

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS**

TABLE OF CONTENTS

	PAGES
Independent Auditor's report	2-5
Schedule of Cash Receipts and Disbursement Activities for the Year Ended June 30, 2022	6
Notes to Schedule of Cash Receipts and Disbursement Activities	7-15
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	16
Note to Schedule of Expenditures of Federal Awards	17-19
Overview of Schedule of Cash Receipts and Disbursement Activities	20-25
REPORTS REQUIRED UNDER THE UNIFORM GUIDANCE:	
Independent Auditor's Report on internal control over financial reporting and on compliance and other matters based on an audit of Schedule of Cash Receipts and Disbursement Activities performed in accordance with Governmental Auditing Standards	26-27
Independent Auditor's report on compliance for each Major Program and on internal Control over compliance required by the uniform guidance	28-31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32-34

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Commonwealth of Puerto Rico
Department of Transportation and Public Works

Opinion

We have audited the accompanying Schedules of Cash Receipts and Disbursement Activities of the Commonwealth of Puerto Rico Department of Transportation and Public Works (the "DTOP") as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the DTOP's Schedules of Cash Receipts and Disbursement Activities as listed in the table of contents.

In our opinion, the Schedules of Cash Receipts and Disbursement Activities referred to above present fairly, in all material respects, the cash receipts and disbursement activities of DTOP as of June 30, 2022 in accordance with the cash basis of accounting as described in Note 2b.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Schedules of Cash Receipts and Disbursement Activities section of our report. We are required to be independent of DTOP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2b of the Schedules of Cash Receipts and Disbursement Activities, which describes the basis of accounting. The schedule are 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.

Responsibilities of Management for the Schedules of Cash Receipts and Disbursement Activities

Management is responsible for the preparation and fair presentation of the Schedules of Cash Receipts and Disbursement Activities in accordance with the cash basis of accounting described in Note 2b; and for determining that the cash basis of accounting is an acceptable basis for the preparation of the Schedules of Cash Receipts and Disbursement Activities in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation Schedules of Cash Receipts and Disbursement Activities that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedules of Cash Receipts and Disbursement Activities

Our objectives are to obtain reasonable assurance about whether the Schedules of Cash Receipts and Disbursement Activities as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or the override of internal control. Misstatements are consider material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedules of Cash Receipts and Disbursement Activities.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules of Cash Receipts and Disbursement Activities.
- Obtain an understanding of internal control relevant to the audit 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 DTOP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedules of Cash Receipts and Disbursement Activities.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DTOP's ability to continue as a going concern for a reasonable period of time.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Schedule of Cash Receipts and Disbursement Activities that comprise the DTOP's Schedule of Cash Receipts and Disbursement Activities. The accompanying Schedule of Expenditures of Federal Awards included on page 16, 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 Statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursements. The information has been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursement activities and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursement activities 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 2b.

Other Information

Management is responsible for the other information included in the Overview of the Audited Schedule of Cash Receipts and Disbursement Activities included on pages 19-26. The other information comprises the introductory and statistical sections but does not include the basis of accounting and our auditor's report thereon. Our opinions on the schedule of cash receipts and disbursement activities do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the Schedule of Cash Receipts and Disbursement Activities, our responsibility is to read other information and consider whether a material inconsistency exists between the other information and the schedule of cash receipts and disbursement activities, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2023, on our consideration of the DTOP'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 DTOP's internal control over financial reporting and compliance.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Strategic CPA's
Consulting Group, LLC.*

License #LLC-342

Expiration date December 1, 2025.

Toa Baja, Puerto Rico

March 30, 2023.



Note: Stamp No E502592 was applied to the original report.

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENT ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Funds	State Funds		Federal Funds		Excess (Deficiency)
	Receipts	Disbursements	Receipts	Disbursements	
General Budget	\$ 17,110,771	\$ 17,110,771	\$ -	\$ -	\$ -
Federal Awards:					
Pass-Through Funds					
FEMA-Disaster Public Assistance	-	-	359,209	6,833,710	(6,474,501)
Community Development					
Block Grant Disaster Recovery Fund	-	-	-	88,280	(88,280)
FHA-PR Transit Security Commission					
Analysis & Data Collection of Traffic Crash Grant	-	-	135,353	135,353	-
Direct Funding from US DOT					
Pipeline Safety Grant Program					
One Call Damage Prevention Program	-	-	-	11,709	(11,709)
Special Fund - Covid 19 Recovery Funds	-	-	(1,299,860)	3,969,072	(5,268,932)
Special Fund - American Rescue Plan Act (ARPA)			50,000,000	4,108,669	45,891,331
Special Fund - ARPA Premium Pay			2,558,000	2,540,000	18,000
State Funds:					
Special Fund - COT	2,034,486	1,039,519	-	-	994,967
Special Fund - DEDT	565,203	273,921	-	-	291,282
Special Fund - DISCO	101,287,552	45,934,315	-	-	55,353,237
Special Assignments	-	16,881,056	-	-	(16,881,056)
Other Revenue	59,157	20,000	-	-	39,157
Total	\$ 121,057,169	\$ 81,259,582	\$ 51,752,702	\$ 17,686,793	\$ 73,863,496
Total Superavit State Funds					\$ 39,797,587
Total Superavit Federal Awards					\$ 34,065,909

The accompanying notes are integral part of these schedule.

1. ORGANIZATION

The Commonwealth of Puerto Rico Department of Transportation and Public Works of the Commonwealth of Puerto Rico (DTOP, by its Spanish acronym) was created by the Constitution of Puerto Rico, Article IV, Section 6. DTOP is the central government agency in charge of developing and maintaining an integral, efficient, and safe transportation system, and providing for its improvement and growing to supply the individual and collective needs of the communities and citizens while promoting the business activity. DTOP is organized into four bureaus:

- Public Works Bureau - which has the responsibility to build, improve, renew, and give maintenance to highways, roads, bridges, sidewalks and pedestrian path and bridges, and traffic lights and signs, maintain green areas ornate and organize traffic routes, among other works. This bureau provides island-wide services through seven regional offices.
- Community Development Bureau - which provides public works to community with special infrastructure needs.
- Driver Bureau - which provides services to the drivers for obtaining driver licenses and vehicle licenses and permits island-wide through 16 regional offices.
- Urban Development Bureau, which provides the arts work and landscaping as part of the renewal and new construction of public works in urban areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Financial Reporting Entity - DTOP is for financial reporting purposes part of the Commonwealth of Puerto Rico. The Department of the Treasury of the Commonwealth of Puerto Rico serves as trustee of the state and federal funds granted to DTOP. As the trustee, The Department of Treasury keeps DTOP's accounting records through the central accounting system (PRIFAS for its acronym in English) and provides online access to the accounting data of receipts and disbursements for reporting purposes.

- b. Basis of Presentation - Information obtained from PRIFAS of receipts and disbursement on cash basis is used in these financial statements, as a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Revenue is recognized when cash is received or transferred-in and expenditures are recorded when disbursement is incurred or transferred-out. DTOP only accounted for cash receipts and cash disbursements accounts and no balance sheet accounts are maintained or reported.
- c. Statutory (Budgetary) Accounting and Budgetary Control - Formal budgetary accounting is employed as management control for all DTOP's programs. Annual operating budgets are adopted each fiscal year by the approval of the Puerto Rico Legislature, which could be amended as needed during the fiscal year. All unencumbered budget appropriations of local funds lapse three years after the end of each fiscal year. Federal grant funds can be carried over its original term, according to the rule, norms and conditions promulgated on the Code of Federal Regulations of the of the grant award, type, purpose, and program. The adjusted General Fund budget for fiscal year 2021-2022 was \$123,462,523 as follow:

General Fund Adjusted Budget	
<u>Description</u>	<u>Amount</u>
Original Budget	\$ 134,236,000
Additions:	
Christmas Bonus	1,006,118
Permanent Improvements	8,250,000
Emergency Funds	600,000
Award in arbitration (36 employees)	826,405
Subtotal	<u>144,918,523</u>
Reductions:	
Act 70	(717,000)
PayGo	<u>(20,739,000)</u>
Adjusted Budget	<u><u>\$ 123,462,523</u></u>

The Schedule of Cash Receipts and Disbursement activities is summarized by fund type. However, PRIFAS provides a very detailed level of information including program and category and classification of the receipt or expenses.

- d. Compensated absences – the Commonwealth vacation and sick leave policy is applicable to DTOP, providing for the accumulation of 2.5 days per month for vacation leave and 1.5 per month for sick leave. Employees are fully vested for the use of their leave time accrued from the first day of work and are eligible to accrue up to 60 days for vacation leave and up to 90 days for sick leave. Upon retirement date, an employee receives the payment of any unused vacation at the current pay rate and any remaining balance up to maximum leaves accumulation is payable at the employee termination date.

On February 4, 2017, Act No. 8-2017 was approved, as amended, known as the "Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico," which establishes the Government as Sole Employer. Through it, it was established that the new employee will have the right to accumulate vacation leave at a rate of two (2) days for each month of service. With regard sick leave, the new employee will have the right to accumulate sick leave at the rate of one (1) day for each month of service. This Law established that employees who enjoy different benefits under this Act will continue to do so.

Also, on April 29, 2017, Act No. 26-2017, known as the "Law of Compliance with the Fiscal Plan" was approved, which establishes, in Chapter 2, the marginal benefits that public employees will enjoy, the Executive Branch, including its public corporations and instrumentalities. Through it, it was established that as of May 1, 2017, every public employee will have the right to accumulate vacation leave at a rate of one and one quarter (1.25) day for each month of service. As for the accumulation of sick leave, it does not change.

- e. Risk financing and insurances - The Department of Treasury acquires insurance coverage for casualty, theft, tort, claims, deposits, guarantees, property, and other losses. DTOP reimbursement to the Department of Treasury for such insurance premiums made on its behalf.

DTOP employee's insurance and protection are obtained through other governmental entities, such as:

- Workers Compensation acquired to provide health and life protection related to occupational accidents or incidents. This insurance is acquired with the State Insurance Fund Corporation by a monthly fee contribution of the employer, which is based in the risk level assigned to each labor.
- Non-occupational insurance acquired to provide health protection in situations not related to work activities. This insurance is acquired with the Department of Labor and Human Resources and its premium is shared by both the employer and employee.

- Unemployment insurances acquired to provide supplementary compensation to employees at termination.

3. RESOURCES WITH FISCAL AGENT

DTOP’s state and federal funds are under the custody of the Secretary of Treasury of the Commonwealth of Puerto Rico, pursuant the Act No. 230 of July 23, 1974, as amended, known as the “Accounting Law of the Commonwealth of Puerto Rico.” The Department of Treasury follows the practice of pooling resources for all the entities under its control; however, funds of each entity are pooled in appropriation accounts with ID codes, such as fiscal year, fund, agency number ID, program, date of posting, amount, type of transaction, and classification of revenue or expenditure, among others.

COMMITMENTS AND CONTINGENCIES

Construction Commitments

From fiscal year 2017-2018 until present DTOP’s received FEMA funds amounting to \$194,689,425 and has made disbursements for \$254,672,598. During this fiscal year 2022 DTOP disburse \$6,833,710 of FEMA funds as shown in the following table:

Fiscal Year	FEMA Funds Receipts	FEMA Funds Disbursements
2017-2018	\$ 1,900,000	\$ 45,354,796
2018-2019	192,337,814	170,111,014
2019-2020	-	43,983,784
2020-2021	92,402	(11,610,706)
2021-2022	359,209	6,833,710
	\$ 194,689,425	\$ 254,672,598

The general fund holds construction contracts in the amount of \$49,630,045. Of this amount, \$4,011,092 has been disbursed. The Directorate of Driver Services (DISCO for its acronym in Spanish) maintains construction contracts in the amount of \$11,168,509.

Leases

DTOP has short term lease agreement with the Public Building Authority, a public corporation of the Commonwealth of Puerto Rico, for the rent of the central office facilities. The term of this contract is from July 2022 to June 30, 2023 and it is paid from a special appropriation reserved for this purpose as part of a budget appropriation assigned to the Office of Management and Budget of the Commonwealth of Puerto Rico during fiscal year 2023. Therefore, the payment related to such agreement is not included in the annual expenditure for local space agreements or in the future lease obligations schedule presented below.

In addition, DTOP has leases liability for other local space facilities to operate regional and customer services and rents to third parties some office equipment, as photocopiers. Photocopiers rental of \$270,684 is paid to a private company. A remaining balance of \$857,166 for the fiscal year 2022, from a five-year agreement, is due in year 2026.

Rental charges for local space for the year ended June 30, 2022, were \$4,965,478. Future lease obligations under these lease liability agreements provides for the following minimum annual rent:

Fiscal year	Office Space Rental			Photocopiers		
	Principal	Interest	Total	Principal	Interest	Total
2022-23	\$ 4,594,775	\$ 634,694	\$ 5,229,468	\$ 242,953	\$ 27,731	\$ 270,684
2023-24	4,781,971	447,497	5,229,468	252,851	17,833	270,684
2024-25	4,578,060	259,296	4,837,357	263,152	7,532	270,684
2025-26	2,089,833	122,099	2,211,932	44,889	225	45,114
2026-27	1,913,614	37,850	1,951,464	-	-	-
	<u>\$ 17,958,253</u>	<u>\$ 1,501,437</u>	<u>\$ 19,459,690</u>	<u>\$ 803,845</u>	<u>\$ 53,321</u>	<u>\$ 857,166</u>

Litigation

Act No. 104 of June 30, 1955, as amended, known as Claims and Lawsuits against the State, provides that lawsuits initiated against any agency or instrumentality of the Commonwealth of Puerto Rico, current and former employees, directors, executives, officials, and mayors, among others, may be represented by the Department of Justice of the Commonwealth of Puerto Rico. Any adverse claims to the defendants are to be paid by the general fund of the Commonwealth of Puerto Rico. However, the Secretary of the Treasury of the Commonwealth of Puerto Rico has the discretion of requesting reimbursement of the funds expended for these purposes from the public corporations, governmental institutions or entities and municipalities of the defendants.

DTOP is, at present time, defendant in many lawsuits arising out of incident related to its operations. The information as to the claims and related amounts have been produced by Department of Justice of the Commonwealth of Puerto Rico to determine the extent and status of such legal actions. As of June 30, 2022, fourteen (12) final settlements from trials prosecuted against DTOP totalized \$50,153,841. However, as explained above the outcome of such litigation has no impact on DTOP's budget, because amounts are paid through the general fund of the Commonwealth of Puerto Rico.

Federal Awards

DTOP is entitled with some federal awards to support program or services activities either as a recipient from a federal agency or as a sub-recipient of federal funds through a Commonwealth of entitled agency. Federal awards expenditures are subjected to grantor's audit program to determine compliance with grant requirements.

There is no evidence or exists prior year audit results that suggests or implies materiality from potential questioned or disallowed costs for the year ended June 30, 2022, at present or nearby future.

4. RETIREMENT PLAN

The Employee's Retirement System of Government of the Commonwealth of Puerto Rico (Retirement System), created pursuant to Act. No. 447 of May 15, 1951, as amended, is a cost-sharing, multiple-employer, defined benefit pension plan sponsored by and reported as a component unit of the Commonwealth. The Retirement System consists of different benefit structures, including a cost-sharing, multi-employer, defined benefit program, a defined contribution program and a defined contribution hybrid program.

(a) Defined Benefit Program:

Pursuant to Act No. 447 of May 15, 1951, as amended, regular employees hired before January 1, 2000, and no older than 55 years at the date of employment became members of the Defined Benefit Program under the Retirement System Plan. No pension plan benefits are eligible or payable if the participant elects to receive the refund of the accrued contributions at the termination date.

The Defined Benefit Program provides benefits because of retirement, death, or disability of the participant, according to by law requirements. Retirement benefits are based upon participant's age at retirement date and the number of years of creditable service. Benefits are vested after 10 years of plan participation.

Participants who have attained the age of 55 years and have completed at least 25 years of creditable service, or who have attained the age of 58 years and have completed 10 years of creditable services, are entitled to life annuity benefit payable on monthly basis. The annuity shall be 1.5% of the average compensation, as defined, multiplied by the number of years of creditable service exceeding 20 years, plus a 2% of the average compensation, as defined, multiplied by the number of years of creditable service exceeding 20 years. In no case, the annuity will be less than \$300 per month.

Any participant who has reached 30 years of creditable service is entitled to receive the Merit Annuity. When such participant also has attained the age of 55 years, he/she is approved to receive a 75% of the average compensation; otherwise, he/she will receive a 65% of the annual compensation.

Disability benefits are available for both occupational and non-occupational disability benefits; however, to receive non-occupational disability benefits, the participant must have at least 10 years of creditable service.

Employees eligible to participate of the Retirement Plan, are required to contribute a 10% of their monthly gross salary. Act No. 1 of February 16, 1990, made certain amendments applicable to new participating employees joining the Retirement Plan System effective April 1, 1990. These changes consist principally of (i) an increase in the retirement age from 55 years to 65 years, (ii) a decrease in the percentage of the average compensation used to calculate the occupational disability and occupational death benefits annuities, (iii) a decrease in the occupational death benefits annuities from 50% to 40%, and (iv) the elimination of the Merit Annuity for participants who have completed 30 years of creditable service.

(b) System 2000 Program:

Act No. 305 of September 24, 1999, amended Act No. 447 to create System 2000 Program. System 2000 Program introduce a new benefit structure, similar to cash balance plan (defined contribution plan). Any regular employee hired for the first time on or after January 1, 2000, and any former employee who participated in the Defined Benefit Program who received a refund of his/her accrued contributions and were rehired on or after January 1, 2000, became members of the System 2000 Program as a condition to their employment. In addition, any employee who at December 31, 1999 was participant of the Defined Benefit Program had the option, up to March 31, 2000, to irrevocably transfer their accrued contributions to the System 2000 Program. Under System 2000 Program, the retirement age was reduced from 65 to 60 years old.

System 2000 Program's participants are required to contribute a 10% of their monthly gross salary, which are recorded to individual accounts in the name of the participant. Each participant can select between three options for investing its cash balance fund. Investment income is credited to the participant's account on semi-annual basis.

However, contributions received under System 2000 Program are pooled and invested by the Retirement System, together with the assets corresponding to the Defined Benefit Program, and eventually benefits from both programs are payable from the same pool of assets. Even though System 2000 Program has a different benefit structure than the Defined Benefit Program, the Commonwealth does not guarantee benefits at retirement age of the participants.

Upon retirement date, the participant's cash balance account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life and 50% of such benefit to the participant's spouse in case of the participant's death. Participants have the option of receiving a lump sum or purchasing an annuity contract in case of permanent disability. A benefit lump-sum payment is issued to any participant with a balance of \$10,000 or less at the retirement date or to participant's beneficiaries in the event of participant's death.

(c) Defined Contribution Hybrid Program:

Act No. 3 of April 4, 2013, amended Act No. 447-1951, Act. No. 1-1951, and Act No. 305-1999 to establish a Defined Contribution Hybrid Program which has been administrated by the Retirement System. Any regular employee hired for the first on or after July 1, 2013, and any former employee who previously participated in the Defined Benefit Program and System 2000 Program, who is rehired on or after July 1, 2013, becomes participants of the Defined Contribution Hybrid Program as an employment condition. In addition, employees who were participants of previous plans will become part of the Defined Contribution Hybrid Program. Act No. 3 froze all retirement benefits accrued through June 30, 2013, under the Defined Benefit Program, and thereafter, all future benefits will accrue under the defined contribution formula used for the System 2000 Program participants.

Participants in the Defined Benefit Program who, as of June 30, 2013, were entitled to retire at the age of 58 old and receive some type of pension, may retire on any later date and will receive the annuity from the Defined Benefit Program, as well as the annuity accrued under the Defined Contribution Hybrid Program.

Participants in the System 2000 Program who have not reached the age of 60 as June 30, 2013, could be eligible for retirement depending on the new age restrictions of the Defined Contribution Hybrid Program, and if the results are positive, the participant will receive the annuity from the System 2000 Program, as well as the annuity accrued under the Defined Contribution Hybrid Program.

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

1. Minimum pensions for current retirees must be \$500.
2. Retirement ages for participants of Define Benefit Program will gradually increase from 58 to 61 years old.
3. Retirement ages for participants of System 2000 Program participants will gradually increase from 60 to 65 years old.
4. Eliminate the Merit Annuity to participants who joined the Retirement System prior April 1, 1990.
5. Retirement ages for participants who join the Retirement System on or after July 1, 2013, is 67 years old.
6. Participant contribution was raised from 8.275% to 10%.
7. For System 2000 Program participants, the retirement benefits will no longer be paid as a lump sum distribution; instead, they will be through a lifetime annuity.

8. Special benefits to retired participants were eliminated or reduced. Christmas Bonus to current retired participants was reduced from \$600 to \$200, but it was no longer a benefit to subsequent participants eligible for retirement. The summer bonus was eliminated for current and future retirees.
9. Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
10. Benefits payable to participant's family members, in the event of participant's death were also modified.

Employee contributions are accrued to individual accounts established under the Defined Contribution Hybrid Program. In addition, a mandatory Contribution equal to or less than 0.25% is required to purchase disability insurance. Upon retirement, the balance in each participant's account will be used to acquire an annuity contract, which will provide for a monthly benefit during the participant's life. In case of the retired participant's death, the registered beneficiaries will continue receiving the monthly benefit until the participant's contributions be completely consumed. In case of death of a non-retired participant, the benefits will be paid in one lump-sum amount to the registered beneficiaries.

For the year ended June 30, 2020, DTOP employer's contribution was 12.275% over the gross salaries of the Retirement System's programs participants. Beginning July 1, 2013, and up to June 30, 2017, the employer's contribution rate shall be annually increased by 1%. Thereafter, beginning July 1, 2016, and up until June 30, 2021, the employer's contribution rate will be increased by 1.25%.

Additional information on the Retirement System is provided through the Retirement System financial statements for the year ended June 30, 2020, requesting a copy to:

Retirement System of the Commonwealth of Puerto Rico
PO Box 42004
San Juan, PR 00940-2004

5. Subsequent Events

The DTOP evaluated subsequent events through March 30, 2023, the date on which the financial reporting is available to be issued. There are no material subsequent events that would require adjustments in the accompanying financial reporting for the fiscal year ended June 30, 2022.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Homeland Security				
Pass- Through Governor's Authorized Representative (GAR):				
Federal Emergency Management Agency Disaster Grant-Public Assistance (Presidentially Declared Disasters)	97.036		\$ -	\$ 6,833,710
<i>Total U.S. Department of Homeland Security</i>				<u>6,833,710</u>
Department of Transportation				
Pass-Through the Comission for Trafic Safety:				
National Highway Traffic Safety Administration State Damage Prevention Program	20.610 20.720	091048983	- -	135,353 <u>11,709</u>
<i>Total Department of Transportation</i>				<u>147,062</u>
Department of Treasury				
Pass-Through the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA):				
COVID19- Coronavirus Relief Fund COVID19- Coronavirus State and Local Fiscal Recovery Funds COVID19- Coronavirus State and Local Fiscal Recovery Funds	21.019 21.027 21.027		- - -	3,969,072 4,108,669 <u>2,540,000</u>
<i>Total Department of Treasury</i>				<u>10,617,741</u>
U.S. Department of Housing and Urban Development				
Pass-Through the Puerto Rico Department of Housing (PRDOH):				
Community Development Block Grant Disaster Recovery Funds	14.269		-	<u>2,173,844</u>
<i>Total U.S. Department of Housing and Urban Development</i>				<u>2,173,844</u>
				<u>\$ 19,772,357</u>

GRANTS INFORMATION

The Schedule of Expenditure of Federal Awards shows additional resources available to support and supplement current program activities of the DTOP during the year ended June 30, 2022. These funds are granted to DTOP as recipient directly from the federal award agency and as a sub-recipient from other entity of the Commonwealth of Puerto Rico, as following explained:

- Federal Emergency Management Administration (FEMA)
The agency receives FEMA reimbursement funds from the Central Recovery and Reconstruction Office of Puerto Rico (COR3). COR3 is a division of the Puerto Rico Public Private Authority created through Executive Order 2017-65 to manage all efforts for the recovery of the Commonwealth of Puerto Rico (Commonwealth) after the passage of Hurricanes Irma and María. COR3 was authorized by the Governor to receive all disaster recovery grants of FEMA.
- Community Development Block Grant
The agency received grants under the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii- CDBG-DR, from the Puerto Rico Housing Department (PRHD). In accordance with the program regulation, these funds are the matching portion for allowable costs incurred for projects approved by the PRHD, related to the Disaster Grants- Public Assistance (Presidentially Declared Disasters) expenditures.
- PR Transit Commission
DTOP received funds through the submission and approval of a proposal for the purpose for management of traffic crash statistics. DTOP is a sub recipient of federal funds from the PR Transit Commission which is a recipient of the National Highway Traffic Safety Administration.
- Coronavirus Relief Fund
The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law March 27, 2020, provides economic relief to workers, families, small businesses, industry sectors, and other levels of government that have been hit hard by the public health crisis created by the Coronavirus Disease 2019 (COVID-19).

- **COVID19- Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)**
The Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) is a grant that provides direct payments to respond to public health emergencies or the negative economic impacts of COVID19, respond to workers providing essential work during the COVID19 public health emergency, provide government services to the extent COVID19 caused a reduction in revenues collected and make necessary investments in water, sewer or broadband infrastructure.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Government* or those contained in the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- C. Pass-through entity identifying numbers are presented where available.
- D. The agency has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- E. DTOP basis of accounting for federal fund programs is the same used for Schedule of Cash Receipts and Disbursement Activities, since cash receipts and disbursement are recognized when received and paid, as applicable. DTOP manages such funds through the Department of Treasury. However, DTOP may keep additional bookkeeping to comply with accrual accounting for federal reporting requirements.

SCHEDULE NOT IN AGREEMENT WITH OTHER FEDERAL AWARD REPORTING

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on basis explained in note 2(b).

ASSISTANCE LISTING NUMBER (ALN)

The Assistance Listing Number, formerly known as the Catalog of Federal Domestic Assistance (CFDA) Number is a five-digit number assigned in the awarding document for all federal assistance award mechanisms, including federal grants and cooperative agreements.

MAJOR FEDERAL PROGRAMS

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

RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on the basis of accounting explained in Note 2. Office of Management and the Uniform Guidance requires that federal financial reports for claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The DTOP prepares the federal financial reports and claims for reimbursements primarily based on information from the internal accounting records.

RECONCILIATION

Information included in the Schedule of Expenditures of Federal Awards differs to the information reported in the Schedule of Cash Receipts and Disbursements by \$2,085,564.

<u>Federal Grantor</u>	<u>Schedule of Cash Receipts and Disbursement activities for the year ended June 30, 2022</u>	<u>Expense Incurred in Prior years</u>	<u>Schedule of Expenditures of Federal Awards</u>
Federal Emergency Management Agency			
Disaster Grant-Public Assistance	\$ 6,833,710	\$ -	\$ 6,833,710
National Highway Traffic Safety Administration	135,353	-	135,353
State Damage Prevention Program	11,709	-	11,709
Coronavirus Relief Fund	3,969,072	-	3,969,072
Coronavirus State and Local Fiscal Recovery Funds	6,648,669	-	6,648,669
Community Development Block Grant	88,280	2,085,564	2,173,844
	<u>\$ 17,686,793</u>	<u>\$ 2,085,564</u>	<u>\$ 19,772,357</u>

Overview of the Audited Schedule of Cash Receipts and Disbursement Activities

As management of the Commonwealth of Puerto Rico Department of Transportation and Public Works (DTOP, by its Spanish an acronym), we offer to the readers of Schedule of Cash Receipts and Disbursement Activities for the year ended June 30, 2022. The overview of the audited schedule of cash receipts and disbursement activities are designed to assist the reader in understanding DTOP’s operations which follows this section.

TOTAL RECEIPTS AND TOTAL DISBURSEMENTS COMPARISON

	2022	2021	Change
Receipts	\$ 172,809,871	\$ 179,882,688	\$ (7,072,817)
Disbursements	98,946,375	148,226,750	49,280,375
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>\$ 73,863,496</u>	<u>\$ 31,655,938</u>	<u>\$ 42,207,558</u>

The DTOP annual receipts exceeded its disbursement by approximately \$42.2 million when compared with fiscal year 2022. This excess of receipts over disbursements is due to the recording of receipts and disbursements under the cash method of accounting. For example, some State Special Resolutions and Other Revenue Funds received the full income for the three-year appropriation during a fiscal year; however, expenditures will be incurred along the three-fiscal year period of the appropriation lifetime.

For the year ended June 30, 2022, approximately 70% of the total receipts came from local operating grants and contributions and 30% from federal financial sources.

The Schedule of Cash Receipts and Disbursement Activities presents the cash receipts and disbursements of only that portion of the financial reporting entity of the Commonwealth of Puerto Rico that is attributable to the transactions recorded through budgetary appropriations of the DTOP.

The report also includes notes to the Schedule of Cash Receipts and Disbursement Activities section that explains some of the information in the schedule of cash receipts and disbursement activities and provides more detailed data.

DTOP uses cash basis of accounting to account for all programs administered. Under this method, revenue is recognized when cash is received or when funds are transferred-in, and expenditures are recognized when funds are disbursed or transferred-out. Any excess or deficiency observed during a particular budgetary year, results from a time difference of recording transactions of using cash basis approach. Therefore, the schedule of cash receipts and disbursement activities is not intended to present DTOP’s results of operations in accordance with accounting principles generally accepted in the United States of America.

FINANCIAL HIGHLIGHTS

DTOP receives state funds and federal awards to finance its operations and to carry out certain programs and activities as follows:

STATE FUNDS - State funds basically consist of the Government of Puerto Rico's general fund appropriations granted on annual basis after the approval of an operating budget, and non-recurrent special fund approved through legislative resolutions. In addition, some internal revenue funds are maintained and supported through the collection of fees, charges, stamps or levies.

FEDERAL AWARDS - Federal awards are received from different Federal Agencies and are restricted for specific purposes. During the year ended June 30, 2022, DTOP received federal awards from:

- **US DEPARTMENT OF TRANSPORTATION** - US DOT awarded grants under the Pipeline & Hazardous Materials Safety Administration the grant approved and received amount to \$1,141,849 in the previous year, to improve pipeline safety and damage prevention, and to develop new technologies. During fiscal year 2022 no revenue was collected and expenses disbursed amounted to \$11,709.
- **PR SAFETY COMMISSION** - As a sub recipient of the PR Safety Commission, which is the recipient entity awarded from the Federal Highway Administration, DTOP was granted \$1,227,416 to collect and analyze data of traffic collisions, since prior year awards are carried forward for management during fiscal year 2022. The revenue collected during fiscal year 2022 amounted, \$135,353 and expense disbursed amounted to \$135,353.
- **US FEDERAL EMERGENCY AND MANAGEMENT ADMINISTRATION (FEMA)** - DTOP received awards from the Disaster Public Assistance Program to repair and mitigate damages in highways, bridges, and roads or for capital improvements. These awards remain open until the public work is completed. Grants approved are in the amount of \$589,834,633. The revenues collected during the fiscal year 2022 amounted to \$359,209 and expenses disbursed amounted to \$6,833,710.
- **CORONAVIRUS RELIEF FUND** - Provided direct payments to cover necessary expenditures incurred due to the public health emergency with respect to Coronavirus disease 2019 (Covid-19) not considered in the governments approved budget as of March 27, 2020 and incurred during period begins March 1, 2020 and ends on December 30, 2020. Grants approved are in the amount of \$12,310,797 of which the amount disbursed during fiscal year 2022 amounted to \$3,969,072.
- **American Rescue Plan Act** - provide fast and direct economic assistance for american workers families, small businesses, and industries in response to the global emergency and economic disruption caused by the Covid19 pandemic. During fiscal year 2022 the revenue collected amounted to \$52,558,000 and the disbursed amounted \$6,448,669.

- Community Development Block Grant Disaster Recover Funds – These funds are intended to provide financial assistance to address unmet needs that arise and that are not covered by other sources of financial aid. Puerto Rico action plan intends to undertake the non-federal match program. The focus of the program is to utilize CDBG-DR funds to provide the non-federal cost share match for eligible sub recipients under federal grants program. The amount initially approved for the DTOP amounts to \$32,874,930 to provide the matching that corresponds to the department in the Project Worksheets indicated. Amount included should not be interpreted as a capped cost for disbursement under specific PW. Additional PW's may receive match disbursement, as needed. During fiscal year. The amount disburses by the DTOP to cover the match amount to \$2,173,844 of which \$88,280 were disburse during fiscal year 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

DTOP's economic factors must be analyzed as a component of the Commonwealth of Puerto Rico (the Commonwealth). Although Puerto Rico's economy is closely linked to the United States economy, in recent fiscal years the performance of the Puerto Rico economy has not been consistent with the economic trends of the United States economy.

DTOP budget for the fiscal year 2022 amounted \$235,977,076 detailed as follows:

- General Fund amounted to \$123,462,523, equivalent to 52.3%.
- State Special Resolutions and Other Income sources amounted to \$92,007,200, equivalent to 38.9%.
- Federal Funds amounted to \$132,324 equivalent, to 0.1%.
- Special Assignments– amounted to \$20,375,030, equivalent to 8.7%, of which \$19,835,030 was allocated to defray the additional impact that DTOP's payroll had as a result of the mobility of PREPA employees and the amount of \$540,000 for the payment of a \$1K bonus for SPU/AFSCME union employees.

The Commonwealth of Puerto Rico is currently experiencing a severe fiscal and liquidity crisis while it faces fiscal and economic challenges that, either individually or in the aggregate, could adversely affect their ability to pay debt services and other obligations when due. The Commonwealth of Puerto Rico is currently dealing and implementing alternative plans and strategies that could affect the creditor's right to collect principal and interest as agreed. In addition, austerity and reduction measures in the use of fiscal resources of the Commonwealth of Puerto Rico adversely and materially affect the financial position of its affiliate entities, such as DTOP.

Some achievement accomplishments during fiscal year 2022, along the everyday responsibilities of managing and attending customers related to the CESCO operations, include:

- On September 14, 2021, the Department of Transportation and Public Works agreed with the Puerto Rico Innovation and Technology Services (PRITS), the Puerto Rico Police Bureau (NPPR) and the Department of the Treasury, to receive 90% of the collections of all traffic fines related to the Electronic Ticket Project. From this amount 78% are to be used for road maintenance and other operational expenses and 22% to pay the companies contracted to carry out the Project. For FY 2021-2022 DTOP received revenues of \$71,874,259 and plans to receive \$67,745,454 for FY 2022-2023.
- Through Approach 2022-34703, they approved increasing the budget of Special Revenue Fund by \$50,446,000 distributed in various budget allocations.
- Through Approach 2022-53535 they approved redistributing \$ 2,877,827 from the Budget of Fund 299 to cover the needs of the moment.
- Three seizures of electronic equipment and four metal seizures were made in the localities of traffic regulation, DISCO and CESCO of Arecibo.
- The inventory of personnel property was carried out in 79 offices and locations.
- Material Warehouse – the inventory of the material warehouse was carried out. There were no personnel assigned to perform this function. Mobility personnel were appointed and it is already flowing as it should be.
- Tablets – In coordination with the director of the Information Systems Office, the purchase of 45 tablet for the T&A system was achieved.
- Gasoline Cards - The General Services Administration provided us with a list of gas cards including "spare", which are located in different offices of the department. With this list we were able to identify which vehicles do not have a gas card and gradually we are requesting them. The vehicles that were identified as having at some point a gasoline card, but were lost, were advised that they must make a complaint and affidavit to request them. This will control the use of SPARE cards.
- Vehicle Seizure - An inventory of vehicles in use was carried out to verify the conditions in which they are, in turn, an inventory of the scrap metal existing in the regional offices was made to initiate the confiscation process. In December 2022, the first phase of the seizure culminated with the number of (23) vehicles. All the vehicles that were in Teodoro Moscoso left in this first phase. We will continue with the second phase that includes the Regional de Guayama vehicles, until culminating with the others. We expect this process to be completed on or before December 2023. Despite delivering the required documents to ASG for the seizure, we are delayed because we have to coordinate with the regional ones (in this first phase it was coordinated or with Regional San Juan), so that they give us the necessary support to take these vehicles to the ASG seizure facilities in Caguas or wherever they indicate us. They can be delivered on Thursdays from 7:00 a.m. to 11:00 a.m. This delays the process.

- Inactive file maintenance – Two workers and a concierge were requested to maintain the inactive file area. A company will be hired to seal the roof. With these employees, the area will be kept in optimal condition. If we had these employees, we could have economy in terms of hiring for the weeding of green areas, since these employees would be in charge. They should be asked for the necessary equipment for this work.
- In compliance with Law No. 73 of July 23, 2019, as amended, known as the "General Services Administration for the Centralization of Government Procurement of 2019 Act" and Regulation 9230, the General Services Administration (ASG) issued at the request of the Department of Transportation and Public Works (DTOP) the obligations and purchase orders (model SC 744) for the following amounts:

<u>Quantity</u>	<u>Amount</u>
1,042	\$ 34,473,028.69

- In compliance with Law 18 of October 30, 1975, as amended and Regulation 33 of December 8, 2020 "Registry of Contracts of the Office of the Comptroller of Puerto Rico" four hundred and ninety-two (492) contracts, amendments, agreements, "change orders", deeds, leases, occupancy entries among others were submitted in the fiscal year 2022.
- In compliance with Circular Letter Number 001-2021 of the Office of Management and Budget we submitted for approval one hundred and twenty-nine (129) contract proposal exceeding ten thousand dollars.

FINANCIAL MANAGEMENT CONTACT INFORMATION

For any question or additional financial information, please contact:

Commonwealth of Puerto Rico
Department of Transportation and Public Works
Centro Gubernamental Roberto Sánchez Vilella
Torre Sur, Piso 4
PO Box 41269
San Juan, PR 00940-1294

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SCHEDULE OF CASH RECEIPTS AND DISBURSEMENT ACTIVITIES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Commonwealth of Puerto Rico
Department of Transportation and Public Works

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 Schedule of Cash Receipts and Disbursement Activities of the Commonwealth of Puerto Rico Department of Transportation and Public Works (the "DTOP"), which comprise the schedule of cash receipts and disbursements for the fiscal year ended June 30, 2022, and the related notes issued our report thereon dated March 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule of Cash Receipts and Disbursement Activities, we considered the DTOP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial report, but not for the purpose of expressing an opinion on the effectiveness of DTOP's internal control. Accordingly, we do not express an opinion on the effectiveness of DTOP's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DTOP's Schedule of Cash Receipts and Disbursement Activities are 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 schedule. 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*.

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

*Strategic CPA's
Consulting Group, LLC.*

License #LLC-342

Expiration date December 1, 2025.

Toa Baja, Puerto Rico
March 30, 2023.



Note: Stamp No. E502593 was affixed to the original report.

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

To the Board of Directors of the
Commonwealth of Puerto Rico
Department of Transportation and Public Works

Report on Compliance for Each Major Federal Program

Opinion on each Major Federal Program

We have audited the Commonwealth of Puerto Rico Department of Transportation and Public Works (the "DTOP"), compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have direct and material effect on each of DTOP's major federal programs for the fiscal year ended June 30, 2022. DTOP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, DTOP 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, 2022.

Basis for Opinion on Each Major Federal Program

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 Principle and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of DTOP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of DTOP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to DTOP's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on DTOP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about DTOP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding DTOP's compliance with the compliance requirements referred to above performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of DTOP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 DTOP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Opinion on Federal Grants Reporting

In our opinion DTOP compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the fiscal year ended June 30, 2022.

Other Matters

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Management of the DTOP's 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 DTOP'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.

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 that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Strategic CPA's
Consulting Group, LLC.*

License #LLC-342
Expiration date December 1, 2025.

Toa Baja, Puerto Rico
March 30, 2023.



Note: Stamp No. E502594 was affixed to the original report.

**SCHEDULE OF FINDING AND QUESTIONED COSTS
/MANAGEMENT RESPONSE**

Section I - Summary of Auditor's Results
Schedule of Cash Receipts and Disbursement Activities

Type of auditors' report issued Unmodified

Internal Control over financial reporting:

- | | |
|--|----|
| 1. Material weakness identified? | No |
| 2. Significant deficiencies that are not to be considered material weakness? | No |
| 3. Non-compliance material to financial schedule noted? | No |

Financial Awards

Type of auditors' report issued on compliance for each major programs:

- | | |
|--|------------|
| 1. Material weakness identified? | No |
| 2. Significant deficiencies that are not to be considered material weakness? | No |
| 3. Type of auditor's report issued on compliance for major program | Unmodified |
| 4. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section .510(a)? | No |

The program tested as major program is the following –
 Federal grantor/Name of Federal Program ALN

COVID19- Coronavirus Relief Fund	21.019
COVID19- Coronavirus State and Local Fiscal Recovery Funds	21.027
Federal Emergency Management Agency – Disaster Grants – Public Assistance	97.036
Community Development Block Grant	14.269

The Threshold for distinguishing Types A and B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Section II - Schedule of Cash Receipts and Disbursement Activities Findings

No Schedule of Cash Receipts and Disbursement Activities Findings came to our attention as result of applying our auditing procedures.

Section III - Federal Award Findings and Questioned Costs/Management

No Schedule of Cash Receipts and Disbursement Activities Findings came to our attention as result of applying our auditing procedures.
