from the Department's accounting records and is not intended to present the financial position or results of operations of the Department.
- b) Disbursements are recognized in the accounting period in which they are paid.
- c) The Department has not elected to use the 10 percent "de minimis" indirect cost rate allowed under the Uniform Guidance.

NOTE C – CLUSTER

The Schedule identifies some programs as clusters. A cluster of programs is comprised of federal programs with different CFDA numbers that are closely related programs and share common requirements.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

NOTE C – CLUSTER (CONTINUED)

Cluster	Federal Program	CFDA Number
Food	Commodity Supplemental Food Program	10.565
Distribution	Emergency Food Assistance Program (Administrative Costs)	10.568
Cluster	Emergency Food Assistance Program (Food Commodities)	10.569
	Head Start Disaster Recovery From Hurricanes Harvey,	
Head Start	Irma, and María	93.556
Cluster	Head Start	93.600
Child Care &	Child Care & Development Block Grant	93.575
Development	Child Care Mandatory & Matching Funds of the Child Care &	
Fund Cluster	Development Fund	93.596

NOTE D - MAJOR FEDERAL PROGRAMS

Major programs are identified in the Summary of Auditors' Results Section of the Schedule of Findings and Questioned Costs.

NOTE E - TRANSFERABILITY

For purposes of the Schedule, the expenditures of the funds transferred from the Temporary Assistance for Needy Families (CFDA No. 93.558) to the Social Services Block Grant (CFDA No. 93.667) in the amount of \$7,132,635, and to the Child Care Discretionary Fund (CFDA No. 93.575) in the amount of \$9,303,125, were included in the total expenditures of the receiving program.

NOTE F -RECONCILIATION WITH THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

The Department is the recipient of a federal financial assistance program that does not result in cash receipts or disbursements and is therefore not recorded in the Department's statements of cash receipts and disbursements.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

**NOTE F -RECONCILIATION WITH THE STATEMENT OF CASH RECEIPTS AND
DISBURSEMENTS - CONTINUED**

Schedule of Expenditures of Federal Awards	\$ 3,589,216,455
Less: Entitlement Amount of Food Commodities	<u>(52,416)</u>
Federal Expenditures per Statement of Cash Receipts and Disbursements	<u>\$ 3,589,164,039</u>

NOTE G -IMPACT OF EARTHQUATES AND CORONAVIRUS (COVID-19)

As of December 2019, the island was hit by several earthquakes. During March 2020, due to the Coronavirus pandemic the government declared a lock down. These events caused the interruption of services and business activities which resulted in economic hardship. As a result of natural disasters many assets may be destroyed, damaged or impaired. These disasters affected the operations of the Department and the services provided. Natural disasters can result in additional obligations in order to restitute the order and normal business environment.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
AND ON
COMPLIANCE AND OTHER MATTERS**



LEADING BUSINESS SOLUTIONS

Certified Public Accountants and Business Advisors

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with Government Auditing Standards

Honorable Ciení Rodríguez-Troche
Secretary of the Department of the Family
San Juan, Puerto Rico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Cash Receipts and Disbursements (the "Statement") of the Department of the Family of the Commonwealth of Puerto Rico (the "Department") for the year ended June 30, 2021, and the related notes to the Statement and have issued our report thereon dated December 6, 2023. Our report on the Statement includes an emphasis of-matter paragraph drawing attention to Note A of the Statement, which states that the Department prepares the Statement on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.



We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-01 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Statement amounts. However, providing an opinion on compliance with those provisions was a not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-01.

Puerto Rico Department of the Family's Response to Findings

The Department's response to the findings identified in our audit is described in the accompanying Corrective Action Plan Segment. The Department's response was not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our tests of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Leading Business Solutions
D' LEADING BUSINESS SOLUTIONS, LLC.
Certified Public Accountants and Business Advisors

San Juan, Puerto Rico
December 6, 2023

Stamp number E525283
of the Puerto Rico Society
has been affixed to this report.





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Certified Public Accountants and Business Advisors

Independent Auditors' Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Honorable Ciení Rodríguez-Troche
Secretary of the Department of the Family
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited the Department of the Family of the Commonwealth of Puerto Rico's (the "Department") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2021. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal award grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.



Basis for Qualified Opinion on CFDA 10.566, Nutrition Assistance Program and CFDA 93.558, Temporary Assistance for Needy Families

As described in findings 2021-02, 2021-03, 2021-04, and 2021-05 in the accompanying Schedule of Findings and Questioned Costs, the Department did not comply with requirements as follows:

Finding Number	Compliance Requirement (s)	Federal Program Name	CFDA Number
2021-02	Eligibility	Nutrition Assistance Program	10.566
2021-03	Eligibility	Temporary Assistance for Needy Families	93.558
2021-04	Eligibility	Temporary Assistance for Needy Families	93.558
2021-05	Special Testing & Provisions - Income Eligibility & Verification Systems	Temporary Assistance for Needy Families	93.558

Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to said programs.

Qualified Opinion on CFDA 10.566, Nutrition Assistance Program and CFDA 93.558, Temporary Assistance for Needy Families

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Nutrition Assistance Program and the Temporary Assistance for Needy Families Program for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Corrective Action Plan Segment as items 2021-01, and 2021-06. Our opinion on each major federal program is not modified with respect to these matters.

The Department's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan Segment. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-01, 2021-02, 2021-03, 2021-04, and 2021-05, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-06 to be a significant deficiency.

The Department's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan Segment.

The Department's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

D'Leading Business Solutions
D' LEADING BUSINESS SOLUTIONS, LLC.
Certified Public Accountants and Business Advisors

San Juan, Puerto Rico
December 6, 2023

Stamp number **E525284**
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statement

Type of Auditors' Report Issued	Unmodified
Internal Control over Financial Reporting	
1. Material Weakness(es) identified?	Yes
2. Significant Deficiency(ies) identified that are not considered to be a material weakness	No
Non-Compliance material to financial statements noted?	Yes

Federal Awards

Internal Control over Major Programs	
1. Material Weakness(es) identified	Yes
2. Significant Deficiency(ies) identified that are not considered to be a material weakness	Yes
Type of Auditors' Report issued on compliance for major programs	Qualified
Any Audit Findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.566	Nutrition Assistance Program
10.542	Pandemic-EBT Food Benefits
	Head Start Disaster from Hurricanes
93.356	Harvey, Irma, and Maria
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low Income Home Energy Assistance
93.575	Child Care and Development Block Grant

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.600	Head Start
93.658	Foster Care-TitleIV-E
96.001	Social Security Disability Insurance
Auditee Qualified as a Low Risk-Auditee	No
Dollar threshold to distinguish between type A and type B programs	\$10,767,649

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Section II- FINDINGS FINANCIAL AUDIT

Finding Number: 2021-01 (*Prior Year Audit Finding 2020-001*)

Agency: U.S. Department of Agriculture, U.S. Department of Health and Human Services

Federal Program: All Major Federal Programs in the SEFA

Administration: Secretariat, Administration for Socioeconomic Development of the Family, Administration for Child Care and the Integrated Development of Childhood, Administration for Children and Families, Child Support Enforcement Administration

Compliance Requirement: Financial Administration – Standards for Financial Management System

Category: Financial Material Weakness and Noncompliance

Criteria

2 CFR Part 200, Section 302 and 45 CFR Part 75, Section 302- Financial management and standards for financial management systems state that (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds.

In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award, (b) The financial management system of each non-Federal entity must provide for the following: (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance. (3) Records that identifies adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation. (4) Effective control over, and accountability for, all funds, property, and other assets, and (5) Comparison of expenditures with budget amounts for each Federal award. Act Number 230 of July 23, 1974, Puerto Rico Government Accounting Law, as amended, states that the accounting system of the instrumentalities of the Commonwealth of Puerto Rico should be designed to reflect or provide complete and clear information related to their financial results of operations.

Condition

The Department has a weakened financial reporting system, brought on by several deficiencies related to the accounting and financial reporting practices of the Department. The deficiencies noted as part of our procedures are summarized as follows:

- The Department's procedure manuals contain outdated procedures which do not necessarily reflect the current tasks and operations of the Department.
- The Department does not prepare monthly closings on a recurring and periodic basis.
- The Single Audit Report has not been submitted in a timely manner and audit procedures are significantly delayed due to a lack of reconciliations and monthly closing procedures.
- Multiple transactions are recognized retroactively several months after occurring, as a result of the significant delays brought forth by a weak financial reporting system.
- The Department does not have adequate procedures to reconcile, in a timely manner, financial transactions recorded in the accounting system of the Puerto Rico Treasury Department with the accounting records maintained by the Department.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Effect

Deficiencies in the financial reporting and accounting practices of the Department may result in the following:

- Financial Reports which are required as part of compliance with federal programs may be prepared with inaccurate or incomplete financial information and may not be submitted in a timely and compliant manner.
- Sanctions, reduced funding, return of monies to federal agencies, cancellation of grants, among other potential sanctions.
- Inconsistency between the financial information registered in the Department with financial transactions recognized in the records of the Puerto Rico Treasury Department.
- Difficulties in accurately assessing program performance and monitoring of expenses in line with budgeted amounts to actual amounts expended as part of program activities.
- Inefficiencies and additional effort incurred by employee's part as a result of outdated or inaccurate procedure manuals. This also results in confusion as to the proper procedures to follow and the relevant approval and revision tasks to be performed.
- Non-compliance with federal program requirements brought forth as a result of financial information which is inaccurate.

Cause

The Department has not implemented a uniform internal accounting process that allows all the Department's administrations (5) to consolidate accounting information for both fiscal and program periods and reconcile with financial information with the Treasury Department.

In addition, the Department lacks uniform internal accounting software and applications between the administrations of the Department, which precludes them from timely and accurate consolidation of financial information.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Recommendation

The Department needs to implement a formal monthly closing of its accounting records and financial reporting with the purpose of ensuring accurate and timely financial information.

Monthly closing procedures would be carried out most efficiently by developing a logical order for closing procedures and assigning responsibility for completing the procedures to specific personnel. As the Department is composed of various administrations, a task force should be assigned to develop procedures which detail the data-gathering information process to accumulate financial data of the administrations in a consistent manner. In addition, financial information should be consolidated at the Department level in order to reconcile with the financial records of the Treasury Department.

Procedures should include, at a minimum, the following: the month-end period, a list of monthly closing tasks (post sub ledger balances to general ledgers, post journal entries, reconcile financial records with those of the Treasury Department, etc.), and the due date of each task (2 weeks after month end, etc.)

It is recommended that the closing and reconciliation procedures be documented in a checklist that indicates the responsible individual who will perform each procedure and when completion of each procedure is due. Following are recommendations regarding the required closing procedures and suggestions to improve the financial reporting system:

- Determine that all transactions have been recorded and posted. Transactions should be reviewed for completeness by scanning accounts to determine any unusual balances or fluctuations from expectations.
- Reconcile general ledger accounts to underlying records and compare/reconcile this information with the records of the Puerto Rico Treasury Department. Any differences observed during this process should be followed up in a timely manner in order to clarify and clear any reconciling items between the two sets of financial records.
- Accumulate pertinent information necessary for the preparation of federal reports (financial and performance reports). In addition, a proper flowchart of procedures and revisions should be prepared to ensure that federal reports are filed and certified within established deadlines.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

- Perform a budgetary analysis by comparing expected amounts of expenditure with actual results. This will provide a more accurate measure of performance for federal programs and the overall efficiency in the use of funds of the Department. This will enhance the monitoring of program performance to ensure compliance with federal regulations and State Plan objectives.
- Proper storage and backup of Department data files as part of the closing procedure. All files should be properly backed up before monthly closing is determined to be complete.
- Differences observed during the reconciliation and closing procedure need to be discussed with the management personnel responsible for providing oversight over each respective area of the financial reporting cycle. Any adjustments necessary as a result of these procedures should be posted in a timely manner and before the closing is completed.
- Internal control manuals should be evaluated to ensure that they provide a clear and descriptive flowchart which details personnel involved, flow of information, estimated time frames for deliverables, and other control procedures relevant to the Department's operations. The Department should also evaluate its existing manuals to determine if they are updated and accurately reflect the procedures the Department currently carries out and ensure that these are in compliance with federal requirements. Updated written procedures and instructions will prevent or reduce misunderstandings, errors, inefficiencies or wasted efforts, enhancing the efficiency of the operations of the Department.

Questioned Costs

None

Management's Response

Refer to Grantee's Corrective Action Plan.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Section III- FINDINGS-MAJOR FEDERAL AWARDS PROGRAM AUDIT

Finding Number: 2021-02 (*Prior Year Audit Finding 2020-006*)

Agency: U.S. Department of Agriculture

Federal Program: Nutrition Assistance Program for Puerto Rico

CFDA: 10.566

Grant Number: 211PR426S7003, 211PR476V1003, etc.

Grant Period: July 1, 2020, through September 30, 2021

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Eligibility

Category: Material Weakness and Noncompliance

Criteria:

The Department is required to identify in its annual plan the population eligible for NAP benefits. In testing the propriety of eligibility determinations and disbursements for NAP benefits, the auditor shall apply the eligibility criteria established by the Department and identified in the annual plan (7 CFR section 285.3(b)(2)).

7 CFR Part 285 Section 3 – Plan of Operation, states (b) The plan of operation shall include the following information: (2) A description of the needy persons residing in the Commonwealth of Puerto Rico and an assessment of the food and nutrition needs of these persons. The description and assessment shall demonstrate that the Nutrition Assistance Program is directed toward the neediest persons in the Commonwealth of Puerto Rico.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Condition:

We noted several files for participants of the referenced federal award were not complete to evaluate properly and conclude participant/beneficiary was eligible, as required by the Department procedures and federal law. As a result, we could not conclude participants reviewed were eligible to receive benefits as required by the federal award.

Perspective – We selected a sample of forty (40) participant files as part of compliance testing regarding eligibility, auditors noted several cases in which the following documentation was not present in participants' files as follows:

- (6) Valid ID
- (7) Evidence of Residency

The ID verification of participants is the control established by the administration in its state plan to confirm the existence of the participants receiving benefits.

Evidence of residency is a control placed by the administration in its state plan to confirm participants' physical addresses to prevent participants from receiving benefits from two distinct locations (states) or multiple participants receiving benefits from the same address without being considered as a familiar unit.

Effect:

The Department may be qualifying participants who do not meet the eligibility requirements established by federal regulations. This may ultimately result in sanctions, reduced funding, having to return monies to the federal agency, or cancellation of grants.

Cause:

The Department is not adhering to the established internal control procedures and not adequately documenting its evaluation and conclusion over the eligibility of participants.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Recommendation:

The Department must adhere to its existing internal control procedures to properly document eligibility verification procedures performed and to ensure compliance with federal regulations and the State Plan. All documents established by the Department to evaluate and conclude participants are eligible, need to be obtained and evidenced in the participant's file.

The Department should also properly communicate eligibility verification procedures to employees and provide a clear outline as to the tasks, responsibilities, and supervision and approval tasks for each employee within the eligibility verification process.

In case, any document established for verification of eligibility is temporarily waived due to specific reasons (natural disasters, pandemic, etc.) the Department should formally communicate the provisions of the temporary waiver, obtain approval of the federal awarding agency, and formal communication should be included in the participant's file.

Questioned Costs:

Could not be determined.

Management's Response:

Refer to Grantee's Corrective Action Plan.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Finding Number: 2021-03 (*Prior Year Audit Finding 2020-002*)

Agency: U.S. Department of Health and Human Services

Federal Program: Temporary Assistance Needy Families

CFDA: 93.558

Grant Number: 2021G996117

Grant Period: October 1, 2020 – September 30, 2021

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Eligibility- Individual

Category: Material Weakness and Noncompliance

Criteria:

The Department as an eligible State has submitted to the Secretary of the U.S. Treasury a State Plan that outlines the way the State intends to conduct the TANF program as requested by 42 U.S.C. Part 602 Section (a)(1)(A)(i). The State Plan shall set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, including an explanation of how the State will provide opportunities for recipients who have been adversely affected to be heard in a State administrative or appeal process as required by 42 U.S.C. Part 602 Section (a) (l) (B) (iii).

The Temporary Assistance for Needy Families Program State Plan of Operation for fiscal years 2018 through 2020 of the Government of Puerto Rico (the State Plan), Chapter IV-Application Process, establishes financial and non-financial eligibility requirements for applications and redeterminations; the assistance unit that will be considered for benefits and services; supportive evidence of eligibility requirements; and other eligibility factors and criteria

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Condition:

We noted several files for participants of the referenced federal award were not complete to evaluate properly and conclude participant/beneficiary was eligible, as required by the Department procedures and federal law. As a result, we could not conclude participants reviewed were eligible to receive benefits as required by the federal award.

Perspective - We selected a sample of fifteen (15) participant files as part of compliance testing regarding eligibility, auditors noted several cases in which the following documentation was not present in participants' files as follows:

- (4) Verification of Valid ID.
- (7) Income Verification Form for audited period.
- (2) Information Verification Form.
- (1) Participant file was not available for our review.

The valid identification is an eligibility control established in the program's state plan to prove the existence of participants.

The Income Verification Form is a document completed by the TSAF (evaluators) to determine if the applicant's net income, for a given period, does not exceed the Maximum Monthly Income for compliance with the 150% poverty threshold.

Information Verification Forms must be completed during initial and re-evaluation processes to track any change on the participants' attributes (whether income or Non income attributes).

Effect:

The Department may be qualifying participants who do not meet the eligibility requirements established by federal regulations. This may ultimately result in sanctions, reduced funding, having to return monies to the federal agency, or cancellation of grants.

Cause:

The Department is not adhering to the established internal control procedures and not adequately documenting its evaluation and conclusion regarding the eligibility of participants.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Recommendation:

The Department must adhere to its existing internal control procedures to properly document eligibility verification procedures performed and to ensure compliance with federal regulations and the State Plan. All documents established by the Department to evaluate and conclude participants are eligible, need to be obtained and evidenced in the participant's file.

The Department should also properly communicate eligibility verification procedures to employees and provide a clear outline as to the tasks, responsibilities, and supervision and approval tasks for each employee within the eligibility verification process.

In case, any document established for verification of eligibility is temporarily waived due to specific reasons (natural disasters, pandemic, etc.) the Department should formally communicate the provisions of the temporary waiver, obtain approval of the federal awarding agency, and formal communication should be included in the participant's file.

Questioned Costs:

Could not be determined.

Management's Response:

Refer to Grantee's corrective action plan

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Finding Number: 2021-04

Agency: U.S. Department of Health and Human Services

Federal Program: Temporary Assistance for Needy Families

CFDA: 93.558

Grant Number: 2021G996117

Grant Period: October 1, 2020 through September 30, 2021

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Eligibility Individual

Category: Material Weakness and Noncompliance

Criteria

Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any state program funded by federal TANF funds for 60 months (whether or not consecutive) is ineligible for additionally federally funded TANF assistance. However, the state may extend assistance to a family on the basis of hardship, as defined by the state, or if a family member has been battered or subjected to extreme cruelty. (42 USC 608(a)(7); 45 CFR sections 264.1(a), (b), and (c))

The TANF State Plan Section V Special Provisions, Point 2 states: Puerto Rico's eligibility and payment standards will be utilized for families who arrive from another state or territory, rather than using the latter's standards. Periods of cash assistance received under the TANF Program in another state or territory will count towards TANF participant's lifetime limit of consecutive or non-consecutive 60 months of assistance.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Condition

We noted the Department concluded a participant was eligible to be a beneficiary of the federal award when it did not comply with the requirement established for eligibility. The participant received benefits during a period that exceeded 60 months.

Perspective – We selected a sample of fifteen (15) participant files as part of compliance testing regarding the eligibility requirement. Auditors observed one (1) instance in which a participant continued to receive program benefits after exceeding the 60-month period established for Category C (head of household) participants without approval or justification. The Participant exceeded the maximum participation period by a total of six (6) months.

Effect:

As a result, the Department has disbursed federal program benefits to ineligible participants. This may ultimately result in sanctions, reduced funding, having to return monies to the federal agency, or cancellation of grants.

Cause:

The Department is not adhering to the established internal control procedures and not adequately documenting its evaluation and conclusion over the eligibility of participants.

Recommendation:

The Department must adhere to its existing internal control procedures to properly document eligibility verification procedures performed and to ensure compliance with federal regulations and the State Plan. Emphasis and efforts should be directed towards minimizing the time elapsed between the evaluation of eligibility technicians and corresponding supervisors to properly detect any potential errors before disbursement of funds occurs. The Department should also properly communicate eligibility verification procedures to employees and provide a clear outline as to the tasks, responsibilities, and supervision and approval tasks for each employee within the eligibility verification process.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Questioned Costs:

Could not be determined.

Management's Response:

Refer to Grantee's Corrective Action Plan

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Finding Number: 2021-05 (*Prior Year Audit Finding 2020-005*)

Agency: U.S. Department of Health and Human Services

Federal Program: Temporary Assistance for Needy Families

CFDA: 93.558

Grant Number: 2021G996117

Grant Period: October 1, 2020 – September 30, 2021

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Special Testing & Provisions-Income Eligibility and Verification Systems

Category: Material Weakness and Noncompliance

Criteria:

Each state shall participate in the Income Eligibility and Verification System (IEVS) required by Section 1137 of the Social Security Act as amended. Under the state plan the state is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations and adhere to standardized formats and procedures in exchanging information with other programs and agencies.

The Department's Local Office Procedure Manual (the "Manual"), establishes the following procedures for the exchange of information of persons receiving Social Security Benefits (BENDEX): (a) The BENDEX list is issued monthly to the Director of each Region. (b) The Regional Director sends it to the corresponding local office. (c) The list is assigned and delivered to the technicians to crosscheck the information of the list with the participants' file. (d) The technicians will make a note on the Daily Contact Form (ADSEF-106G) including the finding, date of crosscheck, and name. In the BENDEX list the technicians must write their initials and the date on which the evaluation was made.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Condition:

We noted several files for participants of the referenced federal award were not complete to evaluate properly and conclude participant/beneficiary was eligible, as required by the Department procedures and federal law. As a result, we could not conclude participants reviewed were eligible to receive benefits as required by the federal award.

Perspective - We selected a sample of 15 participant files as part of compliance testing regarding eligibility, auditors noted several cases in which the following documentation was not present in participants' files as follows:

- (4) Period of Participation Form. (Cat. C)
- (3) Verification of eligible age of all minors within familiar unit. (Cat. C)
- (1) Child Support Agreement for non-custodial parents. (Cat. C)
- (2) Verification of Valid ID. (Cat. A & D)
- (2) *Medical Certification From Specialist Form* (TANF-34). (Cat. D)
- (7) *Benefit Determination Worksheet* for audited period. (All Cat.)
- (1) Participant file was not available for our review.

The Participation Verification Form is a form completed by TSAF when reevaluating a case to ascertain that a participant has not exceeded the 60-month period established by the program for category C participants.

The *Child Support Cooperation Agreement* for non-custodial parents is an eligibility requirement for all Category C participants as evidence of custodial parent's cooperation with the ASUME administration in identifying the minor's father and establishing an alimony.

The Valid Identification is an eligibility control established in the program's state plan to prove the existence of participants.

The *Medical Certification From Specialist Form* (TANF-34) is an eligibility requirement that must be provided by applicants under category D to certify that they are incapable of compliance with work, study, or training requirements due to their mental or physical health.

The *Benefit Determination Worksheet* is a form completed on an annual basis for the determination and communication of the amount of benefits a participant is eligible to receive during an established period.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Effect:

The Department may be qualifying participants that do not meet the eligibility requirements established by federal regulations. This may ultimately result in sanctions, reduced funding, having to return monies to the federal agency, or cancellation of grants.

Cause:

The Department is not adhering to the established internal control procedures and not adequately documenting its evaluation and conclusion over the eligibility of participants.

Recommendation:

The Department must adhere to its existing internal control procedures to properly document eligibility verification procedures performed and to ensure compliance with federal regulations and the State Plan. All documents established by the Department to evaluate and conclude participants are eligible, need to be obtained and evidenced in the participant's file.

The Department should also properly communicate eligibility verification procedures to employees and provide a clear outline as to the tasks, responsibilities, and supervision and approval tasks for each employee within the eligibility verification process.

In case, any document established for verification of eligibility is temporarily waived due to specific reasons (natural disasters, pandemic, etc.) the Department should formally communicate the provisions of the temporary waiver, obtain approval from the federal awarding agency, and formal communication should be included in the participant's file.

Questioned Costs:

Could not be determined.

Management's Response:

Refer to Grantee's Corrective Action Plan

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Finding Number: 2021-06 (*Prior Year Audit Finding 2020-008*)

Agency: U.S. Department of Agriculture, U.S. Department of Health and Human Services

Federal Program: All Major Federal Programs in the SEFA

Administration: Secretariat, Administration for Socioeconomic Development of the Family, Administration for Child Care and the Integrated Development of Childhood, Administration for Children and Families, Child Support Enforcement Administration

Compliance Requirement: Reporting

Category: Significant Deficiency and Noncompliance

Criteria

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Part 200.512, Report Submission, (a) General, (1) states that the audit must be completed, and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' report(s), or nine months after the end of the audit period.

Condition

The Department did not comply with the required due date for the submission of the Single Audit Report Package as a result of systematic issues which have led to delays in the receipt and processing of information required as part of the Single Audit.

Effect

The Department will be considered delinquent in the submission of the Single Audit Report Package and if it does not respond to follow-up procedures from federal agencies, may face sanctions such as:

- Draw-Down Restrictions
- Reimbursable Draw Down
- Withholding a Percentage of Federal Funds

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

- Suspension of Federal Funds
- Termination of Grant

Cause

During March 2020, the government of Puerto Rico declared a general lockdown as a result of the COVID-19 Pandemic which had a significant impact in governmental agencies and businesses across Puerto Rico, delaying operations on an island-wide scale. This resulted in significant delays in the completion of the Single audits for the past fiscal periods which in turn has resulted in complications regarding filing within required deadlines. In addition, the Department experienced a high rate of turnover in personnel, in addition to the observations regarding reconciliation of financial information as mentioned in audit finding 2021-01 and 2021-02, which resulted in additional efforts to properly organize information, therefor causing significant delays in the flow of information and completion of the 2021 audit.

Recommendation

The Department must designate work teams amongst all relevant administrations which serve as liaisons with auditors and be responsible for the delivery of information and documentation to ensure compliance with due dates. The Department should maintain a clear line of communication throughout its administrations and follow up accordingly to maintain a continuous flow of information during audit procedures. In addition, the Department should request periodic follow-up meetings with auditors to address any audit issues encountered which may affect meeting established deadlines.

Questioned Costs

None

Management's Response

Refer to Grantee's Corrective Action Plan

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Reference Number: 2020-001

CFDA: 10.566, 10.568, 93.558, 93.560, 93.568

Federal Program: Nutrition Assistance Program for Puerto Rico, Emergency Food Assistance Program, Temporary Assistance for Needy Families, Family Support Payment to State Assistance Payment, Low-Income Home Energy Assistance

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Financial Administration - Standards for Financial Management System

Questioned Costs: None

Status of Corrective Action Plan: Remains Uncorrected (*See reference: 2021-01*)

Reference Number: 2020-002

CFDA: 93.558, 93.560

Federal Program: Temporary Assistance for Needy Families, Family Support Payment to State Assistance Payment

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Eligibility

Questioned Costs: Could not be determined

Status of Corrective Action Plan: Remains Uncorrected (*See reference: 2021-03*)

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Reference Number: 2020-003

CFDA: 93.558

Federal Program: Temporary Assistance for Needy Families

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Special Test - Penalty for Refusal to Work

Questioned Costs: None

Status of Corrective Action Plan: Corrected

Reference Number: 2020-004

CFDA: 93.558

Federal Program: Temporary Assistance for Needy Families

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Special Test – Adult Custodial Parent of Child Under six when Child Care not Available

Questioned Costs: None

Status of Corrective Action Plan: Corrected

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Reference Number: 2020-005

CFDA: 93.558

Federal Program: Temporary Assistance for Needy Families

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Special Test - Income Eligibility and Verification System

Questioned Costs: Not Applicable

Status of Corrective Action Plan: Remains Uncorrected (*See reference: 2021-05*)

Reference Number: 2020-006

CFDA: 10.566

Federal Program: Nutrition Assistance Program for Puerto Rico

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Eligibility

Questioned Costs: Could not be determined

Status of Corrective Action Plan: Remains Uncorrected (*See reference: 2021-02*)

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)

Reference Number: 2020-007

CFDA: 93.568

Federal Program: Low Income Home Energy Assistance Program

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Eligibility

Questioned Costs: Could not be determined

Status of Corrective Action Plan: Corrected

Reference Number: 2020-008

CFDA: All Major Federal Programs in the SEFA

Federal Program: All Major Federal Programs in the SEFA

Administration: The Office of the Secretary, Administration for Children and Families, Child Support Enforcement Administration, Administration for Socioeconomic Development of the Family, Administration for Child Care and the Integrated Development of Childhood

Audit Finding: Reporting

Questioned Costs: None

Status of Corrective Action Plan: Remains Uncorrected (*See reference: 2021-06*)

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)



**Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

Finding Number, Federal Agency Reference:	Findings:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2021-001</p> <p>U.S. Department of Agriculture</p> <p>U.S. Department of Health and Human Services</p> <p>Compliances requirement: Financial Administration</p>	<p>A. The Department has a weakened financial reporting system, brought on by several deficiencies related to the accounting and financial reporting practices of the Department. The deficiencies noted as part of our procedures are summarized as follows:</p>	<p>A. Financial System Enterprise Resource Planning (ERP) has been selected for implementation which will connect financial processes between the Puerto Rico Treasury Department and ADSEF to facilitate the compliance with the required time frame. The training started on January 2023, and will continue until implementation in 2024. (ERP SYSTEM) Achieve the centralization of the fiscal and accounting systems of the agencies, instrumentalities, and public corporations to facilitate access to financial information for the Government of Puerto Rico.</p> <p>The ERP will lead the government to prepare and publish audited financial statements in a timely manner, and therefore, ensure that Puerto Rico has access to financial markets again. During these sessions of work ADSEF has participated in several trainings with new and updated information.</p> <ul style="list-style-type: none"> • Centralize government financial systems. • Integrate finance, buy, human capital management and payroll modules into a single platform. <p>As mentioned in the last 2020 CAP.</p> <p>ADSEF agrees with the recommendations presented. It is our understanding that PRITS is working in an accounting system that will serve all agencies. We expect this system to be able to generate the necessary monthly reports. Now the monthly reconciliations are referred to in the Federal Reports area. But we will investigate any mistakes between them. It is important to note that some transactions depend solely or partially on the Treasury Department. While we understand our responsibility, we cannot control the time it takes the Treasury Department.</p>	<p>JULY 2024</p>	<p>(Juan Avilés) Administration for the Socioeconomic Development (ADSEF): Finance and Budget Deputy Administrator</p> <p>Finance Director (Carlos Martinez)</p> <p>Budget Director (Vanessa Ayala)</p> <p>Puerto Rico Treasury Department New System Implementation</p>

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)



**Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

<p>2021-001 U.S. Department of Agriculture U.S. Department of Health and Human Services Compliances requirement: Financial Administration</p>	<p>B. The Department does not prepare monthly closings on a recurring and periodic basis.</p>	<p>ADSEF only prepares monthly accounting journals. Federal reports are prepared on a quarterly basis and annually</p>	<p>N/A</p>	<p>Finance Director (Carlos Martinez)</p>
<p>2021-001 U.S. Department of Agriculture U.S. Department of Health and Human Services Compliances requirement: Financial Administration</p>	<p>C. The Single Audit Report has not been submitted in a timely manner and audit procedures are significantly delayed due to a lack of reconciliations and monthly closing procedures.</p>	<p>Single Audit reports were not delayed due to lack of reconciliation or monthly closings. Reports were delayed since year 2020 was an atypical year with multiple lockdowns, earthquakes, only essential personal was required to work.</p>	<p>N/A</p>	<p>Administration for the Socioeconomic Development (ADSEF):</p>
<p>2021-001 U.S. Department of Agriculture U.S. Department of Health and Human Services Compliances requirement: Financial Administration</p>	<p>D. Multiple transactions are recognized retroactively several months after occurring, because of the significant delays brought forth by a weak financial reporting system.</p>	<p>Some transactions need conciliation, for this finance needs to have all require information petitions, invoices, and payments receipts. Cash Management as well needs all information to proceed with drawdowns.</p>		<p>Administration for the Socioeconomic Development (ADSEF):</p>

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)



**Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

<p>2021-001 U.S. Department of Agriculture U.S. Department of Health and Human Services Compliance requirement: Financial Administration</p>	<p>E. The Department does not have adequate procedures to reconcile, in a timely manner, financial transactions recorded in the accounting system of the Puerto Rico Treasury Department with the accounting records maintained by the Department.</p>	<p>In the Accounting Section, accounts are reconciled in a monthly matter. This exercise is carried out through Income and Expense Reports, and they are sent to the Budget Division. Copies of these documents are kept in the Section.</p>		
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**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)



**Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

Finding Number, Federal Agency Reference:	Findings:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2021-002</p> <p>U.S. Department of Agriculture</p> <p>U.S. Department of Health and Human Services</p> <p>Compliance requirement: Financial Administration</p>	<p>We noted several files for participants of the referenced federal award were not complete to evaluate properly and conclude participant/beneficiary was eligible, as required by the Department procedures and federal law. As a result, we could not conclude participants reviewed were eligible to receive benefits as required by the federal award.</p> <p>Perspective We selected a sample of forty (40) participant files as part of compliance testing regarding eligibility, auditors noted several cases in which the following documentation was not present in participants' files as follows:</p> <ul style="list-style-type: none"> - (6) Valid ID - (7) Evidence of Residency <p><i>Eduardo Justiniano Fuentes- Bayamon</i> <i>Iris N. Mediavilla Gonzalez - Carolina</i> <i>Tony C. Tang- San Juan</i> <i>Awilda Padin Pruts- Aguadilla</i> <i>Marilyn Santiago Morales- Humacao</i> <i>Attagracia Aponte Mojica- Carolina</i> <i>Katherine Solis Gordian- San Juan</i></p>	<p>There were multiple lockdowns executive order that impacted business, no school or day care and ADSEF case managers were called to work on a gradual basis on February 2021. Only essential workers were active. At the time of the Pandemic, the cases were evaluated in the regional offices based on the minimum criteria, then they were sent to the Central Level offices to the Medical Board for evaluation.</p> <p>Training was implemented to ensure the technicians submit the correct information. ADSEF management; is sending monthly memorandums regarding to changes, new updates on system.</p> <p>ADSEF will reinforce correct data entry codes, ADSEF Digital will ensure process is done accurately.</p>	<p>ADSEF DIGITAL was implemented september2021.</p> <p>November 2024.</p>	<p>(Gerhil Medina) Administration for the Socioeconomic Development (ADSEF): Operational Services Administrator</p> <p>(Luz Rosario) NAP Director</p> <p>Associate Director:</p> <ul style="list-style-type: none"> • Bayamon • Carolina • Aguadilla • Humacao • San Juan

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)



**Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

Finding Number, Federal Agency Reference:	Findings:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2021-003</p> <p>U.S. Department of Agriculture</p> <p>U.S. Department of Health and Human Services</p> <p>Compliances requirement: Financial Administration</p>	<p>We noted several files for participants of the referenced federal award were not complete to evaluate properly and conclude participant/beneficiary was eligible, as required by the Department procedures and federal law. As a result, we could not conclude participants reviewed were eligible to receive benefits as required by the federal award.</p> <p>Perspective - We selected a sample of fifteen (15) participant files as part of compliance testing regarding eligibility, auditors noted several cases in which the following documentation was not present in participants' files as follows:</p> <p>(4) Verification of Valid ID. (7) Income Verification Form for audited period. (2) Information Verification Form. (1) Participant file was not available for our review.</p> <p>Wenceslao Rivera Rodriguez Dagmar Turimiani Ottaviani Castita Franceschi Gonzalez Joseph Alvarado Rodriguez</p>	<p>There were multiple lockdowns executive order that impacted business, no school or day care and ADSEF case managers were called to work on a gradual basis on February 2021. Only essential workers were active. At the time of the Pandemic, the cases were evaluated in the regional offices based on the minimum criteria, then they were sent to the Central Level offices to the Medical Board for evaluation.</p> <p>ADSEF Digital will accurately process provided information. Training was implemented to ensure the technicians submit the correct information.</p> <p>ADSEF will reinforce correct data entry codes.</p>	<p>ADSEF DIGITAL was implemented september2021.</p> <p>November 2024</p>	<p>(Gerhli Medina) Administration for the Socioeconomic Development (ADSEF): Operational Services Administrator</p> <p>(Denise Marquez Molina) TANF Director</p> <p>Associate Director;</p>

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)



**Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

Finding Number, Federal Agency Reference:	Findings:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2021-004</p> <p>U.S. Department of Agriculture</p> <p>U.S. Department of Health and Human Services</p> <p>Compliances requirement: Financial Administration</p>	<p>Condition</p> <p>We noted the Department concluded a participant was eligible to be a beneficiary of the federal award when it did not comply with the requirement established for eligibility.</p> <p>The participant received benefits during a period that exceeded 60 months.</p> <p>Perspective</p> <p>We selected a sample of fifteen (15) participant files as part of compliance testing regarding the eligibility requirement. Auditors observed one (1) instance in which a participant continued to receive program benefits after exceeding the 60-month period established for Category C (head of household) participants without approval or justification. The Participant exceeded the maximum participation period by a total of six (6) months.</p>	<p>There were multiple lockdowns executive order that impacted participants, this was a systematic error given to lack of supervision during the period. Once identified this event participant was informed of the situation and a collection process was in place.</p> <p>Training was implemented to ensure the technicians submit the correct information. ADSEF management; is sending monthly memorandums regarding to changes, new updates on system.</p> <p>ADSEF will reinforce correct data entry codes. ADSEF Digital will ensure process is done accurately.</p>	<p>November 2024</p>	<p>(Gerbill Medina) Administration for the Socioeconomic Development (ADSEF): Operational Services Administrator</p> <p>(Denise Marquez Molina) TANF Director</p>

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)



**Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

Finding Number, Federal Agency Reference:	Findings:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2021-005</p> <p>U.S. Department of Agriculture</p> <p>U.S. Department of Health and Human Services</p> <p>Compliance requirement: Financial Administration</p>	<p>Perspective</p> <p>We selected a sample of 15 participant files as part of compliance testing regarding eligibility, auditors noted several cases in which the following documentation was not present in participants' files as follows:</p> <p>(4) Period of Participation Form. (Cat. C) (3) Verification of eligible age of all minors within familiar unit. (Cat. C) (1) Child Support Agreement for non-custodial parents. (Cat. C) (2) Verification of Valid ID. (Cat. A & D) (2) Medical Certification From Specialist Form (TANF-34). (Cat. D) (7) Benefit Determination Worksheet for audited period. (All Cat.) (1) Participant file was not available for our review.</p>	<p>* There were local offices that suffered damage due to earthquakes. Also, there was an approval from FNS to be more flexible on the required documents during the pandemic. These documents were uploaded to ADSEF DIGITAL. These documents may not have been printed. Also, during COVID-19 the priority of the Federal Government was the health and wellbeing of the participants including having enough resources to cover their basic needs. (Flexibilities)</p> <p>Waiver Present March 30,2020.</p> <p><i>For reference, please refer to this information.</i></p> <p>https://www.acf.hhs.gov/ofa/new/0fa-publishes-guidance-implications-covid-19-pandemic-tanf-program</p> <p>https://www.acf.hhs.gov/ofa/policy-guidance/tanf-act-2020-01-questions-and-answers-about-tanf-and-coronavirus-disease</p> <p>Training was implemented to ensure the technicians submit the correct information. ADSEF management; is sending monthly memorandums regarding to changes, new updates on system.</p> <p>ADSEF will reinforce correct data entry codes, ADSEF Digital will ensure process is done accurately.</p>	<p>November 2024</p>	<p>(Gerhíl Medina) Administration for the Socioeconomic Development (ADSEF): Operational Services Administrator</p> <p>(Denise Marquez Molina) TANF Director</p> <p>Associate Director:</p>

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2021**

(AN EXECUTIVE AGENCY OF THE COMMONWEALTH OF PUERTO RICO)



GOBIERNO DE PUERTO RICO
ADMINISTRACION DE DESARROLLO SOCIOECONOMICO DE LA FAMILIA

**Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

Finding Number, Federal Agency Reference:	Findings:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2021-006</p> <p>U.S. Department of Agriculture</p> <p>U.S. Department of Health and Human Services</p> <p>Compliances requirement: Financial Administration</p>	<p>The Department did not comply with the required due date for the submission of the Single Audit Report Package because of systematic issues which have led to delays in the receipt and processing of information required as part of the Single Audit.</p>	<p>There were multiple lockdowns executive order that impacted business, no school or day care and ADSEF case managers were called to work on a gradual basis on February 2021. Only essential workers were active.</p> <p>At the time of the Pandemic, the cases were evaluated in the regional offices based on the minimum criteria, then they were sent to the Central Level offices to the Medical Board for evaluation.</p> <p>Given to this situation Single Audits started late since it depends on the personnel to be present at the local and regional offices.</p>	<p>N/A</p>	



LEADING BUSINESS SOLUTIONS

Certified Public Accountants and Business Advisors

May 5, 2023

To users of the financial statements reported
upon by D' Leading Business Solutions

The professional staff of D' Leading Business Solutions (DLBS) are pleased to announce the successful completion of an independent peer review of our accounting and auditing practice. This review was undertaken as a condition for the membership with the American Institute of Certified Public Accountants (AICPA), the National Organization for Certified Public Accountants (CPA) in public practice, industry, government, and education.

In 1988, the members of the AICPA overwhelmingly approved a proposal to require members in public practice to participate in a practice-monitoring program. With the adoption of this proposal, the AICPA implemented a Peer Review Program of unprecedented scope in the CPA profession or any other. Furthermore, in August 2000, the Puerto Rico Society of Certified Public Accountants (PRSCPA) adopted a voluntary participation peer review program, which follows the lead established by the AICPA. Our participation in Peer Review demonstrates our Firm's desire to measure up to the profession's highest standards of professionalism and our commitment to maintaining and improving the quality of our practice.

The reviewer first determined that we have an adequate quality control system, and then assessed that professional standards were followed in a representative sample of our accounting and auditing engagements. After a thorough study of our policies and procedures, the reviewer concluded that DLBS complies with the quality control standards established by the AICPA and the PRSCPA. As a result, the reviewer issued a report on September 13, 2023 with a rating of Pass (the highest possible rating), which confirms our compliance with the highest standards of quality control procedures prescribed by our profession. We are very proud to show our results to the business community.

Bankers, bonding agents, investors, suppliers, legal advisors, and others use financial statements that DLBS audits, reviews, or compiles. We believe all users of these financial statements, our clients, and our professional staff deserve independent quality assurance that our Firm provides quality services. We are proud of our peer review results and would be happy to answer any questions you might have.

Sincerely,

Pablo Morales-Padillo
President



ZAYAS, MORAZZANI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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Report on the Firm's System of Quality Control

September 13, 2023

To the Shareholders of D'Leading Business Solutions, Inc.
and the Peer Review Committee of the
Puerto Rico Society of Certified Public Accountants.

We have reviewed the system of quality control for the accounting and auditing practice of D'Leading Business Solutions, Inc. (the firm) in effect for the year ended July 31, 2022.

Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of D'Leading Business Solutions, Inc. in effect for the year ended July 31, 2022, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. D'Leading Business Solutions, Inc. has received a peer review rating of *pass*.

Zayas, Morazzani & Co.