



**Crowe PR PSC**  
100 Carr 165, Suite 410  
Guaynabo, PR 00968-8051  
+1 (787) 625-1800  
[www.crowe.pr](http://www.crowe.pr)

September 26, 2022

Mr. Ángel Avilés  
Director of Finance  
Puerto Rico National Guard  
Street #100 General Esteves  
San Juan, Puerto Rico 00919

Dear Mr. Avilés:

Enclosed is **National Guard of the Commonwealth of Puerto Rico** financial statements for the year ended June 30, 2021.

Kindly acknowledge receipt of the enclosures by signing and returning to us the enclosed copy of this letter

Cordially,

**CROWE PR PSC**

A handwritten signature in blue ink that reads "José Penabaz".

José Penabaz, CPA  
Vice-President

JP/yo

Enclosures

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**INDEPENDENT AUDITOR'S REPORT AND STATEMENT OF CASH RECEIPTS AND CASH**  
**DISBURSEMENTS**

**(WITH ADDITIONAL REPORTS AND INFORMATION REQUIRED UNDER**  
**TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200)**

**YEAR ENDED JUNE 30, 2021**

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**

**YEAR ENDED JUNE 30, 2021**

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**PART I - FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

**National Guard of the  
Commonwealth of Puerto Rico  
San Juan, Puerto Rico**

### **Report on the Financial Statement**

We have audited the accompanying Statement of Cash Receipts and Cash Disbursements ("the financial statement") of the **Puerto Rico National Guard of the Commonwealth of Puerto Rico (the "PRNG")** for the fiscal year ended June 30, 2021, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; 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 a financial statement that is free from material misstatement, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of 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 PRNG's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

**Opinion**

In our opinion, the financial statement referred to above present fairly, in all material respects, the Statement of Cash Receipts and Cash Disbursements of the PRNG for the year ended June 30, 2021, in conformity with the cash basis of accounting as described in Note 1 to the financial statement.

**Emphasis of Matter**

*Basis of Accounting*

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The accompanying financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), on pages 14-15, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the financial statement as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022, on our consideration of PRNG's internal control over financial reporting and 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 PRNG's internal control over financial reporting and compliance.

September 21, 2022

*Crowe PR PC*



**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**

**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**

**YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>				
Legislative appropriations	\$ 17,280,000	\$ -	\$ 3,943,815	\$ 21,223,815
Federal grants and contributions	-	26,428,522	-	26,428,522
Other state contributions	<u>11,801,338</u>	<u>-</u>	<u>5,000</u>	<u>11,806,338</u>
Total cash receipts	<u>29,081,338</u>	<u>26,428,522</u>	<u>3,948,815</u>	<u>59,458,675</u>
<b>Cash Disbursements:</b>				
Payroll and related expenses	3,577,735	5,109,409	-	8,687,144
Pay-as-you-go plan contribution	7,027,748	-	-	7,027,748
Facilities and payments for mobilization services	596,944	2,108,065	3,829,931	6,534,940
State matching fund allocation	3,779,000	-	3,619,093	7,398,093
Material and supplies	21,671	-	-	21,671
Transportation expenses	104,426	-	-	104,426
Equipment purchased	-	-	-	-
Purchased services	761,936	-	-	761,936
Other operating expenses	24,159	-	-	24,159
Security and maintenance of military facilities	-	19,620,502	-	19,620,502
Emergency protective measures	2,138,545	973,912	-	3,112,457
Military training to non-enlisted youths	<u>-</u>	<u>4,773,741</u>	<u>-</u>	<u>4,773,741</u>
Total cash disbursements	<u>18,032,164</u>	<u>32,585,629</u>	<u>7,449,024</u>	<u>58,066,817</u>
Excess (deficiency) of cash receipts over cash disbursements	<u>\$ 11,049,174</u>	<u>\$ ( 6,157,107)</u>	<u>\$ ( 3,500,209)</u>	<u>\$ 1,391,858</u>

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The National Guard of the Commonwealth of Puerto Rico was created by Act No. 28 of 1917, which was subsequently amended by Act No. 62 of June 23, 1969, as amended. The Act established the PRNG as the duly authorized governmental agency to protect the lives and properties of Puerto Rico residents, to preserve the peace, the order and the public security in emergency situations caused by natural disasters or public riots. The PRNG maintains 48 armories and is present in 30 communities. The PRNG, like the National Guards in all 50 states of the United States of America, is a hybrid organization. National Guards are ordinarily under the control of the State (or, in the case of Puerto Rico, of the Commonwealth) officials, but are organized pursuant to federal statute, and in war time or other emergencies, guard units may be brought under Federal control. The Puerto Rico National Guard and Reserve units support the U.S. Army South's (South COM) many multilateral exercises and programs. It is through this integration of the U.S.A. Active Army, National Guard, and Reserves that South COM can maximize resources to carry out missions.

As part of its programs, the PRNG established the Youth Programs to provide a highly disciplined atmosphere fostering academics, leadership development, physical training, and personal growth to educate and train unemployed high school dropout youths and make them productive members of the community. The PRNG also supports communities using their specialized skills. Medical units provide preventive health care, education, and immunizations in low-income neighborhoods. Guard members also support drug and act enforcement agencies through its Counter Drug program. The PRNG conducts three National Guard Bureau sponsored youth programs: STARBASE, Creando and Challenge.

**Financial Reporting Entity**

For financial reporting purposes, the PRNG is part of the Commonwealth of Puerto Rico. Its financial data is included as part of the Commonwealth of Puerto Rico's financial statements, and as such, the Department of the Treasury of the Commonwealth of Puerto Rico serves as trustee of the funds assigned to the PRNG by the Legislative Branch and Federal Agencies. The Treasury Department also process, and record expenditures made with such funds and provides the PRNG with reports regarding such activities.

The financial information included in the accompanying Statement of Cash Receipts and Cash Disbursements was obtained from the Puerto Rico Treasury Department's Integrated Financial Accounting System (PRIFAS) and is issued solely to comply with the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1986, P.L.104-156 and for the information to the federal awarding agencies, pass-through entities, regulators, management, and those charged with the governance.

**Financial Statement - Measurement Focus and Basis of Accounting**

PRNG's accompanying financial statement has been prepared in accordance with the cash basis of accounting, which is a special purpose framework other than generally accepted accounting principles in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. The basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.



**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement - Measurement Focus and Basis of Accounting (Continued)**

The cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures (cash disbursements) are recognized when paid rather than when incurred or subject to accrual. The amounts reported as cash receipts are those received during the fiscal year 2021. During the year ended June 30, 2021, the PRNG changed the method to report cash receipts to include funds released by the grantors and collected by the Commonwealth but still pending the transfer to the PRNG, which depicts a more realistic presentation.

Capital assets resulting from cash transactions are reported as cash disbursements in the acquiring governmental fund upon cash acquisition. No capital assets are recorded in PRNG's financial statement. No long-term debt is reported in PRNG's financial statement. No accrued compensated absences are reported in PRNG's financial statement. Compensated absences resulting from cash transactions are reported as cash disbursements in the governmental funds column upon cash disbursement.

The accounts of PRNG are organized on the basis of fund types, which are responsible for the coordination, receipt, and management of funds. These are composed of three funds which are described below. The accounts of PRNG are accounted for with a set of accounts which only include cash receipts and cash disbursements. No balance sheet accounts are maintained or reported.

The PRNG reports the following major governmental funds:

**General Fund** - The general fund is the primary operating fund of the PRNG. It is used to account for all financial resources, except those required to be accounted for separately. The current financial resources accounted for in this fund consist of legislative appropriations approved by the Commonwealth of Puerto Rico. The general fund is divided in the following programs:

*Management and General Administration* - This program is used to account for resources and expenditures related to the supervision and coordination of all services and operation of the PRNG.

*Security and Conservation of Military Facilities* - This program is used to account for resources and expenditures related to the security of military installations, as well as the operation and maintenance of their physical facilities. This program uses state resources and, in some cases, federal funds through service agreements with the Federal National Guard section.

*State Guard* - This program is used to account for resources and expenditures related to the security, protection, and health services of Puerto Rico, especially in those cases in which the Governor of Puerto Rico activates the State Guard.

*Auxiliary Services of Administration* - This program is used to account for resources and expenditures related to auxiliary activities and complementary services of all the offices and programs that use state funds and federal service agreements for its operation.

**Special Revenue Fund** - This fund is used to account for specific revenue sources that are legally restricted to cover disbursements for specific purposes in accordance with the federal regulations. The resources and expenditures accounted for in this fund include the proceeds received from the USA Department of Defense (DoD) and Department of Homeland Security (DHS) to support the operation and maintenance of the National Guard facilities and Federal Emergency Management Agency (FEMA).

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statements - Measurement Focus and Basis of Accounting (Continued)**

**Other Governmental Funds** - This fund is used to account for resources or funds that are deposited for specific purposes with applicable Acts. They may come from service fees, donations, and private entities, other collections from governmental entities, and authorizations by the Legislative of the Commonwealth of Puerto Rico, which are designed to attain specific purposes. The expenditures charged to these accounts are authorized by previously approved legislation.

**Stewardship, Compliance, and Accountability**

*Budgetary Information*

On January 2, 2017, the Governor of Puerto Rico signed Executive Order No. 2017-005, which required that all departments, agencies, and instrumentalities of the Government of Puerto Rico and those expressly required by the Governor, to implement the Zero-Base Budget methodology for the preparation of the budget for fiscal year 2017-2018 and subsequent fiscal years, per the applicable techniques and approaches of Zero-Base Budget and should be in conformity with the Fiscal Plan approved by the Financial Oversight and Management Board for Puerto Rico, pursuant to the Federal Act Pub. L. 114-187, Puerto Rico Oversight, Management and Economic Stability Act (PROMESA).

The revenues recognized in the General Fund consist of appropriations from the Office of Management and Budget of the Commonwealth of Puerto Rico for recurrent and ordinary functions of PRNG.

The financial statement is presented at the programmatic level. However, budgetary control and accounting are maintained at a level more detailed to provide the management control in detail of the expenses to the appropriate level of the budget.

Federal grant funds can be carried over a specified amount of time, upon request to, and with approval from the federal agencies. The PRNG is not legally required to prepare the Budgetary Comparison Schedule.

On April 29, 2017, Act No. 26 established that allocations and funds without a specific economic year, that have remained on the books without disbursement or obligation for one year will be considered as having fulfilled their purposes, thus, they will be closed and returned to the General Fund; to provide that those special funds created by Act 26 for specific purposes will be credited to the State Treasury's General Fund and will be deposited in the current bank account of the Secretary of the Treasury for the latter to have full control over the same.

**Compensated Absences**

Act No. 176 of December 16, 2019, amends subsections (1) and (2) of Section 9.1 of Article 9 of Law 8-2017, as amended, known as the "Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico" to amend the subsections 1 (a) and 2 (b) of Article 2.04 of Chapter 2 of Law 26 2017, as amended, known as the "Law of Compliance with the Fiscal Plan."

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Vacation license*

The employee shall have the right to accrue vacation leave, at a rate of two and a half days for each month of service, up to a maximum of sixty business days at the end of each calendar year. Vacation leave will begin to accrue once the three months in employment are completed and will be retroactive to the date of commencement of employment. Reduced regular or part-time employees will accumulate vacation leave proportional to the number of hours they provide service regularly.

*Sick leave*

Every employee will have the right to accrue due to illness, at the rate of one and a half days for each month of service. Employees are eligible to accrue up to 90 days for sick leave. Employees to reduced regular or part-time will accrue sick leave in proportion to the number of hours they provide services regularly. This leave will be used when the employee is ill, incapacitated or exposed to a contagious disease that requires his absence from work for the protection of his health or that of other persons.

**Cash with Fiscal Agents (Department of the Treasury of the Commonwealth of Puerto Rico)**

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

**Fund Advances**

PRNG receives fund advances from the Treasury Department of Puerto Rico for the interim financing of federal programs, as authorized by Act No. 21 of 1979. This Act establishes that all fund advances will be reimbursed to the General Fund of the Commonwealth's Treasury as the corresponding federal funds are received. During the fiscal year ended June 30, 2021, funds for emergency support were advanced to PRNG amounting \$11,801,337 for this purpose to be reimbursed to the General Fund.

**Excess (Deficiency) Statement Line**

The excess (deficiency) of cash receipts over (under) cash disbursements statement line represents the result of using the cash basis of accounting as explained in Note 1. Accordingly, amounts shown in this line are not comparable to an excess or deficiency over funds assigned and do not represent a deficit or surplus of the PRNG. The excess for the year ended June 30, 2021 by approximately \$11 million in the general fund is attributable mainly to emergency support packages of approximately \$11.8 million from the Puerto Rico Treasury Department for the continuance of the support activities for the COVID-19 and emergency funds for riverbank dredging activities as required by executive order 2020-074. PRNG requested one extension until September 30, 2022 to continue the dredged process for the upcoming hurricane season and to continue with the COVID-19 mitigation activities. The funds incurred will be reimbursed by the Federal Emergency Management Agency under public Assistance Category B – Emergency work for the COVID-19 mobilization.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**2. LEASE COMMITMENTS**

Effective September 9, 2020, the PRNG rented office space of 18,012 square feet at Tabonuco Street, Guaynabo, Puerto Rico for a period of five year according to the following schedule during the lease term:

<u>Months</u>	<u>Monthly Payments</u>
01-12	\$ 46,978
13-21	\$ 47,548
25-26	\$ 48,734
37-48	\$ 48,734
49-60	\$ 49,334

Future minimum rental payments, under existing contracts as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 587,471
2023	602,459
2024	613,634
2025	620,829
2026	<u>138,693</u>
	<u>\$ 2,563,086</u>

**3. RETIREMENT PLAN**

On August 23, 2017, Act No. 106 was enacted, which is known as the “Law to Guarantee Payment to our Pensioners”. Under this Act, starting July 1, 2017, the General Fund, through the system of “pay-as-you-go” (PayGo), assumes the payments of Employees Retirement System [ERS] of the Government of the Commonwealth, because the retirement plan has depleted the assets set aside to pay benefits.

Under Act No. 106, active employees will be required to contribute a minimum of 8.5% of their compensation, into a defined contribution plan, with no employer matching. Contributions will be deposited in a separate account for each employee and invested in accordance with certain guidelines. Upon retirement, employees will receive retirement benefits accumulated after the enactment of Act No. 106, plus benefits accumulated in their accounts until the enactment of Act No. 106, including benefits accumulated under previous defined benefit, defined contribution, and hybrid plans, as discussed below. Based on the investment instruments acquired by the participant there are investment risks that may impair the value of the participant account.

Before Act No. 106, the PRNG employees participated in a cost-sharing, multi-employer defined-benefit pension plan administered by the Puerto Rico Government Employees (the ERS Administrator). The ERS, is a trust created by Act No. 447 of May 15, 1951 (Act No. 447), as amended, to provide pension and other benefits to retired employees of the Commonwealth, its public corporations, and municipalities of Puerto Rico. The ERS began operations on January 1, 1952, at which date, contributions by employers and participating employees commenced. The ERS is a pension trust fund of the Commonwealth, non-substantially depleted.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**3. RETIREMENT PLAN (CONTINUED)**

The ERS administered different benefit structures pursuant to Act No. 447, as amended, including a cost-sharing, multi-employer defined-benefit program, a defined-contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions were different depending on member's date of hire. Substantially, all full-time employees of the Institute were covered by the ERS. Membership was mandatory for all regular, appointed, and temporary employees of the Institute at the date of employment.

The ERS also provided basic benefits under the defined benefit program principally consisting of a retirement annuity and death and disability benefits (collectively referred to herein as Basic System Pension Benefits). The ERS also administered benefits granted under various special laws that have provided additional benefits for the retirees and beneficiaries (collectively referred to herein as System Administered Pension Benefits). The System Administered Pension Benefits included, among others, additional minimum pension, death and disability benefits, ad-hoc cost-of-living adjustments and summer Christmas bonuses. Act No. 3-2013 and Act No. 160-2013 amended the amounts payable to existing retirees while eliminating the benefits for all future retirees (those retiring after June 30, 2013 and July 31, 2014).

On June 30, 2016, the federal Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA") was enacted. This US federal law established a Financial Oversight and Management Board (the Oversight Board), a process for restructuring debt, and expedited procedures for approving critical infrastructure projects in order to combat the debt crisis in the Commonwealth. On September 30, 2016, the ERS was designated by the Oversight Board as a Covered Territorial Instrumentality pursuant to PROMESA. On May 21, 2017, the Oversight Board filed in the United States District Court for the District of Puerto Rico voluntary petition under Title III of PROMESA for the PRNG and the ERS. On June 15, 2017, the United States Trustee appointed an Official Committee of Retired Employees in the Commonwealth's Title III cases

*Contributions*

During the year ended June 30, 2021, the Commonwealth's payments to PRNG pensioners amounted to \$7,027,747 required through the system PayGo Charge. During the same fiscal year, PRNG withheld \$599,899 from employees contributions to a defined contribution benefit plan, for which PRNG does not provided a matching contribution.

**4. TERMINATION BENEFITS**

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program to provide benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the PRNG. The Act No. 70 establishes that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50% of each employee's salary, as defined. In this early retirement benefit program, the PRNG will make the employee and the employer's contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirement age and 30 years of credited service. The window for the employer to select this benefit was for a short period after enactment of Act. No. 70.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**4. TERMINATION BENEFITS (CONTINUED)**

Economic incentives were available to eligible employees who had less than 15 years of credited service, who had at least 30 years of credited service and the age for retirement, or who had the age for retirement. Economic incentives consisted of a lump-sum payment ranging from one-month to six-month salary based on employment years. For eligible employees that chose the economic incentives and had at least 30 years of credited service and the age for retirement, or had the age for retirement, the PRNG will make the employee and the employer's contributions to the Retirement System for a five-year period.

Additionally, eligible employees that chose to participate in the early retirement benefit program, chose the economic incentive and had less than 15 years of credited service been eligible to receive health plan coverage for up to 12 months in a health plan selected by the management of the PRNG. No information for payments for termination benefits made by the Commonwealth on behalf of the PRNG during the current fiscal year was available for disclosure.

**5. COMMITMENTS AND CONTINGENCIES**

*Litigation* - The PRNG is defendant in lawsuits arising in the normal course of operations, principally from claims for alleged violation of civil rights and discrimination in employment practices. According to the Acts of the Commonwealth of Puerto Rico, the PRNG is fully represented by the Puerto Rico Department of Justice in defense of all legal cases against the PRNG. Any claims with negative monetary impact will be paid from the General Fund of the Commonwealth of Puerto Rico, with no effect on the budget or resources of the PRNG.

*Federal Awards* - The PRNG participates in various of federal financial assistance programs funded by the Federal Government. Expenditures financed by these programs are subject to financial and compliance audits by appropriate grantors or their representatives. If expenditures are disallowed due to noncompliance with grant program regulations, the PRNG may be required to reimburse the grantors for such expenditures.

*Other Audits* - The PRNG is also audited by the Office of the Controller for Puerto Rico (the Controller), the Office of the Inspector General, the Puerto Rico Department of Treasury and other grantor agencies or institutions. The Office of Inspector General has issued several reports on audits over the operations and management of the PRNG, some of which involve federal programs.

The PRNG is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, injuries to employees' health, and natural disasters. Commercial insurance policies covering such risk are negotiated by the Puerto Rico Treasury Department and costs are allocated among all the municipalities and Commonwealth of Puerto Rico instrumentalities. Also, principal officials of the PRNG are covered under various surety bonds. Management believes such coverage is sufficient to preclude any significant uninsured losses to the PRNG.

The PRNG obtains workers compensation insurance through the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth of Puerto Rico. This insurance covers workers against injuries, disability or death because of work or employment-related accidents, or because of illness suffered because of their employment.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**5. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The PRNG obtains unemployment compensation, non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Department of Labor and Human Resources of the Commonwealth of Puerto Rico (DOLHR). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because work or employment-related accidents or non-occupational disability and drivers' insurance premiums are paid to DOLHR on a cost reimbursement basis.

**6. REORGANIZATION OF THE COMMONWEALTH OF PUERTO RICO**

On May 3, 2017, the Puerto Rico Fiscal Oversight and Management Board (the PRFOMB), at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the Title III Court). Title III of PROMESA incorporates the automatic stay provisions of Bankruptcy Code section 362 and 922, which are made applicable to Title III cases pursuant to PROMESA section 301(a). Accordingly, upon the filing of the Commonwealth's Title III case, an automatic stay immediately went into effect to stay creditor litigation.

On July 30, 2021, the Oversight Board—as representative to the Commonwealth, ERS, and PBA in their respective Title III cases—filed its Seventh Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 17629] (the Seventh Amended Plan) and a corrected disclosure statement related thereto [ECF No. 17628] (the Seventh Amended Disclosure Statement).

On November 3, 2021, the Oversight Board filed its Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 19053] (the Eighth Amended Plan), which further revised the Seventh Amended Plan to eliminate monthly pension cut provisions, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021 and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1] (the Commonwealth Plan of Adjustment).

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Commonwealth Plan of Adjustment [ECF No. 19812] (the Findings of Fact) and an order confirming the Commonwealth Plan of Adjustment [ECF No. 19813] (the Commonwealth Confirmation Order).

On March 15, 2022 (the Effective Date), the conditions precedent to the Effective Date of the Commonwealth Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof. At which time, debt was significantly reduced, as well as payment terms, which are now tied mostly to an allocation of State Sales and Use Tax proceeds. However, even after being discharged from bankruptcy, the Commonwealth still faces significant economic challenges and budget constraints.

**7. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through September 21, 2022, the date the financial statements were issued. The Company has determined that there are no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements, except for those disclosed in Note 6 and in the following paragraph.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**7. SUBSEQUENT EVENTS**

Fiscal Plan 2022

Pursuant to PROMESA and the requirements imposed by OGP, the Oversight Board, February 1, 2021, certified the 2022 the Fiscal Plan for the Commonwealth. The Oversight Board's Fiscal Plan commits to fiscal responsibility and implements specific revenue enhancements and targeted expenditure reductions to return Puerto Rico to fiscal stability and economic growth. For the fiscal years ended June 30, 2022, the Oversight Board certified a budget of \$16.6 from the General Fund and \$27 million from Federal Fund.



**PART II - COMPLIANCE SECTION**

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/ Pass-through Grantor/Program or Cluster Title</b>	<b><u>Assistance Listing Number</u></b>	<b><u>Pass-through Entity Identifying Number</u></b>	<b><u>Federal Expenditures</u></b>	<b><u>Amount Provided to Subrecipients</u></b>
<b>U.S. DEPARTMENT OF DEFENSE NATIONAL GUARD BUREAU</b>				
<b>Program Title:</b>				
National Guard Military Operations and Maintenance (O&M) Projects	12.401	N/A	\$ 24,729,911	N/A
National Guard Youth Challenge Program	12.404	N/A	<u>4,773,741</u>	N/A
			<u>29,503,652</u>	
<b>U.S. DEPARTMENT OF HOMELAND SECURITY Federal Emergency Management Agency (FEMA)</b>				
<b>Program Title:</b>				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	N/A	<u>2,108,065</u>	N/A
<b>U.S. DEPARTMENT OF TREASURY</b>				
Coronavirus Relief Fund	21.019	N/A	<u>973,912</u>	N/A
			<u>\$ 32,585,629</u>	

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the PRNG under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations.

**2. BASIS OF ACCOUNTING**

Expenditures included on the Schedule are reported on the cash basis of accounting. The information is drawn primarily from the PRNG's internal accounting records, which serves as the basis for the PRNG's Statement of Cash Receipts and Cash Disbursements. Such expenditures are recognized following the cost principles contained in the OMB Uniform Guidance, Cost Principles for States, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The titles of federal awards included in the Schedule are presented as described in the Catalog of Federal Domestic Assistance.

**3. RELATIONSHIP TO THE FINANCIAL STATEMENT**

Expenditures included in the Schedule agree with the amounts included in the accompanying Statement of Cash Receipts and Cash Disbursements.

**4. INDIRECT COST RATE**

The PRNG has elected not to use the ten percent of the minimum indirect cost rate allowed under the Uniform Guidance.

**5. MATCHING COSTS**

Matching costs, such as the nonfederal share of certain program costs, are not included in the accompanying Schedule. During the year ended June 30, 2021, the PRNG performed matching allocations from state funds amounting to \$7,398,093.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

**6. EXTENSION OF SINGLE AUDIT SUBMISSION**

As a result of COVID-19, the United States Office of Management and Budget issued a memorandum granting various disaster relief flexibilities to reduce burden for financial assistance. One of these flexibilities was the extension for Single Audit submission. Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2021, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 to six months beyond the normal due date. No further action by awarding agencies is required to enact this extension. This extension does not require individual recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520(a). (2 CFR § 200.501). For the Authority, such flexibility extends the period for completion and submission from its original due date of March 31, 2022, to September 30, 2022.

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

**National Guard of the  
Commonwealth of Puerto Rico  
San Juan, 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 Cash Disbursements (the financial statement) of the National Guard of the Commonwealth of Puerto Rico (the "PRNG") for the year ended June 30, 2021, and the related notes to this financial statement, which collectively comprise the PRNG's financial statement, and have issued our report thereon dated September 21, 2022.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item **2021-01** that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the PRNG'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*.

**PRNG's Response Finding**

The PRNG's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The PRNG's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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.

September 21, 2022

*Crowe PR PSC*



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

**National Guard of the  
Commonwealth of Puerto Rico  
San Juan, Puerto Rico**

**Report on Compliance for Each Major Federal Program**

We have audited the National Guard of the Commonwealth of Puerto Rico's (the PRNG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the PRNG's major federal programs for the year ended June 30, 2021. The PRNG's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms 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 PRNG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the PRNG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the PRNG's compliance.

***Opinion on Each Major Federal Programs***

In our opinion, the PRNG 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2021-02**, **2021-03** and **2021-04**. Our opinion on each major federal program is not modified with respect to these matters.

The PRNG's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The PRNG'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 PRNG 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 PRNG'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 the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the PRNG's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2021-02** 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 charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2021-03** and **2021-04** to be significant deficiencies.

The PRNG's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The PRNG'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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

September 21, 2022

*Crowe PR PSC*





**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial statements***

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified that is not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

***Federal awards***

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiencies(s) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

***Identification of major programs***

<i>Name of Federal Program or Cluster:</i>	Assistance Listing Number:
National Guard Military Operations and Maintenance (O&M) Projects	12.401
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
Coronavirus Relief Fund	21.019

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 977,569
Auditee qualified as a low-risk auditee?	No

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

**SECTION II - FINANCIAL STATEMENT FINDINGS SECTION**

**Finding Number: 2021-01**

**Procurement**

**Finding Type:**

**Material Weakness**

**Statements of Condition**

The auditors were unable to ascertain that the PRNG complied with the procurement requirements regarding the purchase of goods and construction services in ten instances out of sixty expenditures tested for federal programs and seven instances of fifty-eight instances examined for state programs, without the benefit of cost and price analysis to justify the basis for its selection.

Refer to finding **2021-02** in Section III - Major Federal Award Program Findings and Questioned Costs for detailed information on this finding.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

**SECTION III - MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS**

<b>Finding Number:</b> 2021-02	<b>Procurement Standards Requirement</b>
<b>Compliance Requirement:</b>	<b>Procurement, Suspension and Debarment Requirement</b>
<b>Finding Type:</b>	<b>Noncompliance and Material Weakness</b>
<b>Federal Agency:</b>	<b>Department of Defense</b>
<b>Federal Programs:</b>	<b>CFDA 12.401 National Guard Military Operations and Maintenance (O&amp;M) Projects and State Programs</b>

**Statement of Condition**

The auditors were unable to ascertain that the PRNG complied with the procurement requirements regarding the purchase of goods and construction services in eleven instances out of sixty disbursements tested for federal programs and seven instances (three for construction services and four for purchases of goods) of fifty-eight disbursements examined for state programs. The procurement files were not available for our review because the procurement files are under the custody of another governmental agency that performs the procurement process on behalf of the PRNG, as required by the General Services Administration Act 73 for the Centralization of Procurement of the Commonwealth of Puerto Rico of 2019. The only information readily available for our review was the invoice of each purchase or service acquired.

A similar finding was reported last year as 2020-01 and 2020-03.

Furthermore, out of the ten instances discussed above, the PRNG was able to locate partial information of six auctions. However, the audit team did not identify the following:

- In three instances, the auction date and the invitation to the auction;
- In two instances, the auction notice;
- In five instances, the signed offer.
- In four instances, evidence of attendance at the opening ceremony; record of collection of auction specifications and opening minutes;
- In six instances the eligibility certification and the evidence of acquisition of surety.

In other instances from forty five contracts selected to test non-federal entity contracts provisions for under federal awards, the auditor did not find the required clauses or provisions:

- In five instances, the record retention, access to records and the Use of US Flag Carriers and the Byrd Anti-Lobbying Amendment and the Contract Work Hours and Safety Standards Act;
- In four instances, the Clean Air Act, the Water Pollution Control Act; the Debarment and Suspension: Executive Orders 12549 and 12689; the Buy American Act; the Central Contractor Registration; the False or Fraudulent Statement of Claims, the Davis-Bacon Act; the Energy Policy and Conservation Act; the Seat Belt Use, the Executive Order 1304, the Equal Employment Opportunity, the No Obligation by Federal Government clause; the Privacy Act; and the Procurement of Recovered Materials clause;

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2021**

**SECTION III - MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Finding Number: 2021-02      Procurement Standards Requirement (Continued)**

**Statement of Condition (Continued)**

- In eight instances, the Copeland Anti-kickback act 40 U.S.C. 3145;
- In one instance, the Compliance with Federal Law, Regulations and Executive Orders and the Drug Free Workplace Clauses;
- In four instances, the termination for Convenience;
- In eleven instances, the Contractual Legal Remedies;
- In ten instances, the Inter-agency services clause;
- In one instance, applicable to contract over \$10,000, the termination clause and twelve instances the Contract Review Policy of the Financial Oversight Board.

**Criteria**

2 Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, requires that contracts be awarded to responsible firms whose proposals are most advantageous to the federal government, in terms of price and/or other relevant factors.

2 CFR Part 200.317, Procurement by States, requires States to follow the same procurement policies and procedures they use when procuring property and services with State funds, when they procure property and services with Federal funds. In the case of Puerto Rico, this means that when awarding purchase orders for the construction, sustainment, restoration, and/or modernization of roofs and fences throughout PRNG facilities – under the State’s General Services Administration contract – SMD’s Purchasing Agent must conduct costs and price analyses of vendors; and select the lowest-priced bidder, unless appropriately justified.

2 CFR 200.318(i), General Procurements Standards, requires States to maintain records sufficient to detail the history of procurement. These records must include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

2 CFR Appendix II to Part 200 stated the required contract provisions for Non-Federal Entity Contracts Under Federal Awards, as applicable.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

**SECTION III - MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Finding Number: 2021-02      Procurement Standards Requirement (Continued)**

**Cause**

The PRNG is an agency of the Commonwealth of PR and the procurement process for the acquisition of certain construction work and for the supply of products, for several dependencies of the Commonwealth, has been delegated to Administration of General Services ("ASG"). The auditor requested access to the contract file to verify the existence and to ascertain if the appropriate cost analysis was performed in connection with procurement actions, including contract modification and the analysis performed that supports the procurement standards but the contract and procurement information was not available for our review, because it is under control and custody of ASG. On its website, however, ASG, published the contractual cost for all bids awarded by them.

**Effect**

The auditors were unable to determine compliance with the procurement requirements, and the pervasiveness of this matter could not be determined.

**Questioned Costs**

Unable to determine because the contract files were not provided.

**Recommendations**

The PRNG's management must ensure that Purchasing Agents always maintain records sufficient to detail the history of procurement, to include the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. The PRNG must request the bidding information to ASG when the purchase or services have been completed in order to obtain the information required and improve its controls to comply with procurement standards as mentioned above.

**Management Response and Corrective Action Plan**

Refer to unaudited corrective action plan attached with the FY 2021 auditor's report as required by 2 CFR 200.51(C).

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

**SECTION III - MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS (CONTINUED)**

<b>Finding Number: 2021-03</b>	<b>Property and Equipment Safeguarding and Reconciliation Procedures</b>
<b>Compliance Requirement:</b>	<b>Equipment/ Real Property</b>
<b>Finding Type:</b>	<b>Noncompliance and Significant Deficiency in Internal Control</b>
<b>Federal Agency:</b>	<b>Department of Defense</b>
<b>Federal Programs:</b>	<b>CFDA 12.401 National Guard Military Operations and Maintenance (O&amp;M) Projects</b>

**Statement of Condition**

During the year ended June 30, 2021, the PRNG performed the physical inspection and counting procedures regarding property and equipment acquired with federal awards, as required by federal regulations but the physical inventory has not been reconciled with the system used to maintain control of the equipment's under custody of the PRNG.

We selected a sample of twenty-five equipment acquired with federal awards to ascertain that the property records contain the required information as required by federal regulations regarding to equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, and physically inspected the equipment noting the following:

- Five units were not properly tagged.
- One unit examined was tagged with a numeration that did not match the tag number included in the property record.
- Four units damaged or in process of decommission still included in the property record.

A similar finding was reported last year as 2020-04

**Criteria**

2 CFR § 200.313 (d) - Equipment - A sound system of internal control and safeguarding of assets is essential to ensure that all property and equipment is adequately safeguarded, and periodic physical inventories agree to the PRNG's financial records.

Section 1001 of the Master Cooperative Agreement states (a) Equipment purchased by the Grantee under the term of the agreement become the property of the state and will be managed, used, and disposed of in accordance with 2 CFR 200.313, and Chapter 8, NGR 5-1. (B) Equipment purchased by the federal government, including equipment acquired specifically for a National Guard Cooperative Agreement, vest in the Federal Government. This equipment shall be managed, used, and accounted for as provided in 2 CFR 200.313 and NGR5-1, Chapter 8

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

**SECTION III - MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Finding Number: 2021-03      Property and Equipment Safeguarding and Reconciliation Procedures  
(Continued)**

**Cause**

Effective controls were not in place to ensure the effective safeguarding and bookkeeping of all acquired property during the year.

**Effect**

Failure to implement effective safeguarding of acquired property could result in theft, loss and misuse of the PRNG's assets.

**Questioned Costs**

None

**Recommendations**

The auditor recommends that the PRNG strengthen its safeguarding controls and bookkeeping procedures regarding property and equipment acquired to prevent theft, loss, and misuse.

**Management Response and Corrective Action Plan**

Refer to unaudited corrective action plan attached with the FY 2021 auditor's report as required by 2 CFR 200.51(C).

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2021**

<b>Finding Number: 2021-04</b>	<b>Compensation for services</b>
<b>Finding Type:</b>	<b>Noncompliance and Significant Deficiency in Internal Control</b>
<b>Compliance Requirement:</b>	<b>Allowable Cost/Cost Principles</b>
<b>Federal Agency:</b>	<b>Department of Defense</b>
<b>Federal Programs:</b>	<b>CFDA 12.401 National Guard Military Operations and Maintenance (O&amp;M) Projects</b>

**Statements of Condition**

The auditors noted in twenty-three instances from sixty timesheets tested were not approved by the supervisor. Payroll expenses must be supported by a system of internal control that provides reasonable assurance that payroll charges are accurate, allowable, and charged to the appropriate state and federal program.

A similar finding was reported last year as 2020-05.

**Criteria**

§ 200.303 established the criteria for entities to 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.

§ 200.430 states that compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431. 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:

- 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;
- 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
- Allowable activities.

Section 4.1 of the "Procedimiento para el Registro de Asistencia y Acumulación de Licencias" stated that the users of each area, on Mondays of each week, will approve the attendance of the employees in the system, thus certifying that the information on the attendance is correct.

**Cause**

The Employees in charge did not follow the policies and procedures related to attendance as stated in section 4.1 of the manual as mentioned above.

**Effect**

Payroll expenditures may result in improper payments, potential future questioned costs and disallowances.



**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2021**

<b>Finding Number: 2021-04</b>	<b>Compensation for services (Continued)</b>
<b>Finding Type:</b>	<b>Noncompliance and Significant Deficiency in Internal Control</b>
<b>Compliance Requirement:</b>	<b>Allowable Cost/Cost Principles</b>
<b>Federal Agency:</b>	<b>Department of Defense</b>
<b>Federal Programs:</b>	<b>CFDA 12.401 National Guard Military Operations and Maintenance (O&amp;M) Projects</b>

**Questioned Costs**

None

**Recommendations**

The auditors recommend management ensure program personnel are familiar with all grant requirements, including the requirements in the OMB Circular A-87 (Compensation for services). Management should develop procedures to ensure payroll expenditures charged to federal awards are adequately supported. In addition, Management should promptly assign the payroll officer duties to other employees while recruitment for this position takes place.

**Management Response and Corrective Action Plan**

Refer to unaudited corrective action plan attached with the FY 2021 auditor's report as required by 2 CFR 200.51(C).

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY SCHEDULE OF PRIOR AUDITS' FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION IV - PRIOR AUDITS' FINDINGS AND QUESTIONED COSTS**

<b>Finding Number: 2020-01</b>	<b>Procurement Standards</b>
<b>Compliance Requirement:</b>	<b>Procurement, Suspension and Debarment</b>
<b>Finding Type:</b>	<b>Noncompliance and Significant Deficiency in Internal Control</b>
<b>Federal Agency:</b>	<b>Department of Defense</b>
<b>Federal Programs:</b>	<b>CFDA 12.401 National Guard Military Operations and Maintenance (O&amp;M) Projects</b>

**Condition**

The auditors were unable to ascertain that the PRNG complied with the procurement requirements in one construction contract to perform permanent work and roof repair services to multiple facilities of PRNG because the contract file was not available for our review. The only information readily available was the cost of each service acquired.

**Status**

This is a repeat finding. Refer to finding 2021-01 and 2021-02.

<b>Finding Number: 2020-03</b>	<b>Procurement Standards</b>
<b>Compliance Requirement:</b>	<b>Procurement, Suspension and Debarment</b>
<b>Finding Type:</b>	<b>Noncompliance and Material Weakness</b>
<b>Federal Agency:</b>	<b>Department of Defense</b>
<b>Federal Programs:</b>	<b>CFDA 12.401 National Guard Military Operations and Maintenance (O&amp;M) Projects State Program</b>

**Condition**

The auditors were unable to ascertain that the PRNG complied with the procurement requirements in nine instances out of forty-one in non-payroll expenditures tested for federal programs and four out of twenty-six examined for state programs, because the contract file was not available for our review. The procurement files are under custody of another governmental agency that performs the procurement process on behalf of the PRNG, as required by the General Services Administration Act 73 for the Centralization of Procurement of the Government of Puerto Rico of 2019. The only information readily available for our review was the cost of each service acquired.

This is a repeat finding. Refer to finding 2021-01 and 2021-02.

**NATIONAL GUARD OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY SCHEDULE OF PRIOR AUDITS' FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION IV - PRIOR AUDITS' FINDINGS AND QUESTIONED COSTS (CONTINUED)**

<b>Finding Number: 2020-04</b>	<b>Property and Equipment Safeguarding and Reconciliation Procedures</b>
<b>Compliance Requirement:</b>	<b>Equipment/ Real Property</b>
<b>Finding Type:</b>	<b>Noncompliance and Significant Deficiency in Internal Control</b>
<b>Federal Agency:</b>	<b>Department of Defense</b>
<b>Federal Programs:</b>	<b>CFDA 12.401 National Guard Military Operations and Maintenance (O&amp;M) Projects</b>

**Condition**

During the year ended June 30, 2020, the PRNG physically inspected and counted all property and equipment acquired with federal programs, as required by federal regulations. However, the PRNG did not reconcile the physical inventory report to the property and equipment records. Therefore, the auditors were unable to determine the completeness and accuracy of the report.

This is a repeat finding. Refer to finding 2021-03.

<b>Finding Number: 2020-05</b>	<b>Compensation for services</b>
<b>Finding Type:</b>	<b>Noncompliance and Significant Deficiency in Internal Control</b>
<b>Compliance Requirement:</b>	<b>Allowable Cost/Cost Principles</b>
<b>Federal Agency:</b>	<b>Department of Defense</b>
<b>Federal Programs:</b>	<b>CFDA 12.401 National Guard Military Operations and Maintenance (O&amp;M) Projects</b>

**Condition**

The auditors noted in twenty-two instances from twenty-five paid with federal funds and fifteen instances from twenty-five paid with state funds the timesheets were not approved by the supervisor. Payroll expenses must be supported by a system of internal control that provides reasonable assurance that payroll charges are accurate, allowable, and charged to the appropriate state and federal program.

This is a repeat finding. Refer to finding 2021-04.

## Corrective Action Plan

### Single Audit 2021

## INDEPENDENT AUDITOR'S REPORT AND STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS

**Date CAP due to Compliance: YEAR ENDED JUNE 30, 2021**

Following you will find the action plan to correct the findings and improve processes on Puerto Rico National Guard Single Audit Fiscal Year Ended 2021:

Facility/Dept/Clinic	Main Contact	Compliance Contact
Puerto Rico National Guard	Silvia M. Aponte Arroyo	Silvia M. Aponte Arroyo

Findings requiring correction	Recommendation	Corrective Action Items ( <i>education, process improvement/resolution, etc</i> )	Status Expected Completion Date	Contact Person / Person Responsible
<b>Finding Number: 2021--01 Procurement</b>  <b>Material Weakness</b>	Refer to finding 2021-02	Refer to finding 2021-02	Refer to finding 2021-02	General Services Director  Noris M. Rodriguez Suris
<b>Finding Number: 2021-02 Procurement Standards Requirement</b> <b>Similar Finding Number 2020-01 2020-03</b>	The PRNG's management must ensure that Purchasing Agents always maintain records sufficient to detail the history of procurement, to include the rationale for the method of procurement, selection of contract type, contractor	➤ All Purchasing Agents will be informed of the importance of procurement and adhere to Uniform Regulation for Purchases and Bids of Goods, Works, and Non- Professional Services of the General Services Administration of the Government	October 30, 2022	General Services Director  Noris M. Rodriguez Suris

## Corrective Action Plan

	<p>selection or rejection, and the basis for the contract price. The PRNG must request the bidding information to ASG when the purchase or services have been completed in order to obtain the information required and improve its controls to comply with procurement standards as mentioned above.</p>	<p>of Puerto Rico. All Purchasing agents have been provided with updated regulations (Law 73) to adhere immediately.</p> <ul style="list-style-type: none"> <li>➤ Ensure that all Mandatory Clauses are included.</li> <li>➤ Management will ensure that documents sent to ASG will be safeguarded, scanned from the new platform (JEDI) (Joint E-Procurement Digital Intelligence). before sending procurement requisitions ASG to maintain records sufficient to detail the history of procurement to include the rationale for the method of procurement, selection of contract type, contractor selection and the basis for contract price.</li> <li>➤ Purchase Agents will request documentation (contracts/ Purchase Orders) once approve, follow up on them, so they can be returned in a timely manner.</li> <li>➤ Files will be maintained for ten (10) years as required by DOD 7000, 14-R under the files of General Services.</li> <li>➤ Biddings that are submitted by General Services Administration</li> </ul>	<p>September 30,2022</p> <p>September 30, 2022</p> <p>October 30, 2022</p> <p>September 30, 2022</p> <p>October 30, 2022</p>	
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## Corrective Action Plan

		<p>(ASG) will be discussed with their respective counter parts in (ASG) obtaining Purchase Orders (ASG) to have on file.</p> <ul style="list-style-type: none"> <li>➤ A Checklist will be in place to all Purchasing Agents to follow guidelines in purchasing and contracts in accordance with CFR 200, Code of Federal Regulation and Regulation 9230 by Law 73-2019 for the Centralization of Procurement of the Government of Puerto Rico within the new platform JEDI (Joint E-Procurement Digital Intelligence).</li> <li>➤ Request training in Procurement at State and Federal level to maintain and follow procurement standards. (ASG)</li> <li>➤ All bidding that are submitted to (ASG) needs to be requested in a timely manner and discussed with their respective counter parts (purchase agents) in obtaining documentation from ASG to have on file and the Director of General Services will ensure that bidding information is within the regulations of the state procurement procedure.</li> </ul>	<p>September 30, 2022          Director will monitor every 15 days to review through JEDI, and documents completed. If any discrepancies arise call ASG for assistance through their Purchase Agents to follow up on Requisitions.</p> <p>Cooperative Agreement Training by September 13-14, 2022</p> <p>October 30, 2022</p>	
<p><b>Finding Number: 2021-02 Procurement Standards</b></p>	<p>The PRNG must request the bidding information to ASG when the purchase or services</p>	<ul style="list-style-type: none"> <li>➤ All Purchasing Agents have been informed of the importance of procurement and adhere to Uniform Regulation for</li> </ul>	<p>August 15, 2022</p>	<p>General Services Director</p>

## Corrective Action Plan

<p><b>Material Weakness</b></p>	<p>have been completed in order to obtain the information required and improve its controls to comply with procurement standards as mentioned above.</p>	<p>Purchases and Bids of Goods, Works, and Non- Professional Services of the General Services Administration of the Gov. of Puerto Rico.</p> <ul style="list-style-type: none"> <li>➤ Management will request contracts from ASG to maintain records sufficient to detail the history of procurement to include the rationale for the method of procurement, selection of contract type, contractor selection and the basis for contract price.</li> <li>➤ Purchase Agents will request documentation (contracts) once approve, follow up on them, so they can be returned in a timely manner.</li> </ul> <p>Director will monitor closely all on going and closed transactions every two weeks</p> <ul style="list-style-type: none"> <li>➤ The importance of all requisitions, contracts, will be scanned and saved in folder accordingly so in the event they are requested we are able to have on our files and maintain for ten (10) years as required by DOD 7000, 14-R under the files of General Services.</li> <li>➤ Biddings that are submitted by General Services Administration (ASG) will be discussed with their</li> </ul>	<p>September 30,2022</p> <p>Once cycle is completed between Purchase Agent from the agency (ASG)</p> <p>Transaction to be completed on August 30, 2022</p> <p>September 30,2022</p> <p>August 15,2022</p>	<p>Noris M. Rodriguez Suris</p>
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## Corrective Action Plan

		<p>respective counter parts in (ASG) obtaining Purchase Orders (ASG) to have on file.</p> <ul style="list-style-type: none"> <li>➤ Checklist will be provided to all Purchasing Agents to follow guidelines in purchasing and contracts in accordance with CFR 200 Code of Federal Regulation and Regulation 9230 by Law 73-2019 for the Centralization of Procurement of the Government of Puerto Rico within the new platform JEDI (Joint E-Procurement Digital Intelligence).</li> <li>➤ Request training in Procurement at State and Federal level to maintain and follow procurement standards.</li> <li>➤ Revision will be set in place every two weeks by the Director of General Services to ensure compliance of documents outgoing requisitions once completed.</li> <li>➤ In addition, there will be a tracking record tool to review and have oversight of all requisitions from the different programs and ensure that funding from the Master Cooperative Agreements complies, in regarding Property Equipment.</li> </ul>	<p>In Process, to be completed by August 30,2022</p>	
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## Corrective Action Plan

<p><b>Finding Number:</b>  <b>2021-03 Property and Equipment Safeguarding and Reconciliation Noncompliance and Significant Deficiency in Internal Control</b>  <b>Similar Finding Number</b>  <b>2021-01</b>  <b>2021-02</b></p>	<p>The auditor recommends that the PRNG strengthen its safeguarding controls regarding property and equipment acquired to prevent theft, loss, and misuse.</p>	<ul style="list-style-type: none"> <li>➤ Property Equipment Auxiliary Manager appointed on 18 January 2022.</li> <li>➤ Mandatory Training taken on Management and Custody of Public Property provided by the Inspector General Office of Puerto Rico on 16 February 2022.</li> <li>➤ Registered Signatures as requirement in Department of Treasury</li>   <li>➤ Request Training on Equipment Property from Administration of General Services (ASG) Principal Agency of Procurement at State Level Administration <b>Scheduled for August 2022</b> state level</li>   <li>➤ Include all Purchase Agents to attend Cooperative Agreement Workshop on 13-14 September at Fort Buchanan</li>   <li>➤ Principal Property Equipment Manager appointed on 1 July 2022</li>   <li>➤ Property will be examined and properly placed in location. For the equipment not available, ensure that the custodian reports</li> </ul>	<p>Completed on 18 Jan 22</p> <p>Completed 16 Feb 22</p> <p>Completed 4 Feb 22</p> <p>In process to be completed by August 16,2022</p> <p>Scheduled for 13 - 14 September 2022</p> <p>Completed 1 July 2022</p> <p>In process to be completed by Dec 2022</p>	<p>General Services Director</p> <p>Noris M. Rodriguez Suris</p>
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## Corrective Action Plan

<p><b>Finding Number: 2019-01 Procurement, Suspension and Debarment Repeat Finding 2021-01 2021-02</b></p> <p><b>Finding Number:</b></p>	<p>Property and Equipment</p>	<p>to the Property Manager to document entry of equipment record.</p> <ul style="list-style-type: none"> <li>➤ Property Manager will reconcile the physical inventory report to the property and equipment records.</li> <li>➤ PRNG will ensure effective safeguarding controls in accordance with state and federal regulations to prevent, loss, theft, and misuse of equipment.</li> <li>➤ One additional position has been requested and will immediately fulfill vacant slots Property Equipment Auxiliary Manager</li> <li>➤ In addition to the agency's current methodology of tracking, the agency is working to improve and streamline the tool w/various reviewing sections in efforts to review and have oversight of all requisitions from the different programs and ensure that funding from the Master Cooperative Agreements complies as it relates to Property Equipment.</li> </ul>	<p>In process to be completed on December 22,2022</p> <p>In process to be completed by September2022</p> <p>October30,2022</p> <p>In process. expected by 30 September 2022</p>	
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## Corrective Action Plan

<p><b>2020-03</b> <b>Procurement Standards</b> Repeat Finding 2021-01 2021-02</p> <p><b>Finding Number</b> <b>2020-04</b> Repeat Finding 2021-01 2021-02</p>		<ul style="list-style-type: none"> <li>➤ Request will be made through ASG to retrieve procurement files from ASG.</li> <li>➤ New platform in place (JEDI) in which all procurement processes are in the system and can be retrieved and safeguard</li> <li>➤ Human Resource office currently requested two additional slots that are vacant Purchase Agents to fulfil the needs of the agency.</li> <li>➤ Once assigned and properly trained will conduct 100% physical inventory of the equipment</li> <li>➤ Equipment will be verified against the internal records through (FAMAS) Fixed Assets &amp; Accounting System digital software if there are discrepancies should clarify them by using the corresponding documentation</li> <li>➤ Property that is deteriorated and identified will be properly disposed in accordance with State Regulations.</li> </ul>	<p>In process. expected by September 30,2022</p> <p>In process, expected by 30 September 2022</p> <p>October 30, 2022</p> <p>October 30, 2022</p> <p>October 30, 2022</p> <p>October 30, 2022</p> <p>October 30, 2022 Director will monitor monthly with Property Manager to follow up on equipment status</p>	
<p><b>Finding Number:</b> <b>2021-04</b></p> <p><b>Compensation for services</b></p>	<p>The auditors recommend that management to ensure that program personnel are familiar with all grant</p>	<ul style="list-style-type: none"> <li>➤ Last year we conducted a training process with the contractor in Excel to improve and analyze government payroll systems. With this will ensure the</li> </ul>	<p>Completed Process Since October 15, 2021</p>	<p>Human Resources Director</p>

## Corrective Action Plan

<p><b>Noncompliance and Significant Deficiency in Internal Control</b></p> <p><b>A similar Finding was reported 2020-05</b></p>	<p>requirements, including the requirements in OMB Circular A-87 (Compensation for services). Management should develop procedures to ensure payroll expenditures charged to federal awards are adequately supported. In addition, Management should promptly assign the payroll officer duties to other employees while recruitment for this position takes place.</p>	<p>expenses and charges are accurate and analyzed in the correct way.</p> <ul style="list-style-type: none"> <li>➤ Payroll Turnover was completed by August 16, 2021, but the employee was transferred to another agency on January 18, 2022, we are still looking for a candidate to fill the position. In the meantime, the process coordinator gives us the orientation and support in the affected area. We are currently in the recruitment process, and it should be completed by October 15, 2022.</li> <li>➤ Human Resource Officer will ensure that payroll expenses and charges are accurate, allowable, and charged to the appropriate state and federal Program.</li> <li>➤ Human Resource Director will supervise monthly by emails the Attendance &amp; License Officer along with the Payroll Officer to ensure charges on payroll are conducted accurately.</li> <li>➤ The human resource staff will ensure that program personnel are familiar with all grant requirements. Also, they will be following the PRNG policies and</li> </ul>	<p>In Process to be Completed by October 30, 2022</p> <p>Completed Process Coordinator contracted since March 12, 2021</p> <p>In Process to be completed by December 2022</p> <p>In Process to be completed by October 31, 2021</p>	<p>Jezenia Cruz Rodriguez</p>
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## Corrective Action Plan

		<p>procedures related to attendance as stated in section 4.1 of the Agency Manual, <b>“Procedimiento para el Registro de Asistencia y Licencia”</b></p> <ul style="list-style-type: none"> <li>➤ Last year we scheduled Kronos training with Interboro and contractors for the supervisors to ensure the timesheets are accurate and approve on the system. In accordance with our internal regulations, we inform to all supervisors they have a deadline every Monday per pay period to approve the employee timecards.</li> <li>➤ We will inform to all Directors and Supervisors in writing and will sign a receipt.</li> <li>➤ We have designated staff to assist the Attendance and License Officer to ensure compliance with the Federal Regulations.</li> <li>➤ We will not accept any timesheets that does not comply with the regulations.</li> </ul>	<p>Completed Process Since July 15, 2021</p> <p>In Process to be completed by August 2022</p> <p>Completed Process Since March 2021</p> <p>In Process to be completed by December 2022</p>	
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## Corrective Action Plan

		<ul style="list-style-type: none"> <li>➤ The Attendance and License Officer will inform in a weekly basis by email all the deficiencies identified and will give and advice if not complied.</li>   <li>➤ The Human Resources Office also contracted a Process Coordinator on March 12, 2021, to ensure the payroll process is accurate with monthly reports and data corroboration. This Professional Services personnel has proven to be effective finding discrepancies and addressing the correction of any deficiency.</li>   <li>➤ Currently the timesheets supervisor approval is required by the Human Resources personnel. The Licenses Official is not allowed to do any changes in the system if the timesheet is not signed/approved by the employee and the supervisor. The Human Resources office established a deadline every Monday per pay period in which the supervisors must approve employee timecards. The Licenses Official is ensuring the compliance before making any changes into the Kronos system if needed. We will schedule retraining in Kronos System for all the Supervisors to be</li> </ul>	<p>In Process to be completed by December 2022</p> <p>Completed March 12, 2021</p> <p>Completed March 12, 2021</p>	
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## Corrective Action Plan

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Date sent to Compliance: Friday August 5, 2022 by Silvia M. Aponte Arroyo

