

FINANCIAL STATEMENTS

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

**STATEMENT OF CASH RECEIPTS
AND DISBURSEMENTS**

YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 2021 in accordance with the cash basis of accounting described in Note A.

Basis of Accounting

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

Other Matters

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*, 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



Aquino, DeCórdova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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 September 30, 2022, 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
September 30, 2022



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Original report.



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COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021 and 2020. 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, 2021 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 years ended June 30, 2021 and 2020, the Commonwealth budgeted appropriations were decreased by approximately \$4,782,000 and \$4,500,000 respectively. 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

On June 30, 2021 and 2020, the statements of cash receipts and disbursements reflects an excess of receipts over disbursements in Commonwealth funds of approximately \$3,478,000 and \$1,594,000 respectively. 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 General Government Program for approximately \$4,475,000 in 2021 and \$11,600,000 in 2020 and under the Communication and citizen services for approximately \$5,603,000 in 2021 and \$5,400,000 in 2020.

The Commonwealth cash receipts represent approximately 90% of total cash receipts in 2021 and 2020. The Commonwealth expenditures represent approximately 90% of total expenditures in 2021 and 92% in 2020.

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, 2021

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, 2021

	<u>Commonwealth</u>	<u>Federal Funds</u>	<u>Total</u>
CASH RECEIPTS:			
Commonwealth appropriations	\$ 17,972,458	-	\$ 17,972,458
Federal government	-	<u>2,093,015</u>	<u>2,093,015</u>
Total receipts	<u>17,972,458</u>	<u>2,093,015</u>	<u>20,065,473</u>
CASH DISBURSEMENTS:			
General government	4,475,220	-	4,475,220
Executive mansion	1,572,835	-	1,572,835
First lady's office	349,905	-	349,905
Judicial appointments	94,406	-	94,406
Secretary of Development and Coordination of Public Policy	2,398,622	-	2,398,622
Communication and citizen services	5,603,117	-	5,603,117
U.S. Corporation for National and Community Service:			
Commonwealth Commissions Support	-	120,606	120,606
AmeriCorps	-	1,239,117	1,239,117
Training and Technical Assistance	-	17,838	17,838
U.S. Department of Health and Human Service:			
Head Start	-	153,592	153,592
U.S. Department of Homeland Security:			
Disaster Grant	-	2,500	2,500
	<u>14,494,105</u>	<u>1,533,653</u>	<u>16,027,758</u>
Excess of receipts over disbursements	<u>\$ 3,478,353</u>	<u>\$ 559,362</u>	<u>\$ 4,037,715</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, 2021

**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.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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.

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.

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, 2021

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

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.

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

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.

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, 2021

NOTE C - RETIREMENT PLAN- CONTINUED

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, 2021, was \$2,046,104.

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, 2021

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 - 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.

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, 2021, the monthly rent paid for this operating lease was approximately \$1,450. The total rent paid during the fiscal year ended June 30, 2021 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.

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, 2021

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 September 30, 2022, 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, 2021

Grantor Agency & Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-through to Subrecipient	Federal Expenditures
<u>Direct Programs</u>				
U.S Corporation for National and Community Services:				
AmeriCorps 16AFHPR001	94.006		\$ 2,283	\$ 2,283
AmeriCorps 19AFHPR001	94.006		1,236,834	1,236,834
State Commission Support 19CAHPR001	94.003		-	120,606
Tranning and Technical Assistance 19TAHPR001	94.009		-	16,743
Tranning and Technical Assistance 19TAHPR002	94.009		-	1,095
			<u>1,239,117</u>	<u>1,377,561</u>
<u>Direct Programs</u>				
U.S. Department of Health and Human Services:				
Head Start 02CD0040690100	93.600		-	100,636
Head Start 02CD4007-05-00	93.600		-	52,956
			<u>-</u>	<u>153,592</u>
<u>Pass-through Programs</u>				
U.S. Department of Homeland Security:				
Disaster Grant 015-4339SU01052	97.036		-	2,500
			<u>-</u>	<u>2,500</u>
Total Expenditures of Federal Awards			<u>\$ 1,239,117</u>	<u>\$ 1,533,653</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021. 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 \$1,533,653 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, 2021

NOTE D - SUBRECIPIENT

The Office provided federal awards to a subrecipient as follows:

<u>Grantor Agency & Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Amount Provided to Subrecipient</u>
<u>Direct Programs</u>		
U.S Corporation for National and Community Services:		
AmeriCorps	94.006	\$ <u>1,239,117</u>

NOTE E - RESTRICTIONS

Each federal program has its own use restrictions. Those restrictions are included in the corresponding OMB'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) 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 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, 2021, 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 September 30, 2022.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and question costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

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* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

Office of the Governor’s Response to Findings

The Office of the Governor’s response to the findings identified in our audit described in the accompanying schedule of finding and questioned costs. The Office’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *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
September 30, 2022



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CPA Society has been affixed to the
Original report



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**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 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, 2021. The Office major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Office's major federal program 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 major federal program. However, our audit does not provide a legal determination of the Office's compliance.

Opinion on 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 its major federal program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of finding and questioned cost as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the 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 major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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



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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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we considered to be significant deficiencies.

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

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

San Juan, Puerto Rico
September 30, 2022

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Stamp number E500247
Of the Puerto Rico CPA Society
Has been affixed to the
Original report.



Aquino, DeCórdova, Alfaro & Co., LLP

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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, 2021

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>CFDANumber</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
OFFICE OF THE GOVERNOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II- FINDINGS- MAJOR FEDERAL AWARDS PROGRAM AUDIT

Finding Number:	2021-001
Agency:	U.S Corporation for National and Community Services
Federal Program:	AmeriCorps
Assistance Listing:	94.006
Grant Number:	19AFHPR001
Grant Period:	October 1, 2019 through September 30, 2022
Compliance Requirement:	Subrecipient Monitoring
Category:	Significant deficiency, Instance of noncompliance

Criteria

The 2 CFR PART 200 Compliance Supplement explains that to meet the Subrecipient Monitoring requirement, the subrecipient activities must be monitored as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance objectives (2 CFR sections 200.332(d) to (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

- Reviewing financial and programmatic (performance and special reports) required by the pass-through entity (PTE).
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

The Office of the Commission for Volunteerism and Community Services in charge of the monitoring of the AmeriCorps program that is subgranted to other agencies. They monitor all the files of the agencies following the policies and procedures based on Alabama Commission's and Iowa Commission's Monitoring Tools. To carry out the monitoring process, the commission uses 9 modules. These modules are intended to review whether the program meets the requirements established by the grant award, terms and conditions and Uniform Guidance. The modules are the following:

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**SECTION II- FINDINGS- MAJOR FEDERAL AWARDS PROGRAM AUDIT-
CONTINUED**

- Module A: Organizational Profile
- Module B: Organization Member Information
- Module C: Individual Member File Review
- Module D: Financial Review
- Module E: Performance Measure Review
- Module F: Review
- Module G: Inclusion Review
- Module H: Member Interview
- Module I: Administrative

Generally, the monitoring should be carried out annually.

Condition

During our audit procedures for the year ended June 30, 2021, we noted the following deficiency related to Subrecipient Monitoring:

- The Commission for Volunteerism and Community Service carried out the monitoring virtually, but they presented as documentation a rubric which is not appropriate evidence. In relation to the modules, they only have Module D Financial Review available.

Cause

This situation is caused by the mismanagement of the documentation and by not having an appropriate supervision that ensures that the documents relating to the monitoring are kept for the years that are required.

Effect

Not having appropriate evidence on the monitoring can cause compliance with program requirement cannot be determined. Keeping a record of the monitoring is evidence that the commission is complying with monitoring and supervising the entities to ensure the proper management of the funds.

Questioned Costs

N/A

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OFFICE OF THE GOVERNOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**SECTION II- FINDINGS- MAJOR FEDERAL AWARDS PROGRAM AUDIT-
CONTINUED**

Prior Year Audit Finding

N/A

Recommendation

The Commission for Volunteerism and Community Service must keep a record of all the modules of the monitoring carried out.

Views of Responsible Official

Refer to Corrective Action Plan

Official

Amanda Préstamo Torres, Executive Director

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**SECTION II- FINDINGS- MAJOR FEDERAL AWARDS PROGRAM AUDIT-
CONTINUED**

Finding Number: 2021-002
Agency: U.S Corporation for National and Community Services
Federal Program: AmeriCorps
Assistance Listing: 94.006
Grant Number: 19AFHPR001
Grant Period: October 1, 2019 through September 30, 2022
Compliance Requirement: Special Test and Provisions
Category: Significant deficiency, Instance of noncompliance

Criteria

2 CFR PART 200 Compliance Supplement established that to ensure that the required National Service Criminal History Checks are completed following AmeriCorps regulations each member who is part of AmeriCorps must complete the following required checks within the required timelines. It consists of 3 checks:

- National Sex Offender Public Website nationwide check
- State of residence and state of service criminal history checks
- FBI fingerprint-based check.

All three checks must be conducted, reviewed, and an eligibility determination made by the grant recipient or subrecipient before a person begins to work or serve on an NSCHC-required grant. The three requirements are required for members who have access to vulnerable populations, (children age 17 or younger, persons age 60 and older and or people with disabilities). According to the National Service Criminal History Check manual, the member can start as long as the entire process has been started no later than the first day of service. These members who have the process pending must be accompanied by a person who has completed the process and must document all the process. One possible way to document accompaniment is to indicate on the covered person's timesheet:

- Who accompanied during the access

COMMONWEALTH OF PUERTO RICO
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

- On what dates and hours, and
- Have the person who performed the accompaniment incrementally sign off and attest to the accuracy of the documentation.

The company should have policies and procedures that clearly describe the accompaniment guidelines and documentation procedures. The documentation should show the day, times, accompanier, and individual accompanied.

Members must meet the requirements established by AmeriCorps State (ASN)

- U.S. Citizenship or Legal Residency
- Be 18 years of age or older (there are exceptions to serve from 17 under certain specifications).
- Have completed a fourth year of high school or GED (there are exceptions where the member may serve with a commitment to complete it).

Condition

During our audit procedures for the year ended June 30, 2021, we noted the following deficiencies related to the selection process for AmeriCorps members:

- Two members with access to vulnerable population began providing services without having completed all the requirements of the National Service Criminal History Checks.
- 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.

Cause

This situation may occur due to the lack of appropriate and timely guidance to the subrecipients on the requirements that must be met or the lack of supervision of the Puerto Rico Commission for Volunteerism and Community Service to the subrecipients during the monitoring carried out annually.

Effect

Failure to complete the National Service Criminal History Checks before the person begins providing services may result in the hiring of a person who is not eligible for AmeriCorps membership and may jeopardize the safety of persons receiving service.

Questioned Costs

N/A

COMMONWEALTH OF PUERTO RICO
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Prior Year Audit Finding

N/A

Recommendation

The Puerto Rico Commission for Volunteerism and Community Service must ensure that the entities that receive funds meet the member selection requirements. For this, the entities must receive guidance on this subject. Also, they must ensure that they are evaluated in the monitoring process without exception and with the purpose of guiding them and that can comply with all the program requirements.

Views of Responsible Official

Refer to Corrective Action Plan

Official

Amanda Préstamo Torres, Executive Director

**COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



GOVERNMENT OF PUERTO RICO
PUERTO RICO GOVERNOR'S COMMISSION FOR VOLUNTEERISM AND COMMUNITY SERVICE

**Commonwealth of Puerto Rico
Office of the Governor
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2021**

Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date:	Responsible for Implementation:
2021-001 U.S Corporation for National and Community Services	The Commission for Volunteerism and Community Service must keep a record of all the modules of the monitoring carried out.	During the review of policies and procedures after assuming the executive direction of the Commission for Volunteerism and Community Service in August 2021, a lack of monitoring documentation was identified. Since October 2021 to July 2022, a new compliance monitoring procedure was developed. The monitoring modules were revised, a monitoring tool with instructions on how to use it was created. The instructions of the new compliance monitoring tool establish that "copies of all completed forms and correspondence will be kept in the program file". A hard copy of the completed compliance monitoring tool must be in the ASN project file and in the Commission's share folder in the Governor's Office Server/OneDrive cloud.	August 2022	Amanda L. Préstamo Torres, Executive Director

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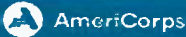
COMMONWEALTH OF PUERTO RICO
OFFICE OF THE GOVERNOR
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021



GOVERNMENT OF PUERTO RICO
 PUERTO RICO GOVERNOR'S COMMISSION FOR VOLUNTEERISM AND COMMUNITY SERVICE

Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Responsible for Implementation:
2021-002 U.S. Corporation for National and Community Services	The Puerto Rico Commission for Volunteerism and Community Service must ensure that the entities that receive funds meet the member selection requirements. For this, the entities must receive guidance on this subject, in addition, they must ensure that they are evaluated in the monitors without exception and with the purpose of guiding them and that you comply with all the requirements.	Each year all entities receiving AmeriCorps State and National (ASN) Formula funds must attend to the ASN grants management training designed by the Commission. The curriculum of the training includes the member selection requirements. Since August 2022, the Commission implemented a Desk Review process to be able to review all projects compliance. In the Desk Review process the projects submit, per request of the Commission officers, specific documentation. Part of the documentation requested is the recruitment and selection procedures as well as a member file for compliance review. If any documents are found in noncompliance, an action plan will be established to ensure compliance. For program year 2021-2022 the training was on September 28, 2021, and for program year 2022-2023 on September 15 and 16, 2022.	August 2022	Amanda L. Préstamo Torres, Executive Director

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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, 2021

There are no prior year audit findings.