

**COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**(WITH REQUIRED SUPPLEMENTARY INFORMATION AND
ADDITIONAL REPORTS REQUIRED BY THE GOVERNMENT
AUDITING STANDARDS AND OMB UNIFORM GUIDANCE)**

**COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
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FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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To the Governor of the Commonwealth of Puerto Rico
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INDEPENDENT AUDITORS' REPORT

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Opinion

We have audited the accompanying statement of cash receipts and disbursements (and from now on the Statement) of the Office of the Governor of the Commonwealth of Puerto Rico (the Office) for the year ended June 30, 2023, and the related notes to the Statement.

In our opinion, the Statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Office for the year ended June 30, 2023, in accordance with the basis of accounting described in Note A.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Office 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.

Emphasis of Matter

Basis of Accounting

We draw attention to Note A of the Statement, which describes the basis of accounting. The office prepares its statements 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.

As discussed in Note A, the Office's Statement is intended to present the cash receipts and disbursements of the governmental funds of only that portion of the financial reporting entity of the Commonwealth of Puerto Rico that is attributed to the transactions of the Office. They do not purport to, and do not present fairly the financial position of the Commonwealth of Puerto Rico as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statement

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

In preparing the Statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Office's ability to continue as a going concern for twelve months beyond the Statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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To the Governor of the Commonwealth of Puerto Rico
Office of the Governor
San Juan, Puerto Rico

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government 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 considered 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 financial statement.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 financial statement.
- 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 the Office'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 financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Office's ability to continue as a going concern for a reasonable period of time.

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.

**To the Governor of the Commonwealth of Puerto Rico
Office of the Governor
San Juan, Puerto Rico**

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Information

Our audit was conducted for the purpose of forming an opinion on the Statement as a whole. The accompanying schedule of expenditures of federal awards and the related notes on pages 12 to 14, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statement.

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 and 5 be presented to supplement the Statement. Such information, although not a part of the Statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the Statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the Statement, and other knowledge we obtained during our audit of the Statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of the Office'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 the effectiveness of the Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

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San Juan, Puerto Rico
March 25, 2024

The stamp number E562061 was
affixed to the original of this report.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The management of the Office of the Governor of the Commonwealth of Puerto Rico (the Office) provides this overview and analysis of the financial activities of the Office during the fiscal years ended June 30, 2023 and 2022. This report includes the cash received and cash paid as a result of the operating activities of the Office including funds appropriated by the Commonwealth of Puerto Rico (the Commonwealth) and federal financial assistance programs granted by U.S. Governmental Agencies (USGA).

Overview of the report

This report includes the independent auditor's report, management's discussion and analysis, the statement of cash receipts and disbursements, and the schedule of expenditures of federal awards. This report also includes notes that explain in more detail the information contained in the Statement and the schedule of expenditures of federal awards.

Financial Highlights

The statement of cash receipts and disbursements for the fiscal year ended on June 30, 2023 is presented on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).

During the fiscal year ended June 30, 2023, the Commonwealth budgeted appropriations were increased by approximately \$8,014,164. The budget approved by the Board of Supervision and Financial Administration harmonizes with the Fiscal Plan certified by the Board, including the payment of "Pay Go" pensions.

Statement of Cash Receipts and Disbursements

For the fiscal year ended June 30, 2023, the statements of cash receipts and disbursements reflect an excess of cash receipts over disbursements in Commonwealth funds of approximately \$8,573,092. In essence, the excess is related to funds received through allocations on March 7, 2023, which are still in effect until June 30, 2024.

The main expenses were under the General Government Program for approximately \$9,087,315 in 2023 and \$7,684,108 in 2022 and under the Secretary of Development and Coordination of Public Policy for approximately \$2,385,405 in 2023 and \$2,969,899 in 2022.

The cash receipts from the state funds represent approximately 77% and 51% of total cash receipts in 2023 and 2022. The expenditures of the state funds represent approximately 77% of total expenditures in 2023 and 81% in 2022.

Financial Analysis

The statement of cash receipts and disbursements presents the funds provided by the Commonwealth and funds awarded by USGA.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Contacting Financial Management

This financial report is designed to provide a general overview of the Office's cash receipts and disbursements and to demonstrate accountability for the funds administered. If you have questions about this report or need additional financial information, contact the Office of the Governor of the Commonwealth of Puerto Rico at P.O. Box 9020082 San Juan, PR 00901; or by phone to the (787) 721-7000.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	State (general) Funds Commonwealth of PR	Federal Funds	Total
CASH RECEIPTS:			
Commonwealth appropriations	\$ 25,881,838	\$ -	\$ 25,881,838
Federal grant funds	-	7,557,827	7,557,827
Total receipts	25,881,838	7,557,827	33,439,665
 CASH DISBURSEMENTS:			
General government	9,087,315	-	9,087,315
Executive mansion	1,534,440	-	1,534,440
First lady's office	469,142	-	469,142
Judicial appointments	310,606	-	310,606
State Special Fund	1,198,520	-	1,198,520
Secretary of Development and Coordination of Public Policy	2,385,405	-	2,385,405
Communication and citizen services	2,323,318	-	2,323,318
U.S. Corporation for National and Community Service:			
Commonwealth Commissions Support	-	262,086	262,086
AmeriCorps	-	2,059,553	2,059,553
Training and Technical Assistance	-	278,970	278,970
U.S. Department of Treasury:			
Coronavirus State and Local Fiscal Recovery Funds	-	2,475,900	2,475,900
U.S. Department of Health and Human Service:			
Head Start	-	105,697	105,697
U.S. Department of Homeland Security:			
Disaster Grant	-	19,143	19,143
Total disbursements	17,308,746	5,201,349	\$ 22,510,095
 EXCESS OF RECEIPTS OVER DISBURSEMENTS	 \$ 8,573,092	 \$ 2,356,478	 \$ 10,929,570

See notes to Statement of Cash Receipts and Disbursements.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Article IV of the Constitution of the Commonwealth of Puerto Rico (the Commonwealth) establishes that executive power will be exercised by a Governor elected every four years in the general elections. The elected governor performs its duties and responsibilities through the Office of the Governor (the Office).

The Office establishes and coordinates public policy and administrative strategies for the effective operation and functioning of the Executive Branch of the Government of the Commonwealth. Through the Office of the Secretary of the Government and its staff of counselors, the Office coordinates with agencies and governmental organisms of other branches of the government, the implementation of said public policy. The Office counsels the Governor in areas of competency, as well as channels the evaluation of all projects of law and executive orders in all its phases.

The Office's operations are divided into the following programs:

- General Government
- Executive Mansion
- First Lady's Office
- Judicial Appointments
- Secretary of Development and Coordination of Public Policy
- Communication and Citizen Services
- State Special Fund

The Office is presented as part of the Commonwealth's financial statements.

Basis of Accounting and Measurements Focus

The Office's funds are, as required by law, under the custody and control of the Secretary of the Department of the Treasury of the Commonwealth and are also accounted for in the Central Government Accounting System.

The accounts of the Office are reported on the basis of two fund types: State (general) funds and Federal funds. Each fund is accounted for with a set of accounts, which include only receipts and disbursements. No balance sheet accounts are reported. The individual fund accounts for the governmental resources allocated to the Office for purposes of carrying on specific activities in accordance with laws regulations and other restrictions. The state funds are appropriated by the Legislature of the Commonwealth and are the funds through which most functions are typically finance. Federal funds reflect the federal financial assistance managed by the Office from programs funded by the Federal government and as such, accounts for receipts of specific revenue sources and disbursements, which are legally restricted for purposes specified in the grant agreements.

The Office's accompanying 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 resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. The Office follows accounting recordkeeping requirements imposed by the Puerto Rico Treasury Department System called "PRIFAS" (Puerto Rico Integrated Financial Accounting System) for Centralized Governmental Agencies and Departments.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus (Continued)

This cash basis of accounting differs from GAAP primarily because revenue (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 2022-2023. No accruals are recognized.

Capital assets resulting from cash transactions are reported as cash disbursements in the acquiring governmental fund upon cash acquisition. No capital assets, long-term debt nor accrued compensated absences are recorded in the Office's Statement. Compensated absences resulting from cash transactions are reported as cash disbursements in the state governmental funds column upon cash payment.

Under the statutory basis of accounting, the Office uses encumbrance accounting to record the full amount of purchase orders, contracts and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure.

Accordingly, the accompanying statement of cash receipts and cash disbursements is not intended to present the Office's financial position and results of operations, in conformity with U.S. generally accepted accounting principles.

Budgetary Information

The revenues recognized in the state funds consist of appropriations from the Office of Management and Budget of the Commonwealth for recurrent and ordinary functions of the Office. The procedures followed in approving the annual budget are as follows:

- a. Between November and December, the Office submits to the Office of Management and Budget of the Commonwealth an operating budget petition for the fiscal year commencing the following July 1.
- b. At the beginning of the ordinary session of the Legislative Assembly of the Commonwealth, the Governor submits a proposed budget for the fiscal year covering the whole operations of the Commonwealth. This proposed budget includes estimated expenditures and the means of financing them.
- c. The annual budget is legally enacted through the approval by the Legislative Assembly of the Joint Resolution of the General Budget. Subsequently to enactment, the Office of Management and Budget of the Commonwealth has the authority to make the necessary adjustments to the budget.

Federal grant funds can be carried over a specified amount of time, upon request to, and approval by the federal agencies.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Recently Issued Accounting Pronouncements

The GASB has issued the following accounting standards, which were adopted when applicable, by the Office or are being evaluated for the impact that these standards will have in the financial statements:

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*-an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

NOTE B - CASH WITH FINANCIAL INSTITUTIONS (FISCAL AGENTS' DEPARTMENT OF THE TREASURY OF THE COMMONWEALTH)

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

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE C - RETIREMENT PLAN

Pay-As-You-Go Funding

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 in order to convey to the central government agencies, public corporation and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" (Pay-Go) mechanism for the ERS.

Subsequently, on August 23, 2017, the Governor signed into law the "Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants" (Act No. 106), which reformed the Commonwealth Retirement Systems. Act No. 106 terminated the previously existing pension programs for the ERS's participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 are now enrolled in a new defined contributions program. Act No. 106 also established by law the Pay-Go mechanism for the payment of accumulated pension benefits and eliminated employers' contributions and other analogous contributions.

Furthermore, Act No. 106 modified the ERS's governance. Under Act No. 106, the ERS' Board of Trustees was substituted with a new Retirement Board, which is currently responsible for governing all of the Commonwealth's Retirement Systems.

Act No. 106 also ordered a suspension of the ERS's loan programs and ordered a merger of the administrative structures of the retirement systems. At the Retirement Board's discretion, the servicing of the ERS's existing loan portfolio may be externalized. Pursuant to Act No. 106, the employees of the ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act No. 8 of February 8, 2017.

This legislation has passed pension reforms that include making payments to the depleted defined benefit system from general revenues and creating a defined contribution plan for active workers and new hires. This Act declared as public policy the protection of the pension funds of all public retirees. According to the joint resolution No. 188 of 2017, and certified by the Fiscal Supervision Board on July 13, 2017, the Puerto Rico Government has become the direct payer of retirees.

Act 106 eliminates the Office contributions as disposed on joint resolutions No. 186, 187 and 188 of 2017. The Employees' Retirement System should contribute their available funds and the net amount of the liquidation of their assets for the payment of accrued pensions. The general fund of Puerto Rico Government assumes and guarantees the payments of the pensions through the new "Pay Go" system accounts, which are under the custody of the Department of Treasury of Puerto Rico. The Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF, Spanish acronym) oversees the retirement systems and their transition to the compliance of the requirements of Act 106.

Contributions

The ERSs will determine and administer the amount of the payment by pensioner that will correspond to each of the Government Agencies. This charge is known as the "Pay Go". The Office contribution for the year ended June 30, 2023, was \$2,024,981.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE D - COMPENSATED ABSENCES

The employees of the Office have the right to fifteen (15) regular vacation days and twelve (12) sick leave days for each year. Employees who entered the Government of PR before the approval of Law 26-2017, accumulate eighteen (18) sick days for each year. When an employee resigns, the accumulated vacation is liquidated.

NOTE E - CONTINGENCIES

Litigations and Claims

The Office is a defendant in lawsuits arising in the normal course of operations. According to the laws of the Commonwealth of Puerto Rico, the Office is fully represented by the Puerto Rico Department of Justice in defense of all legal cases against the Office. Any claims with negative financial impact will be paid from the General Fund of the Commonwealth, with no effect on the budget or resources of the Office. In the ordinary course of operations, the Office of the Governor is a part in litigations. Such instances are usually handled through the Office of Budget and Management of the Commonwealth.

Federal Financial Assistance Programs

The Office participates in and administers federal grants programs, which are governed by various rules and regulations of the grantor agencies. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal laws and regulations, including the expenditure of resources for eligible purposes. As such the Office is required to comply with the audit requirements established by the OMB Uniform Guidance. If expenditures are disallowed due to noncompliance with grant program regulations, the Office may be required to reimburse the grantors for such expenditures.

Operational Leases

In October 2017, the Office entered into an operating lease agreement for rent of a warehouse space used for storage of public documents. The lease could be renewable annually. For the fiscal year ended June 30, 2023, the monthly rent paid for this operating lease was approximately \$1,450. The total rent paid during the fiscal year ended June 30, 2023, was approximately \$17,400.

Also, the Office has operating leases for equipment with multi-annual contracts which are payable on a month-to-month basis.

NOTE F- UNCERTAINTY AND LIQUIDITY RISK

As discussed in Note A to the Statement of Cash Receipts and Disbursements, the Office's principal sources of revenue are Federal Funds and Legislative appropriations from the Commonwealth. The funds of the Office are under the custody of the Secretary of the Treasury of the Commonwealth.

NOTE G- DATE OF MANAGEMENT'S REVIEW

Management of the Office has evaluated subsequent events through March 25, 2024, the date the financial statement was available to be issued.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Grantor Agency & Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipient	Federal Expenditures
Direct Programs:				
U.S. Corporation for National and Community Services:				
AmeriCorps State and National 19AFHPR001	94.006		\$ 1,375,441	\$ 1,375,441
AmeriCorps State and National 22AFBPR001	94.006		684,112	684,112
Comission Investment Fund - Training and Technical Assitance 19TAHPR001	94.008		-	183,692
Comission Investment Fund - Training and Technical Assitance 22TABPR001	94.008		-	95,278
State Comission Support Grant 22CABPR001	94.003		-	262,086
			2,059,553	2,600,609
U.S. Department of Health and Human Services:				
Head Start 02CD0040692	93.600		-	49,365
Head Start 02CD0040693	93.600		-	56,332
			-	105,697
U.S Department of the Treasury				
Pass-through-Puerto Rico Fiscal Agency and Financial Advisory Authority:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	MR3WT17G44D5	-	2,475,900
U.S Department of Homeland				
Pass-through-Central Office of Recovery, Reconstruction and Resiliancy:				
Disaster Grant 015-4339SU01032	97.036		-	19,143
Total Expenditures of Federal Awards			\$ 2,059,553	\$ 5,201,349

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Office of the Governor of the Commonwealth of Puerto Rico (the Office) under programs of the federal government for the year ended June 30, 2023. The information in the SEFA is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Office, it is not intended to and does not purport to present the statement of cash receipts and disbursements of the Office.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the cash basis of accounting. It is drawn primarily from the Office's internal accounting records, which are the basis of the Office's Statement of Cash Receipts and Disbursements. Such expenditures are recognized following the cost principles contained in Title 2 US Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

The titles of federal awards included in the SEFA are presented as described in the Assistance Listing Number.

NOTE C - RELATIONSHIP TO THE FINANCIAL STATEMENT

Expenditures included in the SEFA amounting to \$5,201,349 agree with the amounts included in the accompanying statement of cash receipts and disbursements for purposes of the Federal Financial Assistance.

NOTE D - SUBRECIPIENT

The Office provided federal awards to a subrecipient as follows:

Grantor Agency & Program Title	Federal Assistance Listing Number	Amount Provided to Subrecipient
U.S. Department of Homeland Security:		
Disaster Grant 015-4339SU01032	97.036	\$ 19,143

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE E - RESTRICTIONS

Each federal program has its own use restrictions. Those restrictions are included in the corresponding Office of Management Budget's Assistance Listing.

NOTE F - GENERAL OBJECTIVE

The Office received federal awards from the following federal grantors/pass-through entities (1) U.S. Department of Health and Human Services (HHS), (2) Corporation for National and Community Services, (3) U.S. Department of Homeland Security (4) U.S. Department of the Treasury: All federal grants have a particular purpose and objective, which is disclosed in each grant award and/or compliance supplement.

**To the Commonwealth of Puerto Rico
Office of the Governor**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis statement of cash receipts and disbursements (the Statement) of the Office of the Governor of the Commonwealth of Puerto Rico (the Office), for the year ended June 30, 2023, and the related notes to the Statement, and have issued our report thereon dated March 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Office's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office'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 statement 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. We identified the deficiency in internal control, described in the accompanying schedule of findings and questioned cost as item 2023-001 that we consider to be a significant deficiency.

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To the Commonwealth of Puerto Rico
Office of the Governor

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

Report on Compliance and other Matters

As part of obtaining reasonable assurance about whether the Office's statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

The Office's Response to the Finding

Government Auditing Standard requires the auditor to perform limited procedures on the Office's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Office's response was not subjected to the other auditing procedures applied in the audit of the financial statements 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Juan, Puerto Rico
March 25, 2024

The stamp number E562062 was
affixed to the original of this report.



BAKER TILLY PUERTO RICO, CPAs, PSC

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Expires December 1, 2026

**To the Commonwealth of Puerto Rico
Office of the Governor**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Office of the Governor of the Commonwealth of Puerto Rico's (the Office) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Office's major federal program for the year ended June 30, 2023. The Office major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Office complied, in all material respects, with the 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, 2023.

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

We are required to be independent of the Office 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 the Office'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 provision of contracts or grant agreements applicable to the Office's federal programs.

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**To the Commonwealth of Puerto Rico
Office of the Governor**

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

Auditors' 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 the Office'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 the Office'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 the Office's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Office'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 the Office'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.

To the Commonwealth of
Puerto Rico Office of the
Governor

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

Report on 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 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 Auditors' 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.

San Juan, Puerto Rico
March 25, 2024

The stamp number E562063 was
affixed to the original of this report.

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COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

A. FINANCIAL STATEMENTS

	<u>Yes</u>	<u>No</u>
1. Type of auditors' report issued	Unmodified	
2. Internal control over financial reporting:		
Material weakness(es) identified		X
Significant deficiencies identified that are not considered to be material weaknesses	X	
3 Noncompliance material to financial statements noted	X	

B. FEDERAL AWARDS

1. Internal control over major programs:		
Material weakness(es) identified		X
Significant deficiencies identified that are not considered to be material weaknesses		X
2. Type of auditors' report issued	Unmodified	
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a).		X

4. Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
94 006	AmeriCorps
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee		X

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II- FINANCIAL STATEMENTS FINDING

Finding Number: 2023-001

Federal Program: All federal programs

Category: Noncompliance and significant deficiency-Financial
Management system/ Accounting records

Criteria

2 CFR PART 200, Section 200.302-Financial Management

- (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

- (b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.334, 200.335, 200.336, and 200.337):
 - (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
 - (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.328 and 200.329. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.
 - (3) Records that identify adequately the source and application of funds for federally- funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
 - (4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See § 200.303.

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II- FINANCIAL STATEMENTS FINDING (CONTINUED)

Criteria (Continued)

2 CFR PART 200, Section 200.303 Internal control

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**).

Condition

There was no effective internal control procedures to ascertain the completeness of the financial information. We noted that a deposit related to two drawdowns of the AmeriCorps Programs corresponding to the audit period were not timely recognized in the accounting system (PRIFAS), for the year ended June 30, 2023. The deposits were recorded in August 2023. The monitoring process to timely reconcile the financial information was ineffective in this occasion.

Questioned Cost

No questioned costs was identified

Cause

This situation is caused by the lack of timely analysis, and monthly reconciliation of the financial transactions with the accounting system of the Puerto Rico Treasury Department (PRIFAS), and a deficiency in the monitoring of the process.

Effect

Adequate financial accounting reporting procedures prevents the Office of the Governor from having accurate, current, and complete disclosure of federal grant activities in accordance with the requirements of the grant agreements.

Recommendation

The Puerto Rico Office of the Governor shall revise its accounting practices and policies to provide accurate and complete financial information. In coordination with the Department of Treasury of the Commonwealth of Puerto Rico (PRDT), the Puerto Rico Office of the Governor should implement an accounting and financial reporting system that permits the preparation of financial reports required by the different oversight entities on a timely basis.

Views of Responsible Official

See Office's Corrective Action Plan

**COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

COMMONWEALTH OF PUERTO RICO OFFICE OF THE GOVERNOR
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Finding Number: 2022-001

Condition: The Office did not notice federal revenue corresponding to the audit period and that were not recognized in the accounting system (PRIFAS) of the Puerto Rico Treasury Department. The drawdowns were received in the months of November 2021, April 2022, May 2022 and June 2022.

Status: Similar situation occurred during the 2022-2023 audit. This is a repeated finding. Refer to finding 2023-001.

Finding Number: 2022-002

Condition: During the audit procedures for the year ended June 30, 2022, the auditors noted the following deficiencies related to the selection process for AmeriCorps members: (1) Two members with access to vulnerable populations began providing services without having completed all the requirements of the National Service Criminal History Checks and (2) There is no documentation to support that these members that began providing services without having completed all the requirements were accompanied by an eligible member.

Status: This situation was not present in 2022-2023 audit

Finding Number: 2022-002

Condition: The office did not submit the single audit report and reporting package for the year ended June 30, 2022, to the Federal Clearing House during the required submission deadline.

Status: This situation was not present in the 2022-2023 audit.



Commonwealth of Puerto Rico
Office of the Governor
Management Comments / Corrective Action Plan

Single Audit for the period ended June 30, 2023 Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Responsible for Implementation:
2023-001 Corporation for National and Community Service	The Puerto Rico Office of the Governor shall revise its accounting practices and policies to provide accurate and complete financial information. In coordination with the Department of Treasury of the Commonwealth of Puerto Rico (PRDT), the Puerto Rico Office of the Governor should implement an accounting and financial reporting system that permits the preparation of financial reports required by the different oversight entities.	It was implemented in conjunction with the Department of Treasury of the Commonwealth of Puerto Rico. Monthly, the first 5 days of the month, a certified report of income and expenses from federal accounts, including State AmeriCorps and National Formula, is sent to you. An internal reconciliation will also be carried out for better control of the office.	03/2024	Diana Estrella, Finance Director