

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

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO  
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FISCAL YEAR ENDED JUNE 30, 2020

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**PART I - FINANCIAL SECTION**



# Aquino, De Córdova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

*Jorge Aquino Barreto, CPA, CVA*  
*Jerry De Córdova, CPA, ESQ*  
*Eduardo González-Green, CPA, CFF, CFE*

## INDEPENDENT AUDITOR'S REPORT

Honorable Carlos R. Mellado López, MD  
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, 2020, 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, 2020, 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, 2020 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 statement, the PRDH is an executive agency of the Commonwealth. As of June 30, 2020, 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.

## **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 17-20, 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 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



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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 September 29, 2021, 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  
September 29, 2021



Stamp number E469481  
of Puerto Rico CPA Society  
has been affixed to the  
original report



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**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2020**

Programs	State Funds		Federal Funds		Totals	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Acquisition of Materials and Personal Protective Equipment	\$ 9,312,198	\$ -	\$ -	\$ -	\$ 9,312,198	\$ -
Auxiliary Services	3,836,590	4,472,769	-	-	3,836,590	4,472,769
Bayamon Hospital	12,327,226	11,493,500	-	-	12,327,226	11,493,500
Bureau of Investigation	3,467,271	594,698	-	-	3,467,271	594,698
Clinical Laboratory Services	3,389,445	2,557,084	-	-	3,389,445	2,557,084
Commission for the Prevention of Suicide	120,810	198,688	-	-	120,810	198,688
Controlled Substances Program	-	154	-	-	-	154
Core hiv/AIDS Surveillance	-	7,876	-	-	-	7,876
COVID-19 Testing and Contact Tracing Program	40,924,731	2,740,000	-	-	40,924,731	2,740,000
Economic Aid to Medical Indigent	48,371,110	57,179,335	2,411,334,036	2,786,416,785	2,459,705,146	2,843,596,120
Emergency Assistance- Public Hospitals	838,459	-	-	-	838,459	-
Epidemiology and Investigation	-	11,311	460,254	842,484	460,254	853,795
General Management	3,046,315	763,289	-	-	3,046,315	763,289
Health Institutions	17,180,460	15,266,740	-	-	17,180,460	15,266,740
Health Institutions- Emergency Rooms	-	(88)	-	-	-	(88)
Health Institutions- Health Centers	807,402	372,915	-	-	807,402	372,915
Health Promotion and Protection	7,568,864	7,193,972	98,848,770	106,422,643	106,417,634	113,616,615
Health Promotion and Protection- Bloque Título V	474,921	444,813	-	-	474,921	444,813
Health Promotion and Protection- Epidemiology (BRFSS)	213,005	56,049	-	-	213,005	56,049
Health Promotion and Protection- Ley 107	5,175	-	-	-	5,175	-
Health Promotion and Protection- OCASET	970,934	(319,408)	-	-	970,934	(319,408)
Health Promotion and Protection- Ryan White	2,066	10,384	-	-	2,066	10,384
Health Promotion and Protection- ZIKA	83,677	72,000	-	-	83,677	72,000
Hospital Stimulus	19,036,000	4,121,770	-	-	19,036,000	4,121,770
Human Resources	28,020	-	-	-	28,020	-
Indirect Costs	4,464,606	4,563,237	-	-	4,464,606	4,563,237
Integrated Services to Communities	2,100,000	1,853,355	70,851,654	69,904,468	72,951,654	71,757,823
Intellectual Disability	40,785,619	33,725,089	-	-	40,785,619	33,725,089
Management and Administration	26,534,706	11,317,531	9,103,621	9,832,069	35,638,327	21,149,600
Match Funds	2,079,202	-	-	-	2,079,202	-
Medical Discipline and Licensing Board	(4,732,173)	81,839	-	-	(4,732,173)	81,839
NexGen Health	140,000	140,000	-	-	140,000	140,000
Office of Research and Medicinal Cannabis	359,369	1,044,640	-	-	359,369	1,044,640
Own Income Fund-Equipment	12,805	-	-	-	12,805	-
Own Income Fund- Incentives and Subsidies Aimed at the Welfare of the City	-	25,800	-	-	-	25,800
Own Income Fund-Material and Supplies	462,420	-	-	-	462,420	-
Own Income Fund-Other Expenses	(242,000)	-	-	-	(242,000)	-
Own Income Fund-Payroll	(475,226)	8,899,496	-	-	(475,226)	8,899,496
Own Income Fund- Professional Services	-	4,253,937	-	-	-	4,253,937
Own Income Fund- Services Purchases	(321,869)	-	-	-	(321,869)	-
Own Income Fund including Bureau of Investigation- Professional Services	-	30,200	-	-	-	30,200
Pediatric Centers	-	5,142	-	-	-	5,142
Planning, Evaluation and Statistics in the Health Area	1,466,318	1,082,663	1,198,086.00	1,440,422.00	2,664,404	2,523,085
Planning, Evaluation and Statistics in the Health Area- NACHO	-	23,961	-	-	-	23,961
Planning, Evaluation and Statistics in the Health Area- OIAT	197,051	53,778	-	-	197,051	53,778
Planning, Evaluation and Statistics in the Health Area- Vital Statistic Cooperative Program	350,867	105,359	-	-	350,867	105,359
Program of Assistance and Care- Homeless Population	297,629	-	-	-	297,629	-
Public Health Preparation and Response Office	98,817	292,799	9,115,838	9,768,637	9,214,655	10,061,436
Registration and Issuance of Documents of the Demographic Register	7,145,206	5,714,304	-	-	7,145,206	5,714,304
	<u>252,728,026</u>	<u>180,450,981</u>	<u>2,600,912,259</u>	<u>2,984,627,508</u>	<u>2,853,640,285</u>	<u>3,165,078,489</u>

See notes to Statement of Cash Receipts and Disbursements

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2020**

Programs	State Funds		Federal Funds		Totals	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Sub-total from previous page	252,728,026	180,450,981	2,600,912,259	2,984,627,508	2,853,640,285	3,165,078,489
Registration and Issuance of Documents of the Demographic Register- Electronic Online Verification	-	34,830	-	-	-	34,830
Registration and Issuance of Documents of the Demographic Register- Enumeration of Birth	55,653	40,109	-	-	55,653	40,109
Registration and Issuance of Documents of the Demographic Register- Non Electronic Death Registration	5,618	5,798	-	-	5,618	5,798
Regulation and Accreditation of Health Facilities	2,454,876	1,082,777	342,861	707,496	2,797,737	1,790,273
Regulation and Certification of Health Professionals	20,514,683	9,864,188	-	-	20,514,683	9,864,188
Regulations on Health Environment	9,582,646	7,285,230	4,588,198	5,974,137	14,170,844	13,259,367
Regulations on Health Environment - MOSA	-	-	-	-	-	-
Radiological Health	-	7,063	-	-	-	7,063
Regulations on Health Environment - PR Food	-	-	-	-	-	-
Contract	10,789	-	-	-	10,789	-
Regulations on Health Environment - School Lunch	-	68,552	-	-	-	68,552
Remote Work Programs of the Government of Puerto Rico	376,599	-	-	-	376,599	-
Ryan White	(2,669,394)	680	-	-	(2,669,394)	680
Ryan White - ASES	44,743,584	60,500,315	-	-	44,743,584	60,500,315
Ryan White - Dental Services	3,300	-	-	-	3,300	-
Ryan White - Rebates	2,811,952	1,131,386	-	-	2,811,952	1,131,386
Settlement Payment - Pre-Retirement	1,864,000	1,660,596	-	-	1,864,000	1,660,596
Special Account	101,154,515	96,891,917	-	-	101,154,515	96,891,917
Special Supplemental Nutrition Program for Woman, Infants and Children	26,836	(250)	61,800,753	61,215,526	61,827,589	61,215,276
State Special Fund - Equipment	51,477	-	-	-	51,477	-
State Special Fund - Facilities and Payments for Public Services	-	-	-	-	-	-
State Special Fund - Materials and Supplies	20,146	-	-	-	20,146	-
State Special Fund - Media Ads	2,486	-	-	-	2,486	-
State Special Fund - Other Expenses	18,331	-	-	-	18,331	-
State Special Fund - Payment of Debt Contracted in Previous Years	26,000	-	-	-	26,000	-
State Special Fund - Payroll	342,072	2,807,743	-	-	342,072	2,807,743
State Special Fund - Professional Services	239,391	106,434	-	-	239,391	106,434
State Special Fund - Services Purchased	77,007	-	-	-	77,007	-
State Special Fund - Transportation and Subsistence	77,700	-	-	-	77,700	-
Trauma Centers	5,851,812	8,693,896	-	-	5,851,812	8,693,896
University Adult Hospital	116,245,695	97,815,682	-	-	116,245,695	97,815,682
University Pediatric Hospital	44,785,679	36,551,512	1,487,921	539,695	46,273,600	37,091,207
Sub-total this page	348,673,453	324,548,458	68,219,733	68,436,854	416,893,186	392,985,312
	\$ 601,401,479	\$ 504,999,439	\$ 2,669,131,992	\$ 3,053,064,362	\$ 3,270,533,471	\$ 3,558,063,801

See notes to Statement of Cash Receipts and Disbursements.



**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, 2020**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**JUNE 30, 2020**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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 POLICIES - 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 POLICIES - 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 POLICIES - 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 provide payments 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 provide 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, 2020, 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, 2020**

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**NOTE C - RETIREMENT SYSTEM**

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, 2020

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**NOTE C - RETIREMENT SYSTEM - 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) will be 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, 2020**

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**NOTE C - RETIREMENT SYSTEM - CONTINUED**

Total contributions made to the pension plan during the fiscal year ended June 30, 2020, amounted to \$75,451,000 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, 2020, under these lease agreements amounted to approximately \$11.8 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, 2020, PRDH had 3,861 employees of which 2,221 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.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**JUNE 30, 2020**

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**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, 2020 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.

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 F- SUBSEQUENT EVENTS**

The PRDH evaluated subsequent events through September 29, 2021, the date on which the basic financial statement was available to be issued. There are no material subsequent events that would require adjustments in the accompanying financial statement for the fiscal year ended June 30, 2020.

**NOTE G- CATASTROPHIC EVENT**

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, 2020**

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Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipient	Federal Expenditures
<b><u>U.S Department of Agriculture</u></b>				
<b>Direct Programs</b>				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557		-	\$ 163,181,223
W.I.C. Grants to States (WGS)	10.578		-	253,413
			<u>-</u>	<u>163,434,636</u>
Sub-total U.S Department of Agriculture			-	163,434,636
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<b>Direct Program</b>				
Housing Opportunities for Persons with AIDS	14.241		-	61,959
			<u>-</u>	<u>61,959</u>
Sub-total U.S Department of Housing and Urban Development			-	61,959
<b><u>U.S. Environmental Protection Agency/Office of Water</u></b>				
<b>Direct Programs</b>				
State Public Water System Supervision	66.432		-	644,923
Capitalization Grants for Drinking Water State Revolving Funds	66.468		-	446,741
			<u>-</u>	<u>1,091,664</u>
Sub-total U.S. Environmental Protection Agency/Office of Water			-	1,091,664
<b><u>U.S. Department of Education</u></b>				
<b>Direct Program</b>				
Special Education-Grants for Infants and Families	84.181		-	3,316,501
Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671		-	12,291
			<u>-</u>	<u>3,328,792</u>
<b>Sub-total U.S. Department of Education</b>			-	3,328,792
<b><u>U.S. Department of Homeland Security</u></b>				
<b>Direct Program</b>				
Disaster Grants- Public Assistance (Presidentially Declared)	97.036		-	1,570,778
			<u>-</u>	<u>1,570,778</u>
<b>Sub-total Department of Homeland Security</b>			-	1,570,778
				169,487,829

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**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipient	Federal Expenditures
Sub total of Federal Grantor Programs from previous page			-	169,487,829
<b><u>U.S. Department of Health and Human Services</u></b>				
<b>Direct Program</b>				
Clinical Laboratory Services	42.493		-	400,966
<b><u>Cluster Programs</u></b>				
Public Health Emergency Preparedness	93.069		-	4,847,356
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		-	3,256,704
			-	8,104,060
<b>Direct Programs</b>				
Environmental Public Health and Emergency Response	93.070		-	283,476
Birth Defects and Development Disabilities- Prevention and Surveillance	93.073		-	288,094
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		-	435,931
Maternal and Child Health Federal Consolidated Programs	93.110		-	3,479,387
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		-	462,253
Cooperative Agreements to States / Territories for the Coordination and Development of Primary Care Officers	93.130		-	159,302
COVID-19- Injury Prevention and Control Research and State and Community Based Programs	93.136		-	22,012
Injury Prevention and Control Research and State and Community Based Programs	93.136		-	884,913
Total Injury Prevention and Control Research and State and Community Based Programs				906,925
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235		-	1,663,058
Grants to States to Support Oral Health Workforce Activities	93.236		-	31,894
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		-	503,094
Early Hearing Detection and Intervention	93.251		-	204,963
Children's Hospitals Graduate Medical Education Payment Program	93.255		-	539,695
Immunization Cooperative Agreements	93.268		-	3,327,088
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314		-	96,275
COVID-19- Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323		-	757,574
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323		-	3,208,288
Total Epidemiology and Laboratory Capacity for Infectious Disease (ELC)				3,965,862
Behavioral Risk Factor Surveillance System	93.336		-	246,921
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		-	4,802,791
COVID-19- Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		-	166,805
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response				4,969,596
Prevention and Control of Chronic Disease and Associated Risk Factors in the U.S. Affiliated Pacific Islands, U.S. Virgin Islands, and P.R.	93.377		-	45,378
Family to Family Health Information Centers	93.504		-	70,751
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506		-	1,069,636
Sub- total carried forward (U.S. Department of Health and Human Services)			-	200,742,434

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>Federal Agency/Pass-Through Agency/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Federal Expenditures</b>
Sub total of Federal Grantor Programs from previous page			-	200,742,434
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP)				
Cooperative Agreements; PPHF	93.521		-	155,027
PPHF Capacity Building Assistance to Strengthen Public Health Immunization				
Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539		-	189,033
State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	93.735		-	177,240
Preventive Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		-	317,962
COVID-19- Children's Health Insurance Program	93.767		28,693,145	28,693,145
Children's Health Insurance Program	93.767		85,614,632	85,614,632
Total Children's Health Insurance Program				114,307,777
COVID-19- Medical Assistance Program	93.778		1,068,391,997	1,068,391,997
Medical Assistance Program	93.778		1,475,131,737	1,602,647,377
Total Medical Assistance Program				2,671,039,374
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		-	68,705
Maternal, Infant and Early Childhood Home Visiting Grant	93.870		-	886,815
National Bioterrorism Hospital Preparedness Program	93.889		-	1,457,628
HIV Care Formula Grants	93.917		2,956,235	34,058,088
HIV Prevention Activities Health Department Based	93.940		-	5,405,112
Sub-total carried forward (U.S. Department of Health and Human Services)			2,660,787,746	3,028,805,195

See Notes to Schedule of Expenditures of Federal Awards

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipient	Federal Expenditures
Sub total of Federal Grantor Programs from previous page			2,660,787,746	3,028,805,195
Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		-	662,415
Assistance programs for Chronic Disease Prevention and Control	93.945		-	(51,414)
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		-	161,712
Zika Health Care Services Program	93.966		-	5,709,931
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977		-	1,762,643
COVID-19- Preventive Health and Health Services Block Grant	93.991		-	41,103
Preventive Health and Health Services Block Grant	93.991		-	2,622,706
Total Preventive Health and Health Services Block Grant				<u>2,663,809</u>
Maternal and Child Health Services Block Grant to the States	93.994		-	13,341,954
Sub-total carried forward (U.S. Department of Health and Human Services)			<u>2,660,787,746</u>	<u>3,053,056,245</u>
<b><u>U.S. Department of Transportation</u></b>				
<b>Direct Program</b>				
Alcohol Open Container Requirements	20.607		-	8,117
Sub-total Department of Transportation			-	<u>8,117</u>
Total			<u>\$ 2,660,787,746</u>	<u>\$ 3,053,064,362</u>

**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, 2020**

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**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, 2020. 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 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, 2020, the PRDH disbursed \$2,660,787,746 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 - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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>
	Public Health Emergency Preparedness (PHEP)	93.069	\$ 4,847,356
U.S. Health and Human Services	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)		
	Aligned Cooperative	93.074	<u>3,256,704</u>
<b>Total</b>			<u><u>\$ 8,104,060</u></u>

**INDEPENDENT AUDITOR'S REPORT 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 Carlos R. Mellado López, MD  
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, 2020, and the related notes to the financial statement, which collectively comprise the PRDH's financial statement and have issued our unqualified report thereon dated September 29, 2021.

**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 2020-001 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 deficiencies described in the findings 2020-002 and 2020-003, in the accompanying schedule of findings and questioned costs to be significant deficiencies.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carolina, Puerto Rico  
September 29, 2021



Stamp number E469482  
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 Carlos R. Mellado López, MD  
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, 2020. 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 All Major Federal Programs

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 all major programs.

<u>Federal Awarding Agency</u>	<u>Federal Program</u>	<u>CFDA Number</u>	<u>Compliance Requirement</u>	<u>Finding No.</u>
All Federal Agencies	All Federal Major Programs	10.557, 93.778, 93.767, 93.917, 93.994	Financial Administration- Standards for Financial Management System	2020-001

## 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 each of its major federal programs for the year ended June 30, 2020.

## Other Matters

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.



**Aquino, DeCordova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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, 2020-001 to be a material weakness.

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, 2020-002 and 2020-003 to be significant deficiencies.

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  
September 29, 2021

*Aquino, De Córdova, Alfaro & Co.*

Stamp number E469483  
of Puerto Rico CPA Society  
has been affixed to the  
original report



**Aquino, De Córdova, Alfaro & Co., LLP**

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**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, 2020**

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Section I- Summary of Auditors' Results

**Financial Statements**

1. Type of auditor's report issued:  Unmodified opinion  Qualified opinion  
 Adverse opinion  Disclaimer of opinion
2. Internal control over financial reporting:
- a. Material weakness(es) identified?  Yes  No
- b. Significant deficiencies identified?  Yes  No
3. Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

1. Internal control over major programs:
- a. Material weakness(es) identified?  Yes  No
- b. Significant deficiencies identified?  Yes  None reported
2. Type of auditors' report issued on compliance for major programs:  Unmodified opinion  Qualified opinion  
 Adverse opinion  Disclaimer opinion
3. Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)?  Yes  No

4. 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
93.994	Maternal and Child Health Services Block Grant to the States

5. Dollar threshold used to distinguish between Type A and Type B programs: \$9,159,193
6. 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, 2020**

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**Section II- Financial Statement Audit**

<b>Finding Number:</b>	2020-001
<b>Agency:</b>	U.S. Department of Health & Human Services
<b>Federal Program:</b>	All Major Programs
<b>CFDA:</b>	10.557, 93.778, 93.767, 93.917, 93.994
<b>Compliance Requirement:</b>	Financial Administration- Standards for Financial Management System
<b>Category:</b>	Financial, Internal Control Weakness

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

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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, 2020, 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.
- c) The PRDH has adjustments posted in a excel file still pending to be posted in Puerto Rico Integrated Financial Accounting System (PRIFAS). This payroll adjustments totaling \$6,856,735 of which \$4,027,297 belong to federal funds.

**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, 2020**

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**Perspective Information**

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

**Prior Year Audit Finding**

2019-001

**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 Department of Health (PRDOH) partially agrees with this finding. Beginning October 2021, the PRDOH will start implementing the Project Costing Module in the PeopleSoft Financials application. During this, the PRDOH will standardize all its Federal Fund Management procedures. The work plan for the implementation includes standards, operations procedures, and reports that comply with all Federal Sponsors requirements and training to all end-users.

Regarding pending adjustments in payroll, it is essential to mention that the Financial Oversight and Management Board for Puerto Rico implements new procedures that change the operation of all agencies during the fiscal year. However, to avoid discrepancies between the Puerto Rico Integrated Financial Accounting System (PRIFAS) and our system, effective July 1st, 2021, the PRDOH, in a monthly basis will reconcile the payroll between both systems. This procedure will prevent pending adjustments after year closing that affect the financial report.

**Responsible Officials**

Mrs. Velmary Martinez Yace	Finance Office Director	Tel.787-765-2929 ext.3291
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel.787-765-2929 ext.3294

**Estimated Completion Date**

December 2022 for Project Costing Implementation.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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<b>Finding Number:</b>	2020-002
<b>Agency:</b>	U.S. Department of Health & Human Services
<b>Federal Program:</b>	All Federal Major Programs
<b>CFDA:</b>	10.557, 93.778, 93.767, 93.917, 93.994
<b>Compliance Requirement:</b>	Payroll and Personnel Files
<b>Category:</b>	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.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**Condition**

- a) During our audit, on a sample of sixty (60) personnel files, we observed that the personnel files are not being kept current and in some instances were incomplete.

<b>Compliance Requirement</b>	<b>Documents not observed</b>
ID	1
Social Security Card	7
Criminal Record Certificate	2
I-9 Employment Eligibility	7
Withholding Form (499-R)	10
ASSUME Debt Negative Certification	3
Certification of Academic Preparation	7
Transcription of Credits	25
Resume	19
PR Treasury Department Debt Certification	4
Compliance Notification for "Drug Free"	21
State Registration for New Employees Form	15
CRIM Debt Certificate	4
Confidentiality Agreement	1
Public Policy of "Sustancias Controladas"	6
Annual Evaluation	9

- 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 files may depend of 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 aforementioned 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

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**Perspective Information**

Finding does not represent a significant problem. The Department has addressed this finding and it's been taking the steps necessary to reduced incidences to a minimum. We selected 60 employee files among all department.

**Prior Year Audit Finding**

2019-002

**Recommendation**

PRDH should immediately undertake a process to review all personnel files and validate that the minimum requirement 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**

The Department of Health established an internal control to ensure that the required documents are recorded in the files. A Control Sheet of Documents Required to the Active Records was established, in which the Human Resources Officers of the regions and Hospitals were requested to check the existence of the required documents of the designation of the employee and / or request them as long as it is necessary in accordance with the laws and procedures at the time of this.

The Assistant Secretary of Human Resources, Regional Offices and Hospitals continues to work with the deficiencies found as part of the audit procedures. The updated file was requested from the Department of Finance to compare the salaries officialized in the file of the employees.

A Work Plan was implemented regarding the Account and Salary Figure of the employees that, together with the Office of Federal Affairs, the Accountant and Program Director and / or Office sends to the Office of Human Resources to certify the employees who are paid under this new "Grant". Once this change is certified, a table is drawn up official with each of the names, position number of the employee, in order to carry out the officialization of the files and systems.

The Director of Human Resources presented a work plan, in order to implement an effective and efficient procedure for reviewing files which has been used in the Assistant Secretary of Human Resources and Labor Relations and the Regional Human Resources Offices and Hospitals in order to improve processes.

The Office of Human Resources and Payroll will maintain the follow-up and monitoring in the processes of change and formalization of changes of figures of accounts, salaries, terminations of

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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designations and new designations, etc. To ensure that these changes are correctly in the payment system in accordance with the documents approved in the employee files.

**Responsible officials**

Lcda. Rachel Pagán González	Secretaria Auxiliar de Recursos Humanos	Tel.787-765-2929 ext.4273
Mrs. Luz S. Ramos Pedroza	Human Resources and Labor Relations Specialist	Tel.787-765-2929 ext.4273
Mrs. Maribel Zayas	Payroll Office Director	Tel.787-765-2929 ext.4209

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2022.



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**Finding Number:** 2020-003

**Agency:** Department of Health & Human Services

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

**CFDA:** 93.994

**Grant Number:** 19B04MC32568

**Grant Period:** October 1, 2018, through September 30, 2020

**Compliance Requirement:** Cash Management

**Category:** Significant Deficiency in Internal Control over 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 six (6) cash drawdown petitions for Maternal and Child Health Services Block Grant to the States, we observed three (3) transactions with the check issued after the required time lapsed in accordance with the program reimbursement type request.

<u>Drawdown No.</u>	<u>Type</u>	<u>Receipt Date</u>	<u>Document No.</u>	<u>Check Issuance Date</u>	<u>Amount</u>
1525200642	Advance	March 12, 2020	00330223	June 9, 2020	\$ 147,986
1525200642	Advance	March 12, 2020	00330238	June 9, 2020	\$ 147,986
1525200642	Advance	March 12, 2020	00331072	June 9, 2020	\$ 147,986

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**Cause**

Programs have not established written procedures and internal controls to properly 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, 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**

2019-005

**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 Department of Health recognizes the disbursement's importance promptly after completing the drawdown and receiving the credit notice from the bank. However, Puerto Rico was declared under an Emergency due to the impact of Covid- 19 since March 13th, 2020. The emergency changes the operations of the agencies, including the disbursement process. The sample selected in this finding corresponds to a drawdown performed in March 2020, just at the beginning of the emergency.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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The Department of Health already has a preliminary written procedure pending to be approved. Also, a new office in the Department of Health named Project Management Office will monitor that all federal funds will be promptly disbursed.

**Responsible Officials**

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

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of the fiscal year is June 30, 2022.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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<b>Finding Reference Number</b>	<b>Finding Description</b>	<b>Questioned Cost</b>	<b>Finding Current Status</b>
2019-001	Internal Control over Compliance with Financial Reporting Requirements	None	Situation still prevails. See finding 2020-001
2019-002	Significant Deficiency in Internal Control over Payroll and Personnel Files- Accurate and Completeness of Personnel Files	None	Situation still prevails. See finding 2020-002
2019-003	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. Not completed
2019-004	Significant Deficiency in Internal Control over Compliance- Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	None	Situation still prevails. Not completed
2019-005	Significant Deficiency in Internal Control over Compliance and Compliance- Maternal and Child Health Services Block Grants to the States	None	Situation still prevails. See finding 2020-003
2019-006	Significant Deficiency in Internal Control over Compliance and Compliance with Equipment and Real Property Mngement Compliance- All Programs	None	Situation still prevails. Not completed
2019-007	Significant Deficiency 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. Not completed
2019-008	Financial, Internal Control Weakness and Noncompliance- All Federal Agencies in SEFA	None	Situation still prevails. Not completed

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO  
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING  
FISCAL YEAR 2019 – 2020**

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**Finding No. 2020-001:**

**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**

**(Repeated from 2019 report, finding 2019-001)**

Financial, Internal Control Weakness and Noncompliance

**Condition:**

During our audit procedures for the fiscal year ended June 30, 2020, we noted the following deficiencies related with the accounting procedures and financial reporting practices of the PRDH:

- 1) 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.
- 2) 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.
- 3) The PRDH have adjustments to be posted in a excel file still pending to be posted in Puerto Rico Integrated Financial Accounting System (PRIFAS). This payroll adjustments totaling \$6,856,735 of which \$4,027,297 belong to federal funds.

**Views of Responsible Officials:**

The Puerto Rico Department of Health (PRDOH) partially agrees with this finding. Beginning October 2021, the PRDOH will start implementing the Project Costing Module in the PeopleSoft Financials application. During this, the PRDOH will standardize all its Federal Fund Management procedures. The work plan for the implementation includes standards, operations procedures, and reports that comply with all Federal Sponsors requirements and training to all end-users.

Regarding pending adjustments in payroll, it is essential to mention that the Financial Oversight and Management Board for Puerto Rico implements new procedures that change the operation of all agencies during the fiscal year. However, to avoid discrepancies between the Puerto Rico Integrated Financial Accounting System (PRIFAS) and our system, effective July 1st, 2021, the PRDOH, in a monthly basis will reconcile the payroll between both systems. This procedure will prevent pending adjustments after year closing that affect the financial report.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO  
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING  
FISCAL YEAR 2019 – 2020**

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**Responsible Officials:**

Mrs. Velmary Martinez Yace	Finance Office Director	Tel.787-765-2929 ext.3291
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel.787-765-2929 ext.3294

**Estimated Completion Date:**

December 2022 for Project Costing Implementation.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO  
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING  
FISCAL YEAR 2019 – 2020**

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**Finding No. 2020-002:**

**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**

**(Repeated from 2019 report, finding 2019-002)**

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

**Condition:**

During our audit, on a sample of sixty (60) personnel files, we observed that the personnel files are not being kept current and in some instances were incomplete.

<b>Compliance Requirement</b>	<b>Documents not observed</b>
ID	1
Social Security Card	7
Criminal Record Certificate	2
I-9 Employment Eligibility	7
Withholding Form (499-R)	10
ASSUME Debt Negative Certification	3
Certification of Academic Preparation	7
Transcription of Credits	25
Resume	19
PR Treasury Department Debt Certification	4
Compliance Notification for "Drug Free"	21
State Registration for New Employees Form	15
CRIM Debt Certificate	4
Confidentiality Agreement	1
Public Policy of "Sustancias Controladas"	6
Annual Evaluation	9

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.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO  
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING  
FISCAL YEAR 2019 – 2020**

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**Views of responsible officials:**

The Department of Health established an internal control to ensure that the required documents are recorded in the files. A Control Sheet of Documents Required to the Active Records was established, in which the Human Resources Officers of the regions and Hospitals were requested to check the existence of the required documents of the designation of the employee and / or request them as long as it is necessary in accordance with the laws and procedures at the time of this.

The Assistant Secretary of Human Resources, Regional Offices and Hospitals continues to work with the deficiencies found as part of the audit procedures. The updated file was requested from the Department of Finance to compare the salaries officialized in the file of the employees.

A Work Plan was implemented regarding the Account and Salary Figure of the employees that, together with the Office of Federal Affairs, the Accountant and Program Director and / or Office sends to the Office of Human Resources to certify the employees who are paid under this new "Grant". Once this change is certified, a table is drawn up official with each of the names, position number of the employee, in order to carry out the officialization of the files and systems.

The Director of Human Resources presented a work plan, in order to implement an effective and efficient procedure for reviewing files which has been used in the Assistant Secretary of Human Resources and Labor Relations and the Regional Human Resources Offices and Hospitals in order to improve processes.

The Office of Human Resources and Payroll will maintain the follow-up and monitoring in the processes of change and formalization of changes of figures of accounts, salaries, terminations of designations and new designations, etc. To ensure that these changes are correctly in the payment system in accordance with the documents approved in the employee files.

**Responsible official:**

Lcda. Rachel Pagán González	Secretaria Auxiliar de Recursos Humanos	Tel.787-765-2929 ext.4273
Mrs. Luz S. Ramos Pedroza	Human Resources and Labor Relations Specialist	Tel.787-765-2929 ext.4273
Mrs. Maribel Zayas	Payroll Office Director	Tel.787-765-2929 ext.4209

**Estimated Completion Date:**

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2022.



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO  
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT FINDING  
FISCAL YEAR 2019 – 2020**

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**Finding No. 2020-003:**

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

**(Repeated from 2019 report, finding 2019-005)**

Significant Deficiency in Internal Control over Compliance with Cash  
Management Requirements

**Condition:**

During our procedures, we found the following exceptions:

In a sample of six (6) cash drawdown petitions for Maternal and Child Health Services Block Grant to the States, we observed three (3) transactions with the check issued after the required time lapsed in accordance with the program reimbursement type request.

<u>Drawdown No.</u>	<u>Type</u>	<u>Receipt Date</u>	<u>Document No.</u>	<u>Check Issuance Date</u>	<u>Amount</u>
1525200642	Advance	March 12, 2020	00330223	June 9, 2020	\$ 147,986
1525200642	Advance	March 12, 2020	00330238	June 9, 2020	\$ 147,986
1525200642	Advance	March 12, 2020	00331072	June 9, 2020	\$ 147,986

**Views of responsible officials:**

The Department of Health recognizes the disbursement's importance promptly after completing the drawdown and receiving the credit notice from the bank. However, Puerto Rico was declared under an Emergency due to the impact of Covid- 19 since March 13th, 2020. The emergency changes the operations of the agencies, including the disbursement process. The sample selected in this finding corresponds to a drawdown performed in March 2020, just at the beginning of the emergency.

The Department of Health already has a preliminary written procedure pending to be approved. Also, a new office in the Department of Health named Project Management Office will monitor that all federal funds will be promptly disbursed.

**Responsible Officials:**

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

**Estimate Date of Completion:**

Implementation is expected to be completed on or before the end of the fiscal year June 30, 2022.