

**DEPARTMENT OF HEALTH OF THE
COMMONWEALTH OF PUERTO RICO**

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
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INDEPENDENT AUDITOR'S REPORT

Honorable Lorenzo González Feliciano, MD, MBA, DHA
Secretary
Department of Health of the Commonwealth of Puerto
Rico:

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the governmental activities and governmental funds of the Department of Health of the Commonwealth of Puerto Rico (the "PRDH"), as of and for the fiscal year ended June 30, 2019, 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 this financial 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 financial 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 financial statement that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial 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 *Governmental 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 financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial 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 financial 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 principles used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the cash basis financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the governmental activities, each major fund and the aggregate remaining fund information of the PRDH for the fiscal year ended June 30, 2019, in conformity with the basis of accounting described in Note A.

Omitted Component Units

As discussed in Note A, the accompanying financial statement of the PRDH includes only the activities of the PRDH, which consists of funds and offices that comprise the PRDH. The financial statement does not include financial data for PRDH's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported within the financial data for the PRDH. As a result, the financial statement does not purport, and does not present fairly, the cash receipts and cash disbursements of the reporting entity of the PRDH for the fiscal year ended June 30, 2019 in accordance with the basis of accounting described in Note A.

Emphasis of Matters

Basis of Accounting

We draw attention to Note A of the financial statement that describes the basis of accounting. The financial statement was 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.

Uncertainty and liquidity risk

As discussed in Note B to the financial statements, the PRDH is an executive agency of the Commonwealth. As of June 30, 2019, the financial condition and liquidity of the Commonwealth of Puerto Rico "Commonwealth" has deteriorated. Considering that the PRDH depends completely on appropriations from the Commonwealth, the financial condition and liquidity of the PRDH could be similarly affected. Our opinion is not modified with respect to this matter.

Report on Other Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement. The accompanying Schedule of Expenditures of Federal Awards included on pages 16-19, is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, and is not a required part of the financial statement.

The schedule of expenditures of federal awards is the responsibility of the PRHD's management and was derived from and relates directly to the underlying accounting and other records used to



Aquino, DeCordova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

prepare the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement 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 Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole, in conformity with the basis of accounting described in Note A.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, on our consideration of the PRDH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PRDH's internal control over financial reporting and compliance.

Carolina, Puerto Rico
December 23, 2020



Stamp number E429920
of Puerto Rico CPA Society
has been affixed to the
original report



DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

Program	State Funds		Federal Funds		Totals	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Auxiliary Services	\$ 5,543,028	\$ 5,224,865	\$ -	\$ -	\$ 5,543,028	\$ 5,224,865
Bayamon Hospital	10,538,419	13,371,736	-	-	10,538,419.00	13,371,736.00
Clinical Laboratory Services	3,527,424	3,279,966	-	-	3,527,424	3,279,966
Commission for the Prevention of Suicide	743,371	251,969	-	-	743,371	251,969
Economic Aid to Medical Indigent	71,960,686	29,659,513	2,719,525,174	2,785,650,367	2,791,485,860	2,815,309,880
Health Institutions	19,558,378	19,031,434	-	-	19,558,378	19,031,434
Health Promotion and Protection	7,434,760	7,643,446	3,524,290	3,363,318	10,959,050	11,006,764
Indirect Costs	4,431,593	4,020,362	-	-	4,431,593	4,020,362
Integrated Services to Communities	68,328,311	17,084,462	97,880,041	102,109,921	166,208,352	119,194,383
Intellectual Disability	36,381,659	31,900,682	-	-	36,381,659	31,900,682
Management and Administration	25,973,759	38,501,556	19,744,810	18,990,398	45,718,569	57,491,954
Office of Research and Medicinal Cannabis	844,731	18,648	-	-	844,731	18,648
Own Incom Fund-Payroll	5,699,039	4,244,310	-	-	5,699,039	4,244,310
Pediatric Centers	16	35,060	-	-	16	35,060
Planning, Evaluation and Statistics in the Health Area	1,572,645	1,451,348	1,022,361	1,201,173	2,595,006	2,652,521
Registration and Certification of Health Professionals	-	3,361,256	-	-	-	3,361,256
Registration and Issuance of Documents of the						
Demographic Register	8,161,307	4,267,161	(8,069)	-	8,153,238	4,267,161
Regulation and Accreditation of Health Facilities	2,388,876	1,787,979	993,580	590,715	3,382,456	2,378,694
Regulation and Certification of Health Professionals	14,639,196	10,690,993	-	-	14,639,196	10,690,993
Regulations on Health Environment	12,871,881	8,831,430	1,292,222	1,213,460	14,164,103	10,044,890
Special Account	89,440,828	70,894,875	-	-	89,440,828	70,894,875
Special Supplemental Nutrition Program for Woman,						
Infants and Children	-	-	150,634,360	159,197,118	150,634,360	159,197,118
State Special Fund- Payroll	2,725,509.00	3,204,363	-	-	2,725,509	3,204,363
Trauma Centers	6,673,067	-	-	-	6,673,067	-
University Adult Hospital	104,352,792	104,658,140	-	-	104,352,792	104,658,140
University Pediatric Hospital	35,616,217	42,271,796	1,900,562	1,766,436	37,516,779	44,038,232
	<u>\$ 539,407,492</u>	<u>\$ 425,687,350</u>	<u>\$ 2,996,509,331</u>	<u>\$ 3,074,082,906</u>	<u>\$ 3,535,916,823</u>	<u>\$ 3,499,770,256</u>

See notes to Statement of Cash Receipts and Disbursements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The Department of Health of the Commonwealth of Puerto Rico (“the PRDH”) is an executive department of the Commonwealth of Puerto Rico (“the Commonwealth”) established under Article IV Section 6 of the Constitution with the objective of promoting and preserving health as a state or condition of physical, emotional and social well-being, that would allow human beings the full enjoyment of life and their contribution to the productive creative efforts of the society as a whole.

The PRDH is under the direction and supervision of a Secretary appointed by the Governor of the Commonwealth. The Secretary is responsible for the design, implementation and supervision of the operations for the PRDH including its fiscal organization.

Oversight responsibilities of the Secretary of the PRDH

The Secretary of the PRDH is a compulsory board member and has oversight responsibilities over several public corporations and entities of the Commonwealth. The accompanying financial statement does not include the activities of these public corporations and entities. Their operations are subject to separate financial or single audits, as applicable or required. The financial statements of these entities are all included in the Commonwealth’s financial statement. A brief description of these entities is as follows:

- Puerto Rico Medical Services Administration (“PRMSA”) – is a public corporation and an instrumentality of the Commonwealth ascribed to the PRDH. It was created by Act No. 66 dated June 22, 1978, as amended, to plan, organize, and administer the centralized health services, provided in support of the hospital and other functions, offered by the member institutions and users of the medical complex known as the Puerto Rico Medical Center.
- Puerto Rico Health Insurance Administration (“PRHIA”) – is a public corporation created by Act No. 72 of September 7, 1993, as amended. It was created for implementing, administering, and negotiating a health insurance system through contracts with insurance underwriters to provide quality medical and hospital care to low-income individuals, employees of the Commonwealth and policemen who voluntary subscribe to the Puerto Rico health insurance medical plan. PRHIA financial support is provided through legislative appropriations of the Commonwealth.
- Cardiovascular Center Corporation of Puerto Rico and the Caribbean (“CCCPRC”) – is a public corporation created by Act No. 51 of June 30, 1986, as amended. The purpose of the CCCPRC is to provide special treatment to patients suffering from cardiovascular diseases. The Commonwealth provides financial support to the CCCPRC through legislative appropriations.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
CONTINUED
JUNE 30, 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED

- Mental Health and Anti-Addiction Services Administration (“MHAASA”) – was created by virtue of Public Law No. 67 of August 7, 1993. The MHAASA is responsible for the planning, implementation and evaluation of alcohol and drug abuse program, which use a dynamic approach across human development stages from prevention through treatment and rehabilitation. Also, the authority to approve the manufacturing, dispensing and distribution of controlled substances for therapeutic usage that previously rested on MHAASA has now been transferred to the Secretary. The operations of the MHAASA are funded through annual budgetary appropriations approved by the Legislature of the Commonwealth. In addition, MHAASA receives federal financial assistance for specific purposes. The Puerto Rico Department of the Treasury (“PRTD”) acts as the disbursing agent for MHAASA, except for certain payments made by specially appointed paymasters under the monitored supervision of the PRTD.

Complete financial statements of these entities can be obtained directly from their administrative offices at:

Puerto Rico Medical Services Administration
PO BOX 2129
San Juan, PR 00922-2129

Cardiovascular Center Corporation of
Puerto Rico and the Caribbean
PO Box 366528
San Juan, PR 00936-6528

Puerto Rico Health Insurance Administration
PO Box 195661
San Juan, PR 00919-5661

Mental Health and Anti- Addiction
Services Administration
PO Box 607087
Bayamón, PR 00960-7087

Summary of significant accounting policies

Basis of Presentation

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balanced set of accounts. The financial activities of the PRDH that are reported in the accompanying statement of cash receipts and disbursements have been classified into governmental funds. Major individual governmental funds are reported as separate columns, with non-major funds being combined into a single column. As more fully explained in Note B, each fund is accounted for with a set of accounts which include only cash receipts and cash disbursements. The individual funds account for the governmental resources allocated to them for purposes of carrying on specific activities in accordance with laws, regulations and other restrictions.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED

The programs included in these fund types are:

The individual funds included in these program types are classified in the following programs:

Auxiliary Services – This program is used to account for the resources and expenditures related to the management and administrative support provided to the program areas of the PRDH to assist them in meeting their program objectives.

Clinical Laboratory Services – This program is used to account for resources and expenditures related to clinical services provided for general bacteriology, immunology, rabies, tuberculosis and parasitology, as approved by the Control Disease Center (“CDC”); toxicology services provided to the Agencies of Law Enforcement; certification of laboratories for drinking water; and monitoring the quality of services offered by public and private clinical laboratories in Puerto Rico.

Economic Aid to Medical Indigent – This program is used to account for resources and expenditures related to providing access to quality health care to the medically indigent population financing the hospital medical expenses for people whose income and/or resources are insufficient to meet the costs for health care.

Health Institutions – This program is used to account for the resources and expenditures related to the administration of public health facilities providing state medical and hospital services primary, secondary and tertiary levels in different specialties and subspecialties of medicine.

Health Promotion and Protection- This program is used to account for resources and expenditures related to the development of standards, planning and evaluation of primary health services with a preventive, comprehensive and holistic approach to the individuals within the context of family group.

Indirect costs – Funds claimed/ reimbursed as part of the federal proposal/grant to cover administrative efforts and/ or expenditures related to the federal grant. The amount is based on a ratio that may vary every year.

Integrated Services to Communities – This program is used to account for resources and expenditures related to the development of standards and planning and evaluation of primary health services, with a preventive and holistic approach of the individual, within the family context.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED

Intellectual Disability – This program is used to account for the resources and expenditures related to the offering of habilitation and clinical treatment services, focused on the individual, through Population Services Division with intellectual Disability.

Management and Administration - This program is used to account for resources and expenditures related to the supervision and coordination of all services and operation of central level to each department offices around the island.

Planning, Evaluation and Statistics in the Health Area – This program is used to account for resources and expenditures related to health planning, evaluation and statistics which serves as the institutional instrument and support to different management levels of the PRDH to facilitate decision making and enable fulfillment of the mission of the PRDH, effectively and productively.

Registration and Certification of Health Professionals – Advises the Secretary of the Department of Health in the implementation of Law No. 11 of June 23, 1976, as amended, known as the “Puerto Rico Health Services Comprehensive Reform Act” and the Organic Laws of the Examining Boards; and supervises and audits the laws and regulations governing them. The Medical Discipline Examiner Board has the mission to regulate the practice of medicine in Puerto Rico and the development of education programs of medical clinic for students domiciled on the island and enrolled in foreign medical schools. In addition, it monitors and guards all records of health professionals, and warns these professionals to meet the requirements of registration and continuing education.

Registration and Issuance of Documents of the Demographic Register – This fund is used to account for resources and expenditures related to the registration services and the issuance of vital events of the highest quality to ensure confidentiality, privacy and security.

Regulation and Accreditation of Health Facilities – This program is used to account for resources and expenditures related to the planning, issuance of regulatory standards and operating licenses to health care institutions to regulate and accredit institutions and health services.

Regulation and Certification of Health Professionals – This program is used to account for resources and expenditures related to the development and implementation of administrative arrangements for the proper functioning of the Board of Examiners and monitoring and auditing of the laws and regulations that govern it.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED

Regulations on Health Environment – This program is used to account for resources and expenditures related to the implementation and compliance with the sanitary laws and regulations established by the PRDH.

State Special Funds – The state special funds come from the Special Health Fund (Act. No. 220 of 9 August 1998), the Environmental Health Fund (Act No. 101 of 26 March 1999) and the Expert Fund of the Board of Licensing and Medical Discipline (Act. No. 139-2008, as amended by Act No. 57-2011). The use of these resources is provided by these laws to cover the operating costs of the PRDH.

Special Supplemental Nutrition Program for Women, Infants, and Children – This program is used to account for resources and expenditures related to the services provided in all municipalities to pregnant women, infants and children from 1 to 5 years of age, who have nutritional risk.

University Adult Hospital – This program is used to account for the resources and expenditures related to the tertiary health services provided to adults in the metropolitan area and the supra-tertiary services provided to all health regions in Puerto Rico.

University Pediatric Hospital – This program is used to account for the resources and expenditures related to the tertiary and supra-tertiary services provided to all children of Puerto Rico.

Basis of Accounting

The accompanying statement of cash receipts and disbursements has been prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, all transactions are recognized as either cash receipts or disbursements, when actual cash is received or paid, except for local funds appropriations for which cash is not received, but rather is made available for payments by the Treasury Department of the Commonwealth and non-cash transactions are not recognized.

a. Budgetary Accounting

Formal budgetary accounting is employed as a management control tool for all funds of the PRDH. Annual operating budgets are adopted each fiscal year through passage of an annual budget which is approved by the Legislature of the Commonwealth and amended as required throughout the year. All unencumbered budget appropriations of state funds lapse after the end of each fiscal year.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED

The statement of cash receipts and disbursements is presented at the programmatic level. However, budgetary control and accounting is exercised at a lower level to provide management with detailed control over expenditures at the appropriate budget level.

b. General Fund

This is the main operating fund of the PRDH and is used to account for the funds appropriated by the Commonwealth.

c. Medical Assistance Program Fund

This fund consists of financial assistance received from federal agencies. Federal funds are legally restricted to expenditures for medical assistance to low-income persons.

d. Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program Fund

This fund consists of financial assistance received from federal agencies. Federal funds are legally restricted to expenditures for supplemental nutritious foods, nutrition education (including breastfeeding promotion and support), and referrals to health care for low-income persons during critical periods of growth and development specified purposes.

e. Other Federal Funds

These funds basically consist of indirect costs claims and financial assistance received from federal agencies to educate, promote and preserving health.

NOTE B - GOING CONCERN

The PRDH significantly depends on appropriations from the Commonwealth. As of June 30, 2019, the Commonwealth faces significant budgetary risk and uncertainties, including liquidity risk, which is the risk of not having sufficient liquidity or financial resources to meet their obligations when they become due. Because of budgetary constraints, the financial support that the Commonwealth provides to PRDH could be affected in the near future.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
CONTINUED
JUNE 30, 2019

NOTE C - RETIREMENT PLAN

The Employee's Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (the "System") is a cost-sharing multiple employers defined benefit pension plan sponsored by the Commonwealth of Puerto Rico. All regular full-time public employees of the PRDH under five (5) years at the date of employment become members of the System as a condition to their employment.

The System provides retirement, death and disability benefits pursuant to Act No. 447 of May 15, 1951, as amended. Disability retirement benefits are available to members for occupational and non-occupational disability benefits. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after ten years of plan participation.

No benefits are payable if the participant receives a refund of higher accumulated contributions. Members who have attained an age of at least fifty-five (55) years and have completed at Least twenty-five (25) years of creditable service or members who have attained an age of at least fifty-eight (58) years and have completed at least ten (10) years of creditable service, are entitled to an annual benefit, payable monthly for life.

The amount of the annuity shall be one and one-half percent of the average compensation, as defined, multiplied by the number of years of creditable service up to twenty (20) years, plus two percent of the average compensation, as defined, multiplied by the number of years of creditable service in excess of twenty (20) years.

In no case will the annuity be less than \$200 per month. Participants who have not attained fifty-five (55) years of age will receive 65% of the average compensation, as defined, or if they have attained age fifty-five (55) will receive 75% of the average compensation, as defined.

On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, which created the System, was enacted with the purpose of establishing a new pension program (System 2000). Employee participation in the current system as of December 31, 1999, may elect to stay in the defined benefit plan or transfer to the new program. Persons joining the PRDH on or after January 1, 2000, will only be allowed to become members of System 2000. System 2000 will reduce the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the System together with those of the current defined benefit plan. The Commonwealth will not guarantee benefits at retirement age. The annuity will be based on a formula which assumes that each year the employees' contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the ERS's investment portfolio (net of management fees), or (3) earn a combination of both alternatives.

Participants will receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions will not be granted under System 2000. The employer's contribution (9.275% of the employee's salary) will be used to fund the current plan.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
CONTINUED
JUNE 30, 2019

NOTE C - RETIREMENT PLAN - CONTINUED

Government legislation requires employees to contribute 5.775% for the first \$6,600 of their monthly gross salary and 8.275% for the salary in excess of \$6,600. The PRDH was required by the same statute to contribute 9.275% of the participant's gross salary.

On April 4, 2013 the Act 3 - 2013 was signed, to amend Act No. 447 of May 15, 1951, to include new guidelines as corrective measures to the actual plan's unfunded status. Amendments consist of: (1) for active participants of the contributory defined benefit programs under Act No. 447 of 1951 and Act No. 1 of 1990, all retirement benefits accrued through June 30, 2013 were frozen, and thereafter, all future benefits will accrue under the defined contribution formula used for System 2000 participants, and will be paid at retirement through a lifetime annuity; (2) increased the minimum pension for current retirees from \$400 to \$500 per month; (3) the retirement age for Act No. 447 participants will be gradually increased from age 58 to age 61; (4) the retirement age for active System 2000 participants will be gradually increased from age 60 to age 65; (5) transitioning active participants under Act No. 1 and Act No. 447 to a defined contribution plan similar to System 2000; (6) eliminated the "merit annuity" available to participants who joined the System prior to April 1, 1990; (7) the retirement age for new employees was increased to age 67, except for new state and municipal police officers, firefighters, and custody officers, which will be age 58; (8) employee contribution rate was increased from 8.275% to 10%; (9) for System 2000 participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity; (10) eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. 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 will be contributed to the ERS; (11) disability benefits were eliminated and substituted for a mandatory disability insurance policy; and (12) survivor benefits were modified. The effective date of this Act will be July 1, 2013.

On October 30, 2016, the Fiscal Oversight Board for Puerto Rico designated the Government of Puerto Rico, the ERS for Government Employees, the Judicial ERS, and the Teacher ERS (together the "ERSs"), the University of Puerto Rico and 21 other public corporations of Puerto Rico as covered entities, subject to fiscal supervision in accordance with the federal legislation Puerto Rico Oversight, Management, and Economic Stability Act, better known as PROMESA.

Due to the lack of projected liquidity of the ERSs, the Government of Puerto Rico will protect payments to pensioners. Effective July 1, 2017, the Government of Puerto Rico adopted the "PayGo" system. Under this new system, the Government will be responsible for paying the deficiency of the ERSs to provide retirement benefits for the pensioners.

Also, as of July 1, 2017, employer contributions, contributions under special laws and the Uniform Additional Contribution (Law no. 32-2013) was eliminated and replaced with the "PayGo".

On August 23, 2017, Law Number 106 was established to guarantee payment to pensioners and establish a new defined contribution plan for public employees.

Accordingly, the Puerto Rico Department of the Treasury will bill government agencies, public corporations, municipalities, the executive branch, the legislative branch and the judicial branch (together the "Government Agencies") a monthly charge to cover the retirement benefits to their pensioners. The ERSs will determine and administer the amount of the payment by pensioner that will correspond to each of the Government Agencies. This charge is known as the "PayGo".

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
CONTINUED
JUNE 30, 2019

NOTE C - RETIREMENT SYSTEM (CONTINUED)

Total contributions made to the pension plan during the fiscal year ended June 30, 2019, amounted to \$1,823,904 for employees, paid with state and federal funds.

Additional information on the Retirement System is provided in its financial statements, a copy of which can be obtained at: Retirement System, Minillas Station, P.O. Box 42003, San Juan, Puerto Rico 00940-2003.

NOTE D - COMMITMENTS

Operating Leases - The PRDH is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations; therefore, neither the assets nor the liabilities of the lease agreements are reflected in the accounting records. Real property is leased from the Puerto Rico Public Buildings Authority, a component unit of the Commonwealth, and from other private entities.

Rent paid during the fiscal year ended June 30, 2019, under these lease agreements amounted to approximately \$12.4 million. Information of the future minimum rental payments required under these operating leases was not available.

NOTE E - CONTINGENCIES

Litigation and Claims - The PRDH is a defendant in lawsuits arising in the normal course of operations. The Commonwealth's Act No. 104 of June 30, 1955, as amended, establishes that any claims and lawsuits initiated against an agency or instrumentality of the Commonwealth, or against any of its employees, directors, majors, and others, may be represented by the Department of Justice of the Commonwealth. Any adverse claim to the defendants is to be paid by the General Fund of the Commonwealth. However, the Secretary of the Treasury of the Commonwealth has the discretion of requesting reimbursement of the funds expended for these purposes from public corporations, governmental institutions, or municipalities of the defendants.

Collective Bargaining Agreement - As of June 30, 2019, PRDH had 3,996 employees of which 2,476 employees were covered by a collective bargaining agreement. Under the provisions of the agreement the PRDH must comply with specific requirements related to compensation, fringe benefits and other related matters. The union agreement expired on June 30, 2015. As of the date of the financial statement, there is no new collective bargaining agreement.

Federal Awards - The PRDH is a grantee in various Federal Financial Assistance Programs funded by the Federal Government. Entitlement to the resources is generally based on compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes.

Investigation by the Office of Inspector General of the Department of Health and Human Services ("HHS") - On October 8, 2015, the HHS conducted a raid at the PRDH's Medical Assistance and Children Health Insurance Programs offices, and confiscated several documents and information, as part of an investigation regarding the administration of federal funds. During the audit, the PRDH's Medical Assistance Program informed to auditors that as a result of the investigation, there were four arrest warrants and indictments to program employees.

NOTE E – CONTINGENCIES- CONTINUED

Substantially all grants are subject to financial and compliance audits by the grantor agencies. All disallowed costs as a result of these audits become a liability of the fund that receives the grant and must be reimbursed to the Federal Government from the PRDH's local funds. The Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2019 disclosed several instances of non-compliance with applicable laws and regulations and internal accounting and administrative control structure. The amount, if any, of expenditures which may be disallowed cannot be determined at this time.

NOTE F- SUBSEQUENT EVENTS

The PRDH evaluated subsequent events through December 23, 2020, the date on which the basic financial statement was available to be issued. On June 18, 2020, the OIG sent to the PRDH's Medical Assistance Program certain letters of investigations that they were conducting related to Manpower employees and Medicaid Regional Liaisons. During the audit, the PRDH's Office of Legal Advisers informed to auditors the responses of the Medical Assistance Program to the OIG related to these investigations.

NOTE G- CATASTROPHE EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and Puerto Rico. As a result, and in response to the executive orders of the President of the United States and the Governor of the Commonwealth of Puerto Rico, executive orders: Families First Coronavirus Response Act (“FFCRA”), and Implementation of the Necessary Closings of Private and Government Operations to Combat the Effects and Spread of COVID-19 in the Island of Puerto Rico, issued on March 18, 2020 and March 15, 2020, respectively, and their amendments; we have temporarily closed our operating locations, reduced operating hours, and have seen a reduction in citizen traffic, all resulting in a negative impact to Puerto Rico's government and private operations. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while we expect this matter to negatively impact our results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

**PART II- SUPPLEMENTARY INFORMATION AND COMPLIANCE
SECTION**

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identity Identifying Number	Pass-Through to Subrecipient	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Direct Programs				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557		-	158,919,891
W.I.C. Infraestructura	10.578		-	277,227
				<hr/>
Sub-total U.S. Department of Agriculture			-	159,197,118
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program				
Housing Opportunities for Persons with AIDS	14.241		-	40,422
				<hr/>
Sub-total U.S. Department of Housing and Urban Development			-	40,422
<u>U.S. Environmental Protection Agency/Office of Water</u>				
Direct Programs				
State Public Water System Supervision	66.432		-	676,659
Capitalization Grants for Drinking Water State Revolving Funds	66.468		-	484,078
				<hr/>
Sub-total U.S. Environmental Protection Agency/Office of Water			-	1,160,737
<u>U.S. Department of Education</u>				
Direct Program				
Special Education-Grants for Infants and Families	84.181		-	3,373,611
				<hr/>
Sub-total U.S. Department of Education			-	3,373,611
				<hr/>
				163,771,888

See Notes to Schedule of Expenditures of Federal Awards.

(Continues)

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipient	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Direct Program				
Clinical Laboratory Services	42.493		-	236,055
<u>Cluster Programs</u>				
Public Health Emergency Preparedness	93.069		-	229,120
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHIEP) Aligned Cooperative Agreements	93.074		-	7,821,140
			-	8,050,260
Direct Programs				
National Association of County and City Health Officials	93.000		-	52,724
Vital Statistic Cooperative Program	93.000		-	(29,923)
Environmental Public Health and Emergency Response	93.070		-	477,669
Birth Defects and Development Disabilities- Prevention and Surveillance	93.073		-	402,507
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		-	415,550
Maternal and Child Health Federal Consolidated Programs	93.110		-	5,437,644
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		-	435,953
Cooperative Agreements to States / Territories for the Coordination and Development of Primary Care Officers	93.130		-	156,833
Injury Prevention and Control Research and State and Community Based Programs	93.136		-	417,250
Coordinated Services and Access to Research for Women, Infants, Affordable Care Act (ACA) Abstinence Education Program	93.235		-	1,706,196
National Significance	93.243		-	796,431
Universal Newborn Hearing Screening	93.251		-	230,462
Children's Hospitals Graduate Medical Education Payment Program	93.255		-	1,766,436
Immunization Cooperative Agreements	93.268		-	1,845,212
Enhancement of the Puerto Rico EDHI - IS	93.314		-	120,103
Epidemiology and Laboratory Capacity for Infectious Disease (ELCID)	93.323		-	1,773,998
Behavioral Risk Factor Surveillance System	93.336		-	289,366
Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		-	1,180,250
Family Professional Partnership	93.504		-	58,624
Direct Patient Access Employee of Long Term Care Facilities and Providers	93.506		-	304,458
Sub- total carried forward (U.S. Department of Health and Human Services)			-	26,124,058

See Notes to Schedule of Expenditures of Federal Awards.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Federal Agency/Pass-Through Agency/Program or Cluster Title</u>	<u>Federal C/FDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipient</u>	<u>Federal Expenditures</u>
Sub total of Federal Grantor Programs from previous page			-	26,124,058
Epidemiology and Laboratory Capacity				
Capacity Building Assistance to Strengthen Public Health	93.521		-	381,113
Immunization Infrastructure and Performance financed in part by				
Prevention and Public Health funds	93.539		-	1,629,421
Round Two of Funding Design and Test Assistance	93.624		-	58,515
Family Violence Revention and Services/ Domestic Violence				
Shelter and Supportive Services	93.671		-	4,453
The Patient Protection and Affordable Care Act of 2010 (Affordable				
Capacity Building Assistance to Stregthen Public Health				
Immunization Infrastructure and Performance-finaced in part by				
the Prevention and Public Health Fund (PPHF)	93.733		-	145,326
State Public Health Approaches for Ensuring Quitline Capacity -				
Funded in part by Prevention and Public Health Funds	93.735		-	80,797
PPHF: Health Care Surveillance/Health Statistics- Surveillance				
Program Announcement: Behavioral Risk Factor Surveillance				
System Financed in Part by Prevention and Public Health Funds	93.745		-	-
Preventive Health Services Block Grant	93.758		-	931,255
Program Medicaid State Children Insurance (CHIP)	93.767		122,820,984	122,820,984
Medical Assistance Program	93.778		2,540,200,860	2,662,466,410
Hospital Preparedness Program (HPP) Ebola Preparedness and				
Response	93.817		-	82,665
Affordable Care Act (ACA) Personal Responsibility Education Program	93.870		-	951,253
Hospital Preparedness Program Puerto Rico	93.889		-	(1,665)
HIV Care Formula Grants	93.917		3,149,500	61,798,239
HIV Prevention Activities: Health Department Based	93.940		832,061	4,767,754
Sub-total carried forward (U.S. Department of Health and				
Human Services)			2,667,003,405	2,882,240,578

See Notes to Schedule of Expenditures of Federal Awards

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CPDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipient	Federal Expenditures
Sub total of Federal Grantor Programs from previous page			2,667,003,405	2,882,240,578
Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Syndrome (AIDS) Surveillance	93.944		-	775,485
Assistance programs for Chronic Disease Prevention and Control	93.945		-	769,953
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		-	298,778
Block Grants for Prevention and Treatment of Substance Abuse	93.959		-	(4,841)
Zika Health Care Services Program	93.966		-	4,527,298
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977		-	1,046,673
Preventive Health Services Block Grant	93.991		-	1,479,443
Maternal and Child Health Services Block Grant to the States	93.994		-	14,715,856
Hurricane Maria	97.036		-	4,461,795
Sub-total carried forward (U.S. Department of Health and Human Services)			<u>2,667,003,405</u>	<u>2,910,311,018</u>
Total			<u>\$ 2,667,003,405</u>	<u>\$ 3,074,082,906</u>

See Notes to Schedule of Expenditures of Federal Awards.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the PRDH under programs of the federal government for the fiscal year ended June 30, 2019. The information in the Schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance")

NOTE B - ACCOUNTING BASIS

Expenditures reported on the Schedule are reported on the cash basis method of accounting. They are drawn primarily from the PRDH's internal accounting records, which are the basis for the PRDH's statement of cash receipts and cash disbursements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - CATALOG OF FEDERAL DOMESTIC ASSISTANT ("CFDA") NUMBER

The CFDA numbers included in the Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance. CFDA numbers are presented for those programs for which such numbers were available.

NOTE D - MAJOR FEDERAL PROGRAMS

Major programs are identified in the summary of auditor's results section in the schedule of findings and questioned costs. Federal programs are presented by federal agency.

NOTE E - SUB-RECIPIENTS

During fiscal year ended June 30, 2019, the PRDH disbursed \$2,667,003,405 to sub-recipients to carry out healthcare, public service, diagnosis and sexual education for HIV patients and the administration and negotiation with the health insurance providers to give all beneficiaries of Medical Assistance Program the access to quality medical-hospital care, regardless of the economic condition.

NOTE F – DE MINIMIS COST RATE

The PRDH has not elected to use the 10 percent de-minimis indirect cost rate allowed under the Uniform Guidance.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE G - CLUSTERS

A cluster of programs means federal programs with different CFDA numbers that are defined as a cluster of programs, because they are closely related programs that share common requirements. The Schedule includes the following clusters:

<u>Agency</u>	<u>Federal Program</u>	<u>CFDA Number</u>	<u>Amount</u>
U.S. Health and Human Services	Public Health Emergency Preparedness (PHEP)	93.069	\$ 229,120
	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative	93.074	7,821,140
Total			<u>\$ 8,050,260</u>

**INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND ON
COMPLIANCE AND OTHER MATTERS**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Honorable Lorenzo Gonzalez Feliciano, MD, MBA, DHA
Secretary
Department of Health of the Commonwealth of Puerto
Rico

We have audited, in accordance with the 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 of the governmental activities, each major fund, and the aggregate remaining funds information of the Department of Health of the Commonwealth of Puerto Rico, (the "PRDH") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the PRDH's financial statement and have issued our unqualified report thereon dated December 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered PRDH'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 financial statement, but not for the purpose of expressing an opinion on the effectiveness of the PRDH's internal control. Accordingly, we do not express an opinion on the effectiveness of the PRDH's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies.

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 statement will not be prevented or detected and corrected on a timely

basis. We consider the deficiency described in the finding 2019-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We consider the deficiency described in the finding 2019-002, in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PRDH's financial 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 financial statement amounts. However, providing an opinion on compliance with those provisions was 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 items 2019-003 to 2019-008.

PRDH's Response to Findings

PRDH's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The PRDH's responses were not subjected to the auditing procedures applied in the audit of the financial 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 testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PRDH's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PRDH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carolina, Puerto Rico
December 23, 2020

Aquino, De Córdoba, Alfaro & Co. S.P.

Stamp number E429971
of Puerto Rico CPA Society
has been affixed to the
original report



Aquino, De Córdoba, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Honorable Lorenzo Gonzalez Feliciano, MD, MBA, DHA
Secretary
Department of Health of the Commonwealth of Puerto
Rico

Report on Compliance for Each Major Federal Program

We have audited the Puerto Rico Department of Health (the "PRDH"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the PRDH's major federal programs for the fiscal year ended June 30, 2019. The PRDH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the PRDH'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, Cost 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 PRDH'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 PRDH's compliance.

Basis for Qualified Opinion on Maternal and Child Health Services Grant to the States (CFDA 93.994)

As described in the accompanying schedule of findings and questioned costs, the PRDH did not comply with certain compliance requirements that are applicable to its major Federal programs. Compliance with such requirements is necessary, in our opinion, for PRDH to comply with the requirements applicable to that program.

<u>Federal Awarding Agency</u>	<u>Federal Program</u>	<u>CFDA Number</u>	<u>Compliance Requirement</u>	<u>Finding No.</u>
U.S. Department of Health and Human Services	Maternal and Child Health Services Grant to the States	93.994	Earmarking	2019-007

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the PRDH complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Maternal and Child Health Services Grant to the States for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Major Programs

In our opinion, the PRDH 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 auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures also disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006 and 2019-008. Our opinion on each major federal program is not modified with respect to this matter.

The PRDH response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The PRDH'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

Management of the PRDH 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 PRDH'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 PRDH's internal control over compliance.

Our consideration on 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 have not been 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 a combination of deficiencies, in internal control over compliance, such 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, 2019-001, 2019-007 and 2019-008 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 charge with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006 to be significant deficiencies.



Report on Internal Control over Compliance- continued

The PRDH's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The PRDH's response was not subjected 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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carolina, Puerto Rico
December 23, 2020

Aquino, DeCordova, Alfaro & Co., LLP

Stamp number E429972
of Puerto Rico CPA Society
has been affixed to the
original report



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section I- Summary of Auditors' Results

A. Summary of audit results:

Part I- Financial Statements

1. Type of auditor's report issued: Unmodified opinion Qualified opinion
 Adverse opinion Disclaimer of opinion

Internal control over financial reporting:

2. Significant deficiencies identified? Yes No
3. Significant deficiencies reported as material weaknesses? Yes No
4. Noncompliance material to financial statements noted? Yes No

Part II- Federal Awards

Internal control over major programs:

1. Significant deficiencies identified? Yes No
2. Significant deficiencies reported as material weaknesses? Yes None reported
3. Type of auditors' reported on compliance for major programs: Unmodified opinion Qualified opinion
 Adverse opinion Disclaimer opinion
4. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Yes No

5. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women Infants and Children
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities-Health Department Based
93.994	Maternal and Child Health Services Block Grant to the States
Cluster:	
93.069	Public Emergency Preparedness
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements

6. Dollar threshold used to distinguish between Type A and Type B programs: \$9,222,249

7. Auditee qualified as low-risk? Yes No

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section II- Financial Statement Audit

Finding Number: 2019-001

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

Federal Program: All Programs

CFDA: 93.778, 93.767, 10.557, 93.994, 93.074,
93.940,93.917

Compliance Requirement: Financial Administration- Standards for Financial
Management System

Category: Financial, Internal Control Weakness and
Noncompliance

Criteria

45 CFR, Part 74, Subpart C, Section 74.21; 7 CFR, Part 3016, Subpart C, Section 3016.20 establishes the following:

- a) A State must expend and account for grant funds in accordance with State Laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub-grantees and cost-type contractors, must be sufficient to:
 1. Allow preparation of reports required by this part and the statutes authorizing the grant, and
 2. Allow the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- b) The financial management systems of the grantees and sub-grantees must meet the following standards:
 1. Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant.
 2. Accounting records - Grantees and sub-grantees must maintain records that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 3. Internal control - Effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

and sub-grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

4. Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or sub-grant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or sub-grant agreement. If unit cost data are required, estimates based on available documentation will be accepted, whenever possible.
5. Source documentation - Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

Condition

During our audit procedures for the fiscal year ended June 30, 2019, we noted the following deficiencies related with the accounting procedures and financial reporting practices of the PRDH:

- a) The PRDH has inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end reconciliation and closing procedures which prevent the timely processing of adjustments. Many transactions and adjustments are posted months after the applicable closing with a retroactive effect due to delays in the processing of information, especially those related to payroll transactions.
- b) The PRDH has inappropriate and/or incomplete budgeting controls between grants awards distributions and programmatic activities allocations. The PRDH does not provide a mechanism to ensure that costs do not exceed the budgeted level for each program activity. For Maternal and Child Health Services Grant to States we were unable to verify its compliance with earmarking requirements, as further explained in finding 2019-007.

Cause

PRDH management has not implemented effective internal controls to ensure a reliable accounting system to accurately account for funds administered. Also, is caused by the lack of analysis of financial transactions recorded during the fiscal year and the lack of monitoring and supervision by the PRDH's management.

Effect

The PRDH is unable to prepare accurate and complete financial reports on a timely basis. Due to significant reconciliation efforts, report may contain significant errors that may pass undetected.

Questioned Costs

None

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Perspective Information

Finding represent a significant problem. The Department of Health must plan to improve accounting and financial reporting practices.

Prior Year Audit Finding

2018-001

Recommendation

PRDH should evaluate their current accounting and financial reporting software to ensure that the PRDH maximizes its use, establishment or revision of policies and procedures, establishment of periodic reconciliation and analysis of accounting transactions and additional training to accounting personnel related to accounting and financial reporting matters, including year-end closing procedures.

Views of Responsible Officials

The Puerto Rico Treasury Department (PRTD) is working in a project involving the accounting system of the Puerto Rico Government and agencies. This project is directed to improve the accounting system and the recording of transactions. The improvements will allow the Government to have a financial data in a more accurate and timelier basis, including the receipts of funds, recording of expenditures, and payment to suppliers, payroll, payments and adjustments, among others. This project is in a preliminary phase, in which the government is analyzing the financial/accounting processes, analysis of functional and processes requirement, gathering data and information and processes from the different government agencies. The PRDH prepared a document sent PRTD with the functional requirements of the agency to comply with the state regulation as well as federal regulation. This project still in the process of gathering data and all the requirements. Status and or advances of the project, as well as, expected timetable of completion of phases can be provided upon notification of the PRTD.

Until completion of the new project for the Puerto Rico Government, PRDH is working to improve and correct deficiencies of the actual processes of the Finance as follows:

1. To improve its cut-off procedures, month-end and year-end closing procedures and reconciliations processes will perform the following:
 - a. Retraining the finance personnel in relation to the procedures included in the Manuals for the reconciliation between PRIFAS 7.5 and PeopleSoft 8.4 (PS8.4) and month-end and year-end closing procedures. Training sessions will be held for the Finance Office and Programs personnel. These training sessions will be based on significant processes, recording of transactions, reconciliation procedures, year-end closing procedures, timely recognition of federal funds drawdown and indirect cost and any other subject to be addressed to ensure the proper recording of transactions of the PRDH. The training sections is uncertain due to the Covid-19 pandemic that we are

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

currently facing. Nevertheless, PRDH have trained personnel using Microsoft teams app.

2. During fiscal year 2018-2019, the PRTH together with the PRTD continue the process to correct and/or improve the recording process of the payroll transactions to improve the recording of grants awards distribution and programmatic activities allocations and the PRTD are working in the creation of account/accounts codes based on the Federal Grant Distribution (grant, project, programmatic activities, etc.) for payroll accounts. Accounts in PS8.4 are being created by category, project and or programmatic activity for all other expenditures and charges no-payroll related, such as suppliers and other services. These new set or creation of chart of accounts and accounts codes for payroll transactions will result in the following improvements:
 - a. Programmatic activities allocation information for federal financial assistance programs will be available to properly comply with earmarking requirements.
 - b. The PRDH will be able to obtain financial information directly through PS8.4. This will eliminate the alternate manual control for preparing the reconciliation maintain by the Federal Programs.
 - c. The PRDH will help to reduce the payroll transactions currently classified as in “error” as part of interphase between PRTD payroll module (PRIFAS 7.5) and PS8.4 to register the payroll expenses.
 - d. Reduce the payroll charges by PRIFAS 7.5 to accounts that should be closed and/or with no budget, and which require additional reconciliation efforts.
 - e. The Program and Finance Offices’ personnel will be able to perform the year-end closing, adjustments, and reconciliation procedures in a more effective and efficient manner.

Responsible Officials

Mrs. Velmary Martínez	Fiscal Office Director	Tel. 787-765-2929 ext.3291
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel. 787-765-2929 ext.3294
Mrs. Marlene Cesareo	PeopleSoft System Supervisor	Tel.787-765-2929 ext.3306

Estimated Completion Date

Estimated date of completion will depend on the dates of project of the PRTD involving the accounting system of Puerto Rico Government and agencies.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
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Finding Number: 2019-002

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

Federal Program: All Federal Programs

CFDA: 93.074, 93.994, 93.767, 93.778, 93.917, 93.940,
10.557

Compliance Requirement: Payroll and Personnel Files

Category: Significant Deficiency in Internal Control over
Payroll and Personnel Files - Accurate and
Completeness of Personnel Files

Criteria

2 CFR 200.303 establishes that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

2 CFR 200.430 establishes that the cost of compensation for personnel services is allowable to the extent that it follows an appointment made in accordance with the governmental unit's laws and rules and meets the merit system or other requirements required by federal law, where applicable. Compensation for personal services may also include fringe benefits which are addressed in §200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
 - (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
 - (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.
- (i) The Non-Federal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on Federal awards.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Condition

- a) During our audit, on a sample of forty (40) personnel files, we observed that the personnel files are not being kept current and in some instances were incomplete.

Compliance Requirement	Documents not observed
ID	6
Social Security Card	5
Criminal Record Certificate	7
I-9 Employment Eligibility	3
Withholding Form (499-R)	9
ASSUME Debt Negative Certification	22
Certification of Academic Preparation	6
Transcription of Credits	24
Resume	33
PR Treasury Department Debt Certification	26
Compliance Notification for "Drug Free"	19
State Registration for New Employees Form	26
CRIM Debt Certificate	29
Confidentiality Agreement	17
Public Policy of "Sustancias Controladas"	4
Annual Evaluation	12

- b) The PRDH does not have established written policies and manuals which can define standard internal controls for each program and / or region of the entity.

Cause

PRDH has not established an effective internal control designed to ensure the accuracy and completeness of the employee files. Also, the incompleteness of files may depend on the time that the employee started working in the agency.

Effect

Due to law and regulation changes, incomplete files may result in inadequate documentation to support compliance with the criteria over management and administration of personnel files. Also, in the case of employees paid with federal funds, it may result in cost disallowances for personnel that do not meet the requirements to be employed by the corresponding federal program.

Questioned Costs

None

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Perspective Information

Finding does not represent a significant problem. The Department has addressed this finding and it's been taking the steps necessary to reduce incidences to a minimum. We selected 40 employee files among all departments.

Prior Year Audit Finding

2018-002

Recommendation

PRDH should immediately undertake a process to review all personnel files and validate that the minimum required documents are appropriately completed and included in each personnel file. Also, the PRDH must update the salary change form in file in order to reflect current salary as stated in the digital information system.

Views of responsible officials

During the past two (2) years we have developed internal control, under a document entitled Check Sheet, about the documents required for the designation of employees and another for the audit of files. This contains three columns for the comparison of what is required and requested by the Analysts of the Designation and Changes Division and ends with the comparison of the supervisor of the Division, before being referred to the Personnel Officers of our regions. The document known as the Check Sheet has been modified according to the needs, changes, procedures, and new regulations.

It is important to mention that many of our audited Personnel Files belong to employees appointed in years where the requirements or documents required were minimal and no evidence was required or kept in the personnel file.

In terms of the academic preparation contained in the personnel files, they are documents required by our Recruitment and Selection Division and these respond to the requirements and minimum alternatives of the class, according to the Agency's Classification Plan. Each Class specification establishes minimum requirements for the position the candidate will occupy. Another important aspect to mention is that the Department of Health in 1999, when closing the formerly known Administration of Health Services Facilities (AFASS), its employees went to the Department of Health and with them their files, whose procedures and processes were not uniform to those of our agency. In addition to the delegation to the regions and hospitals of the Requirements Verification Certification (DSP-29), to work appointments and other personnel transactions, such as job reclassifications, promotions, among others. This delegation brings the process of unifying and authorizing the DSP-29, by our Recruitment and Selection Division, to ensure that it is complied with as established by our Classification Plan.

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The Agency is in the updating of these documents, as long as a change is applied in the classification of the employee's position. These are transactions that allow us to update the employee's file to the new class they will occupy. In the case of the results of the Doping Test, we mention that these are found in the medical record of each employee, by HIPPA Law, these are not filed in the personnel file.

These are several of the aspects indicated in the audit, which have represented the development of greater review and auditing measures on the part of the analysts of the Appointments and Changes Division of our agency, in the face of the defunct Quality Control Division, who edited and audited the personnel files of the regions, providing control and compliance with the documents required according to the regulations and standards that govern the Office of Human Resources and Labor Relations of the Commonwealth of Puerto Rico.

The Assistant Secretary for Human Resources will present a work plan in order to implement an effective and efficient procedure for reviewing the personnel files, in order to comply with and improve the processes and personnel transactions of the Agency.

Responsible officials

Mrs. Luz Cruz	Payroll and Human Resources Office Director	Tel. 787-765-2929 ext. 4220
Mrs. Maribel Zayas	Payroll Office Director	Tel. 787-765-2929 ext. 4209
Mrs. Celia Pérez	Auxiliary Secretary of Human Resources	Tel. 787-765-2929 ext. 4270

Estimated Completion Date

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

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Finding Number: 2019-003

Agency: Department of Health & Human Services

Federal Program: Hospital Preparedness Program and Public Health
Emergency Preparedness Aligned Cooperative
Agreements

CFDA: 93.074

Grant Number: 181NU90921903, 196NU90921903

Grant Period: July 1, 2017 through June 30, 2019

Compliance Requirement: Cash Management

Category: Significant Deficiency in Internal Control over
Compliance and Compliance

Criteria

2 CFR 200.305 (b), states that recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement and establish similar procedures for sub-recipients.

31 CFR section 205.33 (a) establishes that a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project.

The OMB Uniform Guidance establishes that the State has written policies that provides procedures for requesting cash advances as close as is administratively possible to actual cash outlays and reimbursement only after costs have been incurred and to monitoring of cash management activities.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Condition

During our procedures, we found the following exceptions:

- a) In a sample of five (5) cash drawdown petitions for Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHED) Aligned Cooperative Agreements (CFDA 93.074), we observed four (4) transactions with the check issued after the required time lapsed in accordance with the type of request:

Drawdown No.	Type	Receipt Date	Document	Check	Amount
			No.	Issuance Date	
1525190292	Advance	October 16, 2018	00101114	November 1, 2018	\$ 14,553
1525190566	Advance	January 31, 2019	00140516	November 14, 2019	\$ 42,355
1525190601	Advance	February 13, 2019	00112651	February 21, 2019	\$ 29,137
1525190659	Advance	March 6, 2019	00116544	March 21, 2019	\$ 26,914

Cause

Program has not established written procedures and internal controls to proper follow up the finance division in order to pay to the suppliers and service providers on a timely basis. Another cause is that the finance division is currently understaffed in order to process payments.

Effect

Failure to minimize the time elapsed between the drawdown from the US Treasury to the actual check issue date may result in the calculation and determination by the Federal grantors of interest costs on the average balance of funds held beyond the reasonable time. This situation may also expose the PRDH to possible sanctions by federal grantors, such as withholding payments also, or other special conditions.

Questioned Costs

None

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Perspective Information

Finding represents a significant and repetitive problem. The Department will reinforce procedures over the disbursement process to ensure that all program payments are made within the timeframe. We selected 5 cash drawdowns, of which four (4) transactions per drawdown were observed.

Prior Year Audit Finding

2018-003

Recommendation

The PRDH should establish written procedures that payments are issued promptly after the drawdown is made. This will minimize the time elapsed between the drawdown and the payment of funds. The PRDH should also establish a procedure to periodically monitor the cash balances of Federal programs for the possible identification, investigation, and resolution of unused funds.

Views of responsible officials

The program has established as a procedure that the request is made when the payment requirements are completed (documents such as receipts, invoices, certifications, etc.) to minimize this situation.

The PRDH Federal Affairs Office (FAO) requests the funds in Payment Management System (PMS). PMS sends to FAO a credit notice with a specific date. This credit notice must be posted by the FAO in the corresponding account within People Soft 8.4 Program. If for example, a credit notice is dated 10/28, the FAO posts it in the system with that same date, regardless if it is being posted later. (Our Program's credit notice is dated 10/28 but the FAO posts it on 11/01).

Other factors include:

- a. If the posting is made on Friday it is not until the next business day that the payment is processed.
- b. The Program also depends on the availability of the Accounts Payable and Fiscal Intervention personnel who register and approve payments on the system.
- c. The Program depends on the local Department of Treasury who issues the checks (the payment is approved but it is Hacienda who determines when the check is issued).

Written procedures are being prepared and are under revision that will be part of our guides.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Responsible Officials

Mrs. Jessica Cabrera	Public Emergency Preparedness	Tel. 787-773-0600 ext.4347
Mrs. Wanda Catala	Program Accountant	Tel. 787-773-0600 ext.4347
Mrs. Laura Medina Rivera	Authorizing Official	Tel. 787-765-2929 ext. 3686
Mrs. Velmary Martinez	Finance Office Director	Tel. 787-765-2929 ext. 3291

Estimated Completion Date

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

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Finding Number: 2019-004
Agency: Department of Health & Human Services
Federal Program: HIV Prevention Activities Health Department Based
CFDA: 93.940
Grant Number: NU62PS924525
Grant Period: January 1, 2018 through December 31, 2022
Compliance Requirement: Cash Management
Category: Significant deficiency in Internal Control over Compliance

Criteria

2 CFR 200.305 (b), states that recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement and establish similar procedures for sub-recipients.

31 CFR section 205.33 (a) establishes that a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project.

The OMB Uniform Guidance establishes that the State has written policies that provides procedures for requesting cash advances as close as is administratively possible to actual cash outlays and reimbursement only after costs have been incurred and to monitoring of cash management activities.

Condition

Internal control tests were performed for the Cash Management area to evaluate the procedures required by federal law in cash drawdown withdrawals from federal funds assigned to the HIV Prevention Activities Program.

We selected 3 cash drawdowns from the total drawdown for the year ended June 30, 2019 and randomly selected 5 transactions from each drawdown, for the total of 15 transactions. During our procedures, we found the following exceptions:

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

a) We observed one (1) transaction with the check issued after the required time lapsed in accordance with the type of request:

<u>Petition No.</u>	<u>Type</u>	<u>Petition Date</u>	<u>Check Date Issued</u>	<u>Amount</u>
1525190561	Advance	January 31, 2019	February 6, 2019	\$ 1,066.62

Cause

Program has not established written procedures and internal controls to properly follow up the finance division in order to pay to the suppliers and services providers on a timely basis. Another cause is that the finance division is currently understaffed in order to process payments.

Effect

Failure to minimize the time elapse between the drawdowns from the US Treasury to the actual check issue date may result in the calculation and determination by the Federal grantors of interest costs on the average balance of funds held beyond the reasonable time. This situation may also expose the PRDH to possible sanctions by Federal grantors, such as withholding payments also, or other special conditions.

Questioned Costs

None

Perspective Information

Finding does not represent a significant problem. The Department has addressed this finding and is taking the steps necessary to reduce incidences. We selected 3 cash drawdowns for the year ended June 30, 2019.

Prior Year Audit Finding

Not Applicable

Recommendation

The PRDH should establish written procedures that payments are issued promptly after the drawdown is made. This will minimize the time elapsed between the drawdown and the payment of funds. The PRDH should also establish a procedure to periodically monitor the cash balances of Federal programs for the possible identification, investigation, and resolution of unused funds.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Views of responsible officials

The Office of Finance has established procedures to minimize the time elapse between the drawdowns from the US Treasury and the issuance of payments. Established procedures, includes that the Office of Fiscal Intervention may review the payment voucher and approve it for payment within a ten-day period. Due to the condition found, the Office of Fiscal Intervention will review the procedures established with the Office’s personnel to ensure that the deficiency may be corrected.

The Office of Fiscal Intervention had only three employees to handle documents and review vouchers for payments for approximately thirty programs, between federal and state. During September 2020, the Office of Fiscal Intervention hired new personnel as part of their efforts increase the number of employees handling the payment transactions and to reduce the number of days for the review, approval, and issuance of payments.

Payment vouchers are returned to the federal program due to errors found during the review and intervention process. It takes, approximately, three to five day for the federal program to review, make corrections and return the payment voucher to the Office of Fiscal Intervention for final approval and payment. To minimize the time elapse between the drawdowns from the US Treasury and the issuance of payments, the federal program may verify the errors, do the corrections, and return the voucher to the Office of Fiscal Intervention as soon as possible, within a two to a three-day period.

Responsible Officials

Mr. Javier Vazquez	Director of HIV Prevention	Tel - 787-765-2929 ext. 3871
Mrs. Damaris Andrades	Program Accountant	Tel - 787-765-2929 ext. 3613
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel - 787-765-2929 ext. 3294
Mrs. Velmary Martinez	Finance Office Director	Tel – 787-765-2929 ext. 3291

Estimated Completion Date

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number: 2019-005

Agency: Department of Health & Human Services

Federal Program: Maternal and Child Health Services Block Grants to the States

CFDA: 93.994

Grant Number: 17B04MC30639, 18B04MC31514, 19B04MC32568

Grant Period: October 1, 2017 through September 30, 2019

Compliance Requirement: Cash Management

Category: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria

2 CFR 200.302 states that 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.

2 CFR 200.333 states that financial records, supporting documents, statistical records, and all other non-Federal entity records must be retained for a period of three years from the date of submission of the final expenditure report. For Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.

Condition

During our procedures, we found the following exceptions:

- a) In a sample of four (4) cash drawdown petitions for Maternal and Child Health Services Block Grant to the States, we observed four (4) transactions with the check issued after the required time lapsed in accordance with the type of request.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Drawdown No.	Type	Receipt Date	Document	Check	Amount
			No.	Issuance Date	
1525190702	Advance	March 21, 2019	00117948	April 5, 2019	\$ 9,294
1525190504	Advance	January 10, 2019	00108511	January 17, 2019	\$ 2,248
1525190504	Advance	January 10, 2019	00109624	January 24, 2019	\$ 8,676
1525190504	Advance	January 10, 2019	00109623	January 24, 2019	\$ 7,791

Cause

Program has not established written procedures and internal controls to proper follow up the finance division in order to pay to the suppliers and service providers on a timely basis. Another cause is that the finance division is currently understaffed in order to process payments.

Effect

Failure to minimize the time elapsed between the drawdown from the US Treasury to the actual check issue date may result in the calculation and determination by the Federal grantors of interest costs on the average balance of funds held beyond the reasonable time. This situation may also expose the PRDH to possible sanctions by federal grantors, such as withholding payments also, or other special conditions.

Questioned Costs

None

Perspective Information

Finding represents a significant and repetitive problem. The Department will reinforce procedures over the disbursement process to ensure that all program payments are made within the timeframe.

Prior Year Audit Finding

None

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Recommendation

The PRDH should establish written procedures that payments are issued promptly after the drawdown is made. This will minimize the time elapsed between the drawdown and the payment of funds. The PRDH should also establish a procedure to periodically monitor the cash balances of Federal programs for the possible identification, investigation, and resolution of unused funds.

Views of responsible officials

The Program makes the request for funds after the invoices are processed and sent to the Finance Office in order to avoid going into default, since the Program does not have control of how much work flow the Finance Office has and in what time will you approve it.

Responsible Officials

Mr. Manuel Vargas	Program Director, Part AB	Tel.787-765-2929 ext. 4583
Mrs. Diana Ferrer	Program Accountant, Part A&B	Tel.787-765-2929 ext. 4661
Mr. Miguel Valencia	Program Director, Part C Program	Tel.787-765-2929 ext. 4587
Mrs. Lydia M. Cabrera	Accountant, Part C Accounting	Tel.787-765-2929 ext. 4586
Mrs. Mayra Reyes	Office Supervisor Finance Office	Tel.787-765-2929 ext. 3294
Mrs. Velmary Martínez	Finance Office Director	Tel.787-765-2929 ext. 3291

Estimated Completion Date

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number: 2019-006

Agency: Department of Health & Human Services

Federal Program: All Programs

CFDA: 10.557, 93.778, 93.767, 93.994,
93.917, 93.074, 93.940

Grant Period: October 1, 2017 through September 30, 2019

Compliance Requirement: Equipment and Real Property Management

Category: Significant Deficiency in Internal Control over
Compliance and Compliance

Criteria

A physical inventory of the property must be taken, and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).

Article XIV of the State's Property Rules and Regulations (*Reglamento #11: "Control y Contabilidad de la Propiedad"*) sections (A) and (B) establish that the property registers of the agencies should be supported by a physical inventory. The Property Division of the Puerto Rico Treasury Department ("PRTD") will establish the date in which the agencies will perform their annual inventory.

Article XIV of the State's Property Rules and Regulations (*Reglamento #11: "Control y Contabilidad de la Propiedad"*) section (D) establishes that the agencies will prepare the inventory in an electronic form using the SC795 Form, Fixed Assets Physical Inventory. The form SC795 and 5C795.1 (Physical Inventory Certification) forms will be sent to the PRTD. The inventory should include the following: (1) description of the property; (2) the acquisition date; (3) Cost of the property; (4) property class; (5) property number, and (6) source of funds for the purchase of property.

Condition

- a) The PRDH does not perform a complete physical inventory of the property.
- b) Property records have not been reconciled.
- c) The property division of the PRDH does not maintain an effective property and equipment information system from which a current and complete subsidiary ledger can be prepared.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cause

The PRDH does not enforce the written procedures regarding physical inventory and proper record keeping of equipment purchased with federal awards. Grantors may impose sanctions or special conditions restricting the use of federal funds for equipment or other property acquisition.

Effect

The PRDH is exposed to the risk of possible unauthorized use and dispositions of equipment due to the lack of adequate internal controls and adequate property and equipment records.

Questioned Costs

Could not be determined.

Perspective Information

Finding represents a significant problem. The Property Office of the Department of Health has been making improvements to maintain an effective property and equipment information system.

Prior Year Audit Finding

2018-004

Recommendations

The PRDH should implement a new property and equipment record system per Federal Program in which all of the information regarding equipment should be detailed and available for reports. The information should include location of the asset, owner, transfers, theft, misappropriation, etc. Those records should include accountability, control and detection of possible loss or theft of property. Those records should be properly supervised to ascertain that the information registered is accurate.

Views of responsible officials

The PRDH must design and implement appropriate procedures for the recording, management and disposition of equipment and property; that include effective an efficient internal control element. In addition, policies and procedures must ensures the correct use and management of assets.

The Department must ensure that the PS8.4 system includes all the equipment-related information that is required by federal regulation and thus once maximizes the use of the PS8.4 system. In addition, the identification and management of assets will be facilitated. The PRDH must perform a physical inventory at least once every two years, as required by federal regulation. The results/differences must be reconciled with the subsidiary of the property module and in turn with the general ledger.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The PRDH understands the need to correct the deficiencies identified in the audit findings and the risk it faces if it is not corrected, and the federal requirements are met. This project will be led by the Finance Office, which is responsible for the fiscal part, but must have the integration of the other offices and/or programs of the department. As part of the initial evaluation of the project, certain needs have already been identified and step follow as part of the project implementation.

Below an overview of the project phases. This project should have a detailed work plan for each of the phases.

1. Physical Inventory
 - b. The taking of physical inventory will require the personnel effort, as well as the use of technological equipment.
 - i. Technology equipment - a bar code system for physical inventory taking. This system must integrate with PS8.4 to facilitate the recording/reconciliation of the inventory taking.
 - ii. Personnel/Logistics – all the locations of the Department and the resources to be used for the physical inventory must be identified.
 - iii. Establish a calendar of physical inventory taking per unit of fixed assets.
2. Balances Reconciliations
 - f. Any difference between the results of the physical inventory and the subsidiary should be reconciled. In addition, the subsidiary of the property module shall be reconciled with the general ledger.
 - g. The Finance Office should consider the initial balance of assets not recorded as part of the conversion made to PS8.4 at the time of reconciliation between the subsidiary and the physical inventory.
3. Design and implementation of policies and procedures
 - a. Identify significant processes, risk factors and internal controls for the recording of property and management. This should include all departments areas, offices and/or programs related to the asset acquisition and management process.
 - b. Evaluation, design and implementation of procedures manuals for the management of the property. Which must include acquisition recording of assets, property management, forfeitures/dispositions, depreciation, physical inventory taking, reconciliation processes and others.
 - c. Modification to the PS8.4 property module for cool slightly to new procedures, as need.
 - d. Proper implementation of established procedures.
 - i. Distribution of new procedures to staff and training sessions to all staff. A schedule of recurrent trainings should be established in the initial stages to ensure the correct implementation by the staff.
 - ii. Implementation of automated controls in the property module to ensure the recording of all necessary information related to the acquisition and/or disposition of the asset and in compliance with federal regulation.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Responsible Officials

Mrs. Joanna Pagan	Property and Equipment Office Director	Tel. 787-765-2929 ext. 3638
Mrs. Maricarmen Molina	General Services Office Director	Tel. 787-765-2929 ext. 3627
Mrs. Velmary Martínez	Finance Office Director	Tel. 787-765-2929 ext. 3291
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel. 787-765-2929 ext. 3294
Mrs. Marlene Cesareo	PeopleSoft System Supervisor	Tel. 787-765-2929 ext. 3306

Estimate Date of Completion

Implementation is in process, expected to be completed on or before the year ending June 30, 2021.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number: 2019-007

Agency: Department of Health & Human Services

Federal Program: Maternal and Child Health Services Block Grants to the States

CFDA: 93.994

Grant Number: 17B04MC30639,18B04MC31514, 19B04MC32568

Grant Period: October 1, 2017 through September 30, 2019

Compliance Requirement: Earmarking and Level of Effort

Category: Material Weakness in Internal Control over Compliance and Compliance

Criteria

45 CFR sections 92.20(a) and (b) (1) to (4) establish that:

a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be enough to-

1. Permit preparation of reports required by this part and the statutes authorizing the grant, and
2. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

b) The financial management systems of other grantees and subgrantees must meet the following standards:

1. Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
2. Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

agreement. if unit cost data are required, estimates based on available documentation will be accepted whenever possible.

Condition

We noted the following deficiencies related to the grant awards 17B04MC30639, 18B04MC31514, 19B04MC32568:

- a) The PRDH does not segregate financial records sufficiently in order to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the percentage restrictions of the grant award.
- b) We could not evaluate if the program is in compliance with the established earmarking requirements since the expenses were recorded for each of the award component and not the earmarking activity.
- c) Information of Level of Effort requirement were not provided to the auditor to evaluate if the program is in compliance.

Cause

This situation occurs because the accounting records currently used by the PRDH do not have a reliable system to account for funds awarded to them. The chart of accounts in the financial system is not sufficiently expanded to account for each of the earmark requirements.

Effect

The PRDH could exceed the established expenditures limits per activity for the grant award. Noncompliance with the earmarking requirements could lead to significant administrative sanctions by the grantor, including reduction in the amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

Questioned Costs

None

Perspective Information

Finding represents a significant problem. The agency will review internal controls to ensure that comply with federal government requirements.

Prior Year Audit Finding

2018-005

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Recommendation

The PRDH must expand the chart of accounts in order to account for the amounts claimed for administrative expenditures independently. This expansion would permit the tracing of funds to a level of expenditure to establish that such funds have not been used in violation of the restrictions and prohibitions of the program as defined in 42 USC 705(a)(3). Also, payroll expenses must be recorded into each of the corresponding program activities, as follows:

- a) Preventive and primary care services for children.
- b) Services for children with special health care needs.

Views of Responsible Officials

The narrative of compliance with the requirement is presented annually in the report to the federal government. They are evidenced with the completed forms for budget and reported expenses that are submitted for the annual request for funds. The accounts have already been separated between the programs, thus evidencing compliance with Earmarking 30-30-10; each one is assigned 30% or more for required services and no more than 10% for their administration. For the DMNA, it would be facilitated if the Department of Health establishes an electronic payroll system similar to those implemented in the FQHCs, where each employee has several accounts awarded to pay their salary and their FTE is awarded. There is the option of creating two additional accounts to separate the administration expenses of the funds assigned to each program, but the current system and the option that you offer us is viable, since the payroll expense could only go out through one of the accounts and it would have to be awarded to each of these by means of wages.

Responsible Officials

Mr. Manuel Vargas	Program Director, Part AB	Tel.787-765-2929 ext. 4584
Mrs. Diana Ferrer	Program Accountant, Part A&B	Tel.787-765-2929 ext. 4661
Mr. Miguel Valencia	Program Director, Part C Program	Tel.787-765-2929 ext. 4587
Mrs. Lydia M. Cabrera	Accountant, Part C Accounting	Tel.787-765-2929 ext. 4586
Mrs. Mayra Reyes	Office Supervisor Finance Office	Tel.787-765-2929 ext. 3294
Mrs. Velmary Martínez	Finance Office Director	Tel.787-765-2929 ext. 3291

Estimate Date of Completion

Implementation is in process, expected to be completed on or before the year ended June 30, 2021.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number: 2019-008

Agency: All Federal Agencies in the SEFA

Federal Program: All Federal Agencies in the SEFA

CFDA: All Federal Agencies in the SEFA

Grant Number: All Federal Agencies in the SEFA

Grant Period: October 1, 2016 through September 30, 2018

Compliance Requirement: Reporting

Category: Financial, Internal Control Weakness and Noncompliance

Criteria

OMB Uniform Guidance subpart B .200(a) establishes that Non-Federal entities that expend \$500,000 (\$750,000 for fiscal years ending after December 25, 2015) or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

OMB Uniform Guidance subpart B .220 establishes that except for the provisions for biennial audits provided in paragraphs (a) and (b) of this section, audits required by this part shall be performed annually.

Public Law 104-156, known as the Single Audit Act, sections 7502 (h) (1) and (2)(B) establish that the non-Federal Organization shall transmit the reporting package, which shall include the non-Federal Organization's financial statements, schedule of expenditures of Federal awards, corrective action plan defined under subsection (i), and auditor's reports developed pursuant to this section, to a Federal clearinghouse designated by the Director, and make it available for public inspection within the earlier of 30 days after receipt of the auditor's report; or 9 months after the end of the period audited, or within a longer timeframe authorized by the Federal agency, determined under criteria issued under section 7504, when the 9-month timeframe would place an undue burden on the non-Federal Organization.

Condition

The Single Audit Report for the fiscal year ended June 30, 2019 of the PRDH with due date of March 31, 2020 was submitted after the 9 months deadline. The Single Audit related to such period was completed after the 9 months deadline. Also, the Executive Office of the President issued a notice of waivers from M-20-17 memorandum to extend the Single Audit Submission (2 CFR 200.512) which establish "Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2020, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 -Audit Requirements, to six (6) months beyond the normal due date. No further action by awarding agencies is required to enact this extension. This extension does not require individual

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520 (a)- Criteria for a low-risk auditee."

Cause

The PRDH did not have internal controls and processes to enable compliance with completing and submitting the Single Audit Report of the PRDH in the due date established by the Single Audit Act. Also, the PRDH did not establish procedures for the monthly and year end closing procedures to allow for the timely performance of the Single Audits.

Effect

Non-compliance with the above-mentioned requirement could lead to administrative actions by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, and provisions of contracts and grant agreements.

Questioned costs

None

Perspective Information

Finding represent a significant problem. The agency will accelerate the process to contract auditors to carry out the audit and submitted the report on time.

Prior Year Audit Finding

2018-006

Recommendations

The PRDH shall establish controls and procedures to enable compliance with completion and submission of the Single Audit Report of PRDH to the Federal Clearinghouse before the 9 months deadline. Also, the PRDH should establish procedures for the monthly and year end closing process to allow enough time for the performance and completion of the required single audit by its external auditors.

Views of Responsible Officials

PRDH established internal controls and procedures to enable compliance for the compilation and submission of the Single Audit Report before the 9 months deadline. Among the actions taken to prevent non-compliance of filing in a timely manner are:

1. An employee was selected to specifically dedicate time and effort related to auditing processes since March 2019. For reasons of staff change and the difficulties the agency has faced during this year 2020, including events such as tremors and impact of the COVID-19 pandemic, filing of Single Audit has been unexpectedly delayed from the original work plan set to be completed by March 2020. Notwithstanding, new

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

personnel was identified to continue the pending deliverables to complete the audit report.

2. Due to the delays suffered to file audit for fiscal year 2018 consequently Single Audit 2019 suffered delays as well since both reports were being drafted simultaneously. For the audits of 2018, 2019 and 2020, the same external auditors firm was hired, in accordance with the efforts carried out by the last Deputy Director of Planning, Development and Federal Affairs, so that these audit reports would run parallel and be file almost simultaneously.

Notwithstanding, as previously mentioned, due to the unprecedented occurrence of the pandemic COVID-19, OMB announced a waiver for extension of Single Audit submission, in accordance with 2 CFR § 200.512. Also, while Single Audit processes for 2018 and 2019 were performed simultaneously, there were only a few pending deliverables of Single Audit 2019 left, such as the notification and reply of the findings identified by the external audit firm.

This past June 9, 2020, the external audit firm issued a communication requesting an additional contract for Single Audit 2019, since this past March 13, 2020, certification of the SEFA 2019 was received from the Department but filing of Single Audit was delayed. This past March 16, 2020, due to the complications arising from the pandemic COVID-19 the Government of Puerto Rico took necessary precautions by implementing island wide lockdown to prevent an outbreak. Therefore, the contract for Single Audit 2019 suffered a standstill. Consequently, a new contract had to be granted to complete the rest of the pending deliverables. Meanwhile, as previously mentioned, the Federal Government issued several waivers postponing the filing of Single Audits.

Furthermore, the new contract for Single Audit 2019 was finally registered in the Controller's Offices this past September 18, 2020 with a term until October 15, 2020. Consequently, since a work plan was not proposed by the external auditor's firm and established until October 15, 2020 between the parties, the filing of the Single Audit 2019 has been delayed until December 2020 in accordance with the work plan of reference.

As part of the preventive measures to file the Single Audit in a timely manner, an employee was selected to specifically dedicate time and effort related to auditing processes. Coordination of weekly meetings and phone calls with the external audit firm and the Programs has rendered immediate results to follow through with an established work plan. Therefore, time has been properly managed to collect the necessary information.

Timely coordination and communication will be essential in order to comply with the timely filing, in case the occurrence of events beyond our control, such as a variance of the pandemic COVID-19, etc., which may result in extreme precautions taken by the Government, or natural events such as earthquakes or hurricanes.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Responsible Officials

Mrs. Laura Medina	Authorizing Official	Tel. 787-765-2929 ext. 3676
Mrs. Velmary Martínez	Finance Office Director	Tel. 787-765-2929 ext. 3291

Estimated Completion Date

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Reference Number	Finding Description	Questioned Cost	Finding Current Status
2018-001	Internal Control over Compliance with Financial Reporting Requirements	None	Situation still prevails. See finding 2019-001
2018-002	Significant Deficiency in Internal Control over Payroll and Personnel Files- Accurate and Completeness of Personnel Files	None	Situation still prevails. See finding 2019-002
2018-003	Significant Deficiency in Internal Control over Compliance and Compliance with Cash Management Requirements- Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	None	Situation still prevails. See finding 2019-003
2018-004	Significant Deficiency in Internal Control over Compliance and Compliance with Equipment and Real Property Mngement Compliance- All Programs	None	Situation still prevails. See finding 2019-006
2018-005	Material Weakness in Internal Control over Compliance and Compliance Earmarking and Level of Effort Requirement-Maternal and Child Health Services Block Grants to the States	None	Situation still prevails. See finding 2019-007
2018-006	Material Weakness in Internal Control over Compliance and Compliance in Reporting-All Programs	None	Situation still prevails. See finding 2019-008

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDINGS
FISCAL YEAR 2018 – 2019**

Finding No. 2019-001:

**CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
CFDA 93.917 HIV Care Formula Grants
CFDA 93.767 Children's Health Insurance Program
CFDA 93.778 Medical Assistance Program
CFDA 93.994 Maternal and Child Health Services Block Grant to the States
CFDA 93.074 Hospital Preparedness Program (HPP) and Public Health Emergency
Preparedness (PHEP) Aligned Cooperative Agreements
CFDA 93.940 HIV Prevention Activities
(Repeated from 2018 report, finding 2018-001)**

Financial, Internal Control Weakness and Noncompliance

Condition:

During our audit procedures for the fiscal year ended June 30, 2019, we noted the following deficiencies related with the accounting procedures and financial reporting practices of the PRDH:

- a) The PRDH has inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end reconciliation and closing procedures which prevent the timely processing of adjustments. Many transactions and adjustments are posted months after the applicable closing with a retroactive effect due to delays in the processing of information, especially those related to payroll transactions.

- b) The PRDH has inappropriate and/or incomplete budgeting controls between grants awards distributions and programmatic activities allocations. The PRDH does not provide a mechanism to ensure that costs do not exceed the budgeted level for each program activity. For Maternal and Child Health Services Grant to States we were unable to verify its compliance with earmarking requirements, as further explained in finding 2019-007.

Views of Responsible Officials:

The Puerto Rico Treasury Department (PRTD) is working in a project involving the accounting system of the Puerto Rico Government and agencies. This project is directed to improve the accounting system and the recording of transactions. The improvements will allow the Government to have a financial data in a more accurate and timelier basis, including the receipts of funds, recording of expenditures, and payment to suppliers, payroll, payments and adjustments, among others. This project is in a preliminary phase, in which the government is analyzing the financial/accounting processes, analysis of functional and processes requirement, gathering data and information and processes from the different government agencies. The PRDH prepared a document sent PRTD with the functional requirements of the agency to comply with the state regulation as well as federal regulation. This project still in the process of gathering data and all the requirements. Status and or advances of the project, as well as, expected timetable of completion of phases can be provided upon notification of the PRTD.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDINGS
FISCAL YEAR 2018 – 2019**

Until completion of the new project for the Puerto Rico Government, PRDH is working to improve and correct deficiencies of the actual processes of the Finance as follows:

1. To improve its cut-off procedures, month-end and year-end closing procedures and reconciliations processes will perform the following:
 - a. Retraining the finance personnel in relation to the procedures included in the Manuals for the reconciliation between PRIFAS 7.5 and PeopleSoft 8.4 (PS8.4) and month-end and year-end closing procedures. Training sessions will be held for the Finance Office and Programs personnel. These training sessions will be based on significant processes, recording of transactions, reconciliation procedures, year-end closing procedures, timely recognition of federal funds drawdown and indirect cost and any other subject to be addressed to ensure the proper recording of transactions of the PRDH. The training sections is uncertain due to the Covid-19 pandemic that we are currently facing. Nevertheless, PRDH have trained personnel using Microsoft teams app.

2. During fiscal year 2018-2019, the PPTH together with the PRTD continue the process to correct and/or improve the recording process of the payroll transactions to improve the recording of grants awards distribution and programmatic activities allocations and the PRTD are working in the creation of account/accounts codes based on the Federal Grant Distribution (grant, project, programmatic activities, etc.) for payroll accounts. Accounts in PS8.4 are being created by category, project and or programmatic activity for all other expenditures and charges no-payroll related, such as suppliers and other services. These new set or creation of chart of accounts and accounts codes for payroll transactions will result in the following improvements:
 - a. Programmatic activities allocation information for federal financial assistance programs will be available to properly comply with earmarking requirements.
 - b. The PRDH will be able to obtain financial information directly through PS8.4. This will eliminate the alternate manual control for preparing the reconciliation maintain by the Federal Programs.
 - c. The PRDH will help to reduce the payroll transactions currently classified as in "error" as part of interphase between PRTD payroll module (PRIFAS 7.5) and PS8.4 to register the payroll expenses.
 - d. Reduce the payroll charges by PRIFAS 7.5 to accounts that should be closed and/or with no budget, and which require additional reconciliation efforts.
 - e. The Program and Finance Offices' personnel will be able to perform the year-end closing, adjustments, and reconciliation procedures in a more effective and efficient manner.

Responsible Officials:

Mrs. Velmary Martínez	Fiscal Office Director	Tel. 787-765-2929 ext.3291
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel. 787-765-2929 ext.3294
Mrs. Marlene Cesareo	PeopleSoft System Supervisor	Tel.787-765-2929 ext.3306

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDINGS
FISCAL YEAR 2018 – 2019

Estimated Completion Date:

Estimated date of completion will depend on the dates of project of the PRTD involving the accounting system of Puerto Rico Government and agencies.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDINGS
FISCAL YEAR 2018 – 2019**

Finding No. 2019-002:

**CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
CFDA 93.917 HIV Care Formula Grants
CFDA 93.767 Children's Health Insurance Program
CFDA 93.778 Medical Assistance Program
CFDA 93.994 Maternal and Child Health Services Block Grant to the States
CFDA 93.074 Hospital Preparedness Program (HPP) and Public Health Emergency
Preparedness (PHEP) Aligned Cooperative Agreements
CFDA 93.940 HIV Prevention Activities
(Repeated from 2018 report, finding 2018-002)**

Significant Deficiency in Internal Control over Payroll and Personnel
Files – Accurate and Completeness of Personnel Files

Condition:

During our audit, on a sample of forty (40) personnel files, we observed that the personnel files are not being kept current and in some instances were incomplete.

Compliance Requirement	Documents not observed
ID	6
Social Security Card	5
Criminal Record Certificate	7
I-9 Employment Eligibility	3
Withholding Form (499-R)	9
ASSUME Debt Negative Certification	22
Certification of Academic Preparation	6
Transcription of Credits	24
Resume	33
PR Treasury Department Debt Certification	26
Compliance Notification for "Drug Free"	19
State Registration for New Employees Form	26
CRIM Debt Certificate	29
Confidentiality Agreement	17
Public Policy of "Sustancias Controladas"	4
Annual Evaluation	12

The PRDH does not have established written policies and manuals which can define standard internal controls for each program and / or region of the entity.

Views of responsible officials:

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
FISCAL YEAR 2018 – 2019**

During the past two (2) years we have developed internal control, under a document entitled Check Sheet, about the documents required for the designation of employees and another for the audit of files. This contains three columns for the comparison of what is required and requested by the Analysts of the Designation and Changes Division and ends with the comparison of the supervisor of the Division, before being referred to the Personnel Officers of our regions. The document known as the Check Sheet has been modified according to the needs, changes, procedures, and new regulations.

It is important to mention that many of our audited Personnel Files belong to employees appointed in years where the requirements or documents required were minimal and no evidence was required or kept in the personnel file.

In terms of the academic preparation contained in the personnel files, they are documents required by our Recruitment and Selection Division and these respond to the requirements and minimum alternatives of the class, according to the Agency's Classification Plan. Each Class specification establishes minimum requirements for the position the candidate will occupy. Another important aspect to mention is that the Department of Health in 1999, when closing the formerly known Administration of Health Services Facilities (AFASS), its employees went to the Department of Health and with them their files, whose procedures and processes were not uniform to those of our agency. In addition to the delegation to the regions and hospitals of the Requirements Verification Certification (DSP-29), to work appointments and other personnel transactions, such as job reclassifications, promotions, among others. This delegation brings the process of unifying and authorizing the DSP-29, by our Recruitment and Selection Division, to ensure that it is complied with as established by our Classification Plan.

The Agency is in the updating of these documents, as long as a change is applied in the classification of the employee's position. These are transactions that allow us to update the employee's file to the new class they will occupy. In the case of the results of the Doping Test, we mention that these are found in the medical record of each employee, by HIPPA Law, these are not filed in the personnel file.

These are several of the aspects indicated in the audit, which have represented the development of greater review and auditing measures on the part of the analysts of the Appointments and Changes Division of our agency, in the face of the defunct Quality Control Division, who edited and audited the personnel files of the regions, providing control and compliance with the documents required according to the regulations and standards that govern the Office of Human Resources and Labor Relations of the Commonwealth of Puerto Rico.

The Assistant Secretary for Human Resources will present a work plan in order to implement an effective and efficient procedure for reviewing the personnel files, in order to comply with and improve the processes and personnel transactions of the Agency.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
FISCAL YEAR 2018 – 2019**

Responsible official:

Mrs. Luz Cruz	Payroll and Human Resources Office Director	Tel. 787-765-2929 ext. 4220
Mrs. Maribel Zayas	Payroll Office Director	Tel. 787-765-2929 ext. 4209
Mrs. Celia Pérez	Auxiliary Secretary of Human Resources	Tel. 787-765-2929 ext. 4270

Estimated Completion Date:

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
FISCAL YEAR 2018-2019**

Finding No. 2019-003:

CFDA 93.074 Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHED) Aligned Cooperative Agreements. (Repeated from 2018 report, finding 2018-003)

Significant Deficiency in Internal Control over Compliance and
Compliance with Cash Management Requirements

Condition:

During our procedures, we found the following exceptions:

a) In a sample of five (5) cash drawdown petitions for Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHED) Aligned Cooperative Agreements (CFDA 93.074), we observed five (5) transactions with the check issued after the required time lapsed in accordance with the type of request:

Drawdown No.	Type	Receipt Date	Document No.	Check Issuance Date	Amount
1525190292	Advance	October 16, 2018	00101114	November 1, 2018	\$ 14,553
1525190566	Advance	January 31, 2019	00140516	November 14, 2019	\$ 42,335
1525190601	Advance	February 13, 2019	00112651	February 21, 2019	\$ 29,137
1525190659	Advance	March 6, 2019	00116544	March 21, 2019	\$ 26,914

Views of responsible officials:

The program has established as a procedure that the request is made when the payment requirements are completed (documents such as receipts, invoices, certifications, etc.) to minimize this situation.

The PRDH Federal Affairs Office (FAO) requests the funds in Payment Management System (PMS). PMS sends to FAO a credit notice with a specific date. This credit notice must be posted by the FAO in the corresponding account within People Soft 8.4 Program. If for example, a credit notice is dated 10/28, the FAO posts it in the system with that same date, regardless if it is being posted later. (Our Program's credit notice is dated 10/28 but the FAO posts it on 11/01).

Other factors include:

- a. If the posting is made on Friday it is not until the next business day that the payment is processed.
- b. The Program also depends on the availability of the Accounts Payable and Fiscal Intervention personnel who register and approve payments on the system.
- c. The Program depends on the local Department of Treasury who issues the checks (the payment is approved but it is Hacienda who determines when the check is issued).

Written procedures are being prepared and are under revision that will be part of our guides.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
FISCAL YEAR 2018-2019**

Responsible Officials:

Mrs. Jessica Cabrera	Public Emergency Preparedness	Tel. 787-773-0600 ext.4347
Mrs. Wanda Cátala	Program Accountant	Tel. 787-773-0600 ext.4347
Mrs. Laura Medina Rivera	Authorizing Official	Tel. 787-765-2929 ext. 3676
Mrs. Velmary Martínez	Finance Office Director	Tel. 787-765-2929 ext. 3291

Estimate Date of Completion:

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
FISCAL YEAR 2018-2019**

Finding No. 2019-004:

CFDA 93.940 HIV Prevention Activities Health Department Based

Significant Deficiency in Internal Control over Compliance

Condition:

Internal control tests were performed for the Cash Management area to evaluate the procedures required by federal law in cash drawdown withdrawals from federal funds assigned to the HIV Prevention Activities Program.

We selected 3 cash drawdowns from the total drawdown for the period June 30, 2019 and randomly selected 5 transactions from each drawdown, for the total of 15 transactions. During our procedures, we found the following exceptions:

a) We observed one (1) transactions with the check issued after the required time lapsed in accordance with the type of request:

Petition No.	Type	Petition Date	Check Date Issued	Amount
1525190561	Advance	January 31, 2019	February 6, 2019	\$ 1,066.62

Views of responsible officials:

The Office of Finance has established procedures to minimize the time elapse between the drawdowns from the US Treasury and the issuance of payments. Established procedures, includes that the Office of Fiscal Intervention may review the payment voucher and approve it for payment within a ten-day period. Due to the condition found, the Office of Fiscal Intervention will review the procedures established with the Office's personnel to ensure that the deficiency may be corrected.

The Office of Fiscal Intervention had only three employees to handle documents and review vouchers for payments for approximately thirty programs, between federal and state. During September 2020, the Office of Fiscal Intervention hired new personnel as part of their efforts increase the number of employees handling the payment transactions and to reduce the number of days for the review, approval, and issuance of payments.

Payment vouchers are returned to the federal program due to errors found during the review and intervention process. It takes, approximately, three to five day for the federal program to review, make corrections and return the payment voucher to the Office of Fiscal Intervention for final approval and payment. To minimize the time elapse between the drawdowns from the US Treasury and the issuance of payments, the federal program may verify the errors, do the corrections, and return the voucher to the Office of Fiscal Intervention as soon as possible, within a two to a three-day period.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
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Responsible Officials:

Mr. Javier Vazquez	Director of HIV Prevention	Tel - 787-765-2929 ext. 3871
Mrs. Damaris Andrades	Program Accountant	Tel - 787-765-2929 ext. 3613
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel - 787-765-2929 ext. 3294
Mrs. Velmary Martinez	Finance Office Director	Tel -787-765-2929 ext.3291

Estimate Date of Completion:

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
FISCAL YEAR 2018-2019**

Finding No. 2019-005:

CFDA: 93.994 Maternal and Child Health Services Block Grants to the States

Significant Deficiency in Internal Control over Compliance and Compliance

Condition:

During our procedures, we found the following exceptions:

a) In a sample of four (4) cash drawdown petitions for Maternal and Child Health Services Block Grant to the States, we observed four (4) transactions with the check issued after the required time lapsed in accordance with the type of request:

Drawdown No.	Type	Receipt Date	Document No.	Check Issuance Date	Amount
1525190702	Advance	March 21, 2019	00117948	April 5, 2019	\$ 9,294
1525190504	Advance	January 10, 2019	00108511	January 17, 2019	\$ 2,248
1525190504	Advance	January 10, 2019	00109624	January 24, 2019	\$ 8,676
1525190504	Advance	January 10, 2019	00109623	January 24, 2019	\$ 7,791

Views of responsible officials:

The Program makes the request for funds after the invoices are processed and sent to the Finance Office in order to avoid going into default, since the Program does not have control of how much work flow the Finance Office has and in what time will you approve it.

Responsibilities Officials:

Mr. Manuel Vargas	Program Director, Part AB	Tel.787-765-2929 ext. 4583
Mrs. Diana Ferrer	Program Accountant, Part A&B	Tel.787-765-2929 ext. 4661
Mr. Miguel Valencia	Program Director, Part C Program	Tel.787-765-2929 ext. 4587
Mrs. Lydia M. Cabrera	Accountant, Part C Accounting	Tel.787-765-2929 ext. 4586
Mrs. Mayra Reyes	Office Supervisor Finance Office	Tel.787-765-2929 ext. 3294
Mrs. Velmary Martínez	Finance Office Director	Tel.787-765-2929 ext. 3291

Estimate Date of Completion:

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
FISCAL YEAR 2018-2019**

Finding No. 2019-006:

**CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
CFDA 93.917 HIV Care Formula Grants
CFDA 93.767 Children's Health Insurance Program
CFDA 93.778 Medical Assistance Program
CFDA 93.994 Maternal and Child Health Services Block Grant to the States
CFDA 93.074 Hospital Preparedness Program (HPP) and Public Health Emergency
Preparedness (PHEP) Aligned Cooperative Agreements
CFDA 93.940 HIV Prevention Activities
(Repeated from 2018 report, finding 2018-004)**

Equipment and Real Property Management
Significant Deficiency in Internal Control over Compliance
and Compliance

Condition:

- a) The PRDH does not perform a complete physical inventory of the property.
- b) Property records have not been reconciled.
- c) The property division of the PRDH does not maintain an effective property and equipment information system from which a current and complete subsidiary ledger can be prepared.

Views of Responsible Officials:

The PRDH must design and implement appropriate procedures for the recording, management and disposition of equipment and property; that include effective an efficient internal control element. In addition, policies and procedures must ensures the correct use and management of assets.

The Department must ensure that the PS8.4 system includes all the equipment-related information that is required by federal regulation and thus once maximizes the use of the PS8.4 system. In addition, the identification and management of assets will be facilitated. The PRDH must perform a physical inventory at least once every two years, as required by federal regulation. The results/differences must be reconciled with the subsidiary of the property module and in turn with the general ledger.

The PRDH understands the need to correct the deficiencies identified in the audit findings and the risk it faces if it is not corrected, and the federal requirements are met. This project will be led by the Finance Office, which is responsible for the fiscal part, but must have the integration of the other offices and/or programs of the department. As part of the initial evaluation of the project, certain needs have already been identified and step follow as part of the project implementation.

Below an overview of the project phases. This project should have a detailed work plan for each of the phases.

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1. Physical Inventory

- b. The taking of physical inventory will require the personnel effort, as well as the use of technological equipment.
 - i. Technology equipment - a bar code system for physical inventory taking. This system must integrate with PS8.4 to facilitate the recording/reconciliation of the inventory taking.
 - ii. Personnel/Logistics – all the locations of the Department and the resources to be used for the physical inventory must be identified.
 - iii. Establish a calendar of physical inventory taking per unit of fixed assets.

2. Balances Reconciliations

- f. Any difference between the results of the physical inventory and the subsidiary should be reconciled. In addition, the subsidiary of the property module shall be reconciled with the general ledger.
- g. The Finance Office should consider the initial balance of assets not recorded as part of the conversion made to PS8.4 at the time of reconciliation between the subsidiary and the physical inventory.

3. Design and implementation of policies and procedures

- a. Identify significant processes, risk factors and internal controls for the recording of property and management. This should include all departments areas, offices and/or programs related to the asset acquisition and management process.
- b. Evaluation, design and implementation of procedures manuals for the management of the property. Which must include acquisition recording of assets, property management, forfeitures/dispositions, depreciation, physical inventory taking, reconciliation processes and others.
- c. Modification to the PS8.4 property module for cool slightly to new procedures, as need.
- d. Proper implementation of established procedures.
 - i. Distribution of new procedures to staff and training sessions to all staff. A schedule of recurrent trainings should be established in the initial stages to ensure the correct implementation by the staff.
 - ii. Implementation of automated controls in the property module to ensure the recording of all necessary information related to the acquisition and/or disposition of the asset and in compliance with federal regulation.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
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Responsible Officials:

Mrs. Joanna Pagan	Property and Equipment Office Director	Tel. 787-765-2929 ext. 3638
Mrs. Maricarmen Molina	General Services Office Director	Tel. 787-765-2929 ext. 3627
Mrs. Velmary Martínez	Finance Office Director	Tel. 787-765-2929 ext. 3291
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel. 787-765-2929 ext. 3294
Mrs. Marlene Cesareo	PeopleSoft System Supervisor	Tel. 787-765-2929 ext. 3306

Estimate Date of Completion:

Implementation is in process, expected to be completed on or before the year ending June 30, 2021.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING
FISCAL YEAR 2018-2019**

Finding No. 2019-007:

CFDA: 93.994 Maternal and Child Health Services Block Grants to the States (Repeated from 2018 report, finding 2018-005)

Material Weakness in Internal Control over Compliance and Compliance

Condition:

We noted the following deficiencies related to the grant awards 17B04MC30639, 18B04MC31514, 19B04MC32568:

- a) The PRDH does not segregate financial records sufficiently in order to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the percentage restrictions of the grant award.
- b) We could not evaluate if the program is in compliance with the established earmarking requirements since the expenses were recorded for each of the award component and not the earmarking activity.
- c) Information of Level of Effort requirement were not provided to the auditor to evaluate if the program is in compliance.

Views of responsible officials:

The narrative of compliance with the requirement is presented annually in the report to the federal government. They are evidenced with the completed forms for budget and reported expenses that are submitted for the annual request for funds. The accounts have already been separated between the programs, thus evidencing compliance with Earmarking 30-30-10; each one is assigned 30% or more for required services and no more than 10% for their administration. For the DMNA, it would be facilitated if the Department of Health establishes an electronic payroll system similar to those implemented in the FQHCs, where each employee has several accounts awarded to pay their salary and their FTE is awarded. There is the option of creating two additional accounts to separate the administration expenses of the funds assigned to each program, but the current system and the option that you offer us is viable, since the payroll expense could only go out through one of the accounts and it would have to be awarded to each of these by means of wages.

Responsibilities Officials:

Mr. Manuel Vargas	Program Director, Part AB	Tel.787-765-2929 ext. 4584
Mrs. Diana Ferrer	Program Accountant, Part A&B	Tel.787-765-2929 ext. 4661
Mr. Miguel Valencia	Program Director, Part C Program	Tel.787-765-2929 ext. 4587
Mrs. Lydia M. Cabrera	Accountant, Part C Accounting	Tel.787-765-2929 ext. 4586
Mrs. Mayra Reyes	Office Supervisor Finance Office	Tel.787-765-2929 ext. 3294
Mrs. Velmary Martínez	Finance Office Director	Tel.787-765-2929 ext. 3291

Estimate Date of Completion:

Implementation is in process, expected to be completed on or before the year ended June 30, 2021

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO
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Finding No. 2019-008:

All Federal Agencies in the SEFA (Repeated from 2018 report, finding 2018-006)

Financial, Internal Control Weakness and Noncompliance

Condition:

The Single Audit Report for the fiscal year ended June 30, 2019 of the PRDH with due date of March 31, 2020 was submitted after the 9 months deadline. The Single Audit related to such period was completed after the 9 months deadline. Also, the Executive Office of the President issued a notice of waivers from M-20-17 memorandum to extend the Single Audit Submission (2 CFR 200.512) which establish "Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2020, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 -Audit

Requirements, to six (6) months beyond the normal due date. No further action by awarding agencies is required to enact this extension. This extension does not require individual recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520 (a)- Criteria for a low-risk auditee."

Views of responsible officials:

PRDH established internal controls and procedures to enable compliance for the compilation and submission of the Single Audit Report before the 9 months deadline. Among the actions taken to prevent non-compliance of filing in a timely manner are:

1. An employee was selected to specifically dedicate time and effort related to auditing processes since March 2019. For reasons of staff change and the difficulties the agency has faced during this year 2020, including events such as tremors and impact of the COVID-19 pandemic, filing of Single Audit has been unexpectedly delayed from the original work plan set to be completed by March 2020. Notwithstanding, new personnel was identified to continue the pending deliverables to complete the audit report.
2. Due to the delays suffered to file audit for fiscal year 2018 consequently Single Audit 2019 suffered delays as well since both reports were being drafted simultaneously. For the audits of 2018, 2019 and 2020, the same external auditors firm was hired, in accordance with the efforts carried out by the last Deputy Director of Planning, Development and Federal Affairs, so that these audit reports would run parallel and be file almost simultaneously.

Notwithstanding, as previously mentioned, due to the unprecedented occurrence of the pandemic COVID-19, OMB announced a waiver for extension of Single Audit

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submission, in accordance with 2 CFR § 200.512. Also, while Single Audit processes for 2018 and 2019 were performed simultaneously, there were only a few pending deliverables of Single Audit 2019 left, such as the notification and reply of the findings identified by the external audit firm.

This past June 9, 2020, the external audit firm issued a communication requesting an additional contract for Single Audit 2019, since this past March 13, 2020, certification of the SEFA 2019 was received from the Department but filing of Single Audit was delayed. This past March 16, 2020, due to the complications arising from the pandemic COVID-19 the Government of Puerto Rico took necessary precautions by implementing island wide lockdown to prevent an outbreak. Therefore, the contract for Single Audit 2019 suffered a standstill. Consequently, a new contract had to be granted to complete the rest of the pending deliverables. Meanwhile, as previously mentioned, the Federal Government issued several waivers postponing the filing of Single Audits. Furthermore, the new contract for Single Audit 2019 was finally registered in the Controller's Offices this past September 18, 2020 with a term until October 15, 2020. Consequently, since a work plan was not proposed by the external auditor's firm and established until October 15, 2020 between the parties, the filing of the Single Audit 2019 has been delayed until December 2020 in accordance with the work plan of reference.

As part of the preventive measures to file the Single Audit in a timely manner, an employee was selected to specifically dedicate time and effort related to auditing processes. Coordination of weekly meetings and phone calls with the external audit firm and the Programs has rendered immediate results to follow through with an established work plan. Therefore, time has been properly managed to collect the necessary information.

Timely coordination and communication will be essential in order to comply with the timely filing, in case the occurrence of events beyond our control, such as a variance of the pandemic COVID-19, etc., which may result in extreme precautions taken by the Government, or natural events such as earthquakes or hurricanes.

Responsibilities Officials:

Mrs. Laura Medina	Authorizing Official	Tel. 787-765-2929 ext. 3676
Mrs. Velmary Martínez	Finance Office Director	Tel. 787-765-2929 ext. 3291

Estimate Date of Completion:

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2021.