

Financial Statements

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

**STATEMENT OF CASH RECEIPTS
AND DISBURSEMENTS**

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Office of the Governor of the Commonwealth of Puerto Rico for the year ended June 30, 2019, and the related notes to the statement of cash receipts and disbursements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 presents fairly in all material respects, the cash receipts and disbursements of the Office of the Governor of the Commonwealth of Puerto Rico for the year ended June 30, 2019 in accordance with the cash basis of accounting described in Note A.

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 basic financial statement. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial 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 basic financial statement, and other knowledge we obtained during our audit of the basic financial 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 Information

Our audit was conducted for the purpose of forming an opinion on the statement of cash receipts and disbursements of the Office of the Governor of the Commonwealth of Puerto Rico. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the cash receipts and disbursements.

The schedule of expenditures of federal awards is the responsibility of the Office of the Governor's management and was derived from and relates directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursements. Such information has been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursements or to the statement of cash receipts and disbursements 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 of cash receipts and disbursements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of the Office of the Governor of the Commonwealth of Puerto Rico'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 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 of the Governor of the Commonwealth of Puerto Rico's internal control over financial reporting and compliance.

San Juan, Puerto Rico
June 30, 2020

Aquino, De Cordova, Alfaro & Co. LLP

Stamp number E408732
of Puerto Rico CPA Society
has been affixed to the
original report.



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 year ended June 30, 2019. 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 the U.S. Governmental Agencies (USGA).

Overview of the Audited Financial Statement

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 financial 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, 2019 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 fiscal year ended June 30, 2019, the Commonwealth budgeted appropriations were increased by \$8.9 million. The budget approved by the board of supervision and financial administration and harmonizes with the Fiscal Plan certified by the board, including the payment of "Pay Go" pensions.

Statement of Cash Receipts and Disbursements

At June 30, 2019, the statement of cash receipts and disbursements reflects an excess of receipts over disbursements in Commonwealth funds of approximately \$71 thousands. In essence, the excess is related with funds received through assignments that have not yet been disbursed at year end.

The main expenses were under the Communication and citizen services for approximately \$5.3 million and under the General Government Program for approximately \$3.2 million.

The Commonwealth cash receipts represent approximately 93% of total cash receipts. The Commonwealth expenditures represent approximately 90% of total expenditures.

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, 2019

Contacting Financial Management

This financial report is designed to provide a general overview of the Office's cash receipts and disbursements articles 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, 2019

	<u>Commonwealth</u>	<u>Federal Funds</u>	<u>Total</u>
CASH RECEIPTS:			
Commonwealth appropriations	\$ 13,883,207	-	\$ 13,883,207
Federal government	-	1,009,146	1,009,146
Total receipts	<u>13,883,207</u>	<u>1,009,146</u>	<u>14,892,353</u>
CASH DISBURSEMENTS:			
General government	3,193,092	-	3,193,092
Executive mansion	1,498,643	-	1,498,643
First lady's office	590,383	-	590,383
Judicial appointments	215,311	-	215,311
Secretary of Development and Coordination of Public Policy	3,000,908	-	3,000,908
Communication and citizen services	5,314,182	-	5,314,182
U.S. Corporation for National and Community Service:			
Commonwealth Commissions Support	-	261,462	261,462
Americorps	-	1,047,590	1,047,590
Training and Technical Assistance	-	86,593	86,593
U.S. Department of Health and Human Service Head Start	-	28,404	28,404
	<u>13,812,519</u>	<u>1,424,049</u>	<u>15,236,568</u>
Excess (deficit) of receipts over disbursements	<u>\$ 70,688</u>	<u>\$ (414,903)</u>	<u>\$ (344,215)</u>

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, 2019

**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

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

Basis of Accounting

The Office's policy is to prepare its statement of cash receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statement of cash receipts and cash disbursements is

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

not intended to present the Office's financial position and results of operations, in conformity with U.S. generally accepted accounting principles.

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.

Budgetary Information

The revenues recognized in the Commonwealth 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.

Basis of Presentation

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.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND
DISBURSEMENTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The accounts of the Office are reported on the basis of two fund types: Commonwealth 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 Commonwealth 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.

**NOTE B- CASH WITH FINANCIAL INSTITUTION AND WITH 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.

NOTE C- RETIREMENT PLAN

The Office's regular employees participate in the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS), which is a cost sharing multiple employer defined benefit pension plan sponsored by, and reported as a component unit of the Commonwealth of Puerto Rico.

The Office provides retirement, death and disability benefits pursuant to Acts 447, of May 15, 1951, Act 1 of 1990, Act 305 of 1999 and Act 3 of 2013, all of them amended. Effective July 1, 2013, the employees must contribute 10% gross salary with no maximum restriction of their gross monthly salary to the program. The Office contributes 14.275% of total gross salaries. Total contributions made to the pension plan during the year ended June 30, 2019 was approximately \$592 thousand. The employer's contribution increased 1% per year until fiscal year 2016 and will increase 1.25% per year until fiscal year 2021.

On October 30, 2016, the Fiscal Oversight Board for Puerto Rico designated the Government of

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND
DISBURSEMENTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE C- RETIREMENT PLAN- CONTINUED

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

Due to the lack of projected liquidity of the ERSs, the Government of Puerto Rico will protect payments to pensioners. Effective August 23, 2017, the Government of Puerto Rico adopted the "PayGo" system. Under this new system, the Government will be responsible for paying the deficiency of the ERSs to provide retirement benefits for the pensioners.

Also, as of August 23, 2017, employer contributions, contributions under special laws and the Uniform Additional Contribution (Law no. 32-2013) will be eliminated and replaced with the "PayGo". Currently, the Government of Puerto Rico is working on reforming the ERSs from its current form to a New Defined Contribution Plan managed by a private entity.

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

NOTE D- COMPENSATED ABSENCES

The employees of the Office have the right to thirty (30) regular vacation days and eighteen (18) sick leave days for each year. When an employee resigns at the end of the calendar year, will be paid no later than the following March 31. When an employee resigns, the accumulated vacation is liquidated. The resignation as government employee, before consuming the accrued sick leave days, ends all right to compensation, except for those employees with ten (10) or more years of service, who have the right to such compensation up to the maximum allowed.

NOTE E- COMMITMENTS AND 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.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND
DISBURSEMENTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE E- COMMITMENTS AND CONTINGENCIES-CONTINUED

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

On October 2017, the Office entered into an operating lease agreement for rent of a warehouse space used for storage of public documents. The lease is renewable annually. For the fiscal year ended June 30, 2019, the monthly rent paid for this operating lease was approximately \$1,450. The total rent paid during the fiscal year ended June 30, 2019 was approximately \$17,400 thousand.

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- SUBSEQUENT EVENTS

Management of the Office has evaluated subsequent events through June 30 2020, 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, 2019

<u>Grantor Agency & Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-through to Subrecipient</u>	<u>Federal Expenditures</u>
<u>Direct Programs</u>				
U.S Corporation for National and Community Services:				
Americorps 16AFHPR001	94.006		1,047,590	1,047,590
State Commission Support 16CAHPR001	94.003		-	129,997
State Commission Support 19CAHPR001	94.003		-	131,465
Training and Technical Assistance 16TAHPR001	94.009		-	86,593
			<u>1,047,590</u>	<u>1,395,645</u>
 <u>Direct Programs</u>				
U.S. Department of Health and Human Services:				
Head Start 02CD4007-04-00	93.600		-	28,404
			<u>-</u>	<u>28,404</u>
Total Expenditures of Federal Awards			<u>\$ 1,047,590</u>	<u>\$ 1,424,049</u>

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

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, 2019. 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 titles of federal awards included in the SEFA are presented as described in the Catalog of Federal Domestic Assistance (CFDA).

NOTE C- RELATIONSHIP TO THE FINANCIAL STATEMENT

Expenditures included in the SEFA amounting to \$1,424,049 agree with the amounts included in the accompanying statement of cash receipts and disbursements for purposes of the Federal Financial Assistance.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4- SUBRECIPIENT

The Office provided federal awards to a subrecipient as follows:

<u>Grantor Agency & Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
<u>Direct Programs</u>		
U.S Corporation for National and Community Services:		
Americorps	94.006	\$ <u>1,047,590</u>

NOTE 5- RESTRICTIONS

Each federal program has its own use restrictions. Those restrictions are included in the corresponding OMB's CFDA.

NOTE 6- 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) U.S. Corporation for National and Community Services, (3) U.S. Department of Homeland Security: All federal grants have a particular purpose and objective which is disclosed in each grant award and/or compliance supplement.



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

To the Commonwealth
of Puerto Rico Office of
the Governor

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 statement of cash receipts and disbursements of the Office of the Governor of the Commonwealth of Puerto Rico (the Office), for the year ended June 30, 2019, and the related notes to the statement of cash receipts and disbursements, which collectively comprise the Office's basic financial statement, and have issued our report thereon dated June 30, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the 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 a for the limited purpose described in the first paragraph of this section and was a not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of the 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 instance of noncompliance or other matter that are required to be reports under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
June 30, 2020



Stamp No. Stamp number E408733
of the Puerto Rico CPA Society has
been affixed to the
original report





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

To the Commonwealth of
Puerto Rico Office of the
Governor

Report on Compliance for 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 each of the Office's major federal programs for the year ended June 30, 2019. The Office major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Office'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 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Office'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 Office's compliance.

Opinion on Each Major Federal Program

In our opinion, the Office of the Governor of the Commonwealth of Puerto Rico complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Office 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 Office'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 *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Office's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.



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
June 30, 2020

Aquino, De Cordova, Alfaro & Co., LLP

Stamp number E408734
of the Puerto Rico CPA Society
has been affixed to the
original report.



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

Section I- Summary of Auditors' Results

A. Summary of audit results:

Part I-Financial Statements

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

Internal control over financial reporting:

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

Part II- Federal Awards

Internal control over major programs:

1. Significant deficiencies identified? Yes No
2. Significant deficiencies reported as material weaknesses? Yes None reported
3. Type of auditors' reported on compliance for major programs: Unmodified opinion Qualified opinion
 Adverse opinion Disclaimer opinion
4. Audit findings disclosed that are required to be reported in accordance with the 2 CFR section 200.516(a)? Yes No

5. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
94.006	Americorps

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

7. Auditee qualified as low-risk? Yes No

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

No findings and questioned costs identified

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS AND QUESTIONED
COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reference Number: 2018-001

CFDA: 94.006

Federal Program: Americorps

Audit Finding: Financial, Internal Control Weakness and Noncompliance

Question Cost: None

Status of Corrective Action Plan: Corrected

Reference Number: 2018-002

CFDA: 94.006

Federal Program: All Federal Agencies in the SEFA

Audit Finding: Reporting

Question Cost: None

Status of Corrective Action Plan: Corrected

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

No action plan required.