

Department of Economic Development and Commerce of Puerto Rico
(An Agency of the Commonwealth of Puerto Rico)

Basic Financial Statements and Supplementary Information
Required by the *Government Auditing Standard* and the Uniform Guidance

Fiscal Year Ended June 30, 2019

With Reports of Independent Auditor

Puerto Rico Department of Economic Development and Commerce
(An Agency of the Commonwealth of Puerto Rico)

Fiscal Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Manuel Cidre Miranda
Secretary of Economic Development and Commerce
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **Puerto Rico Department of Economic Development and Commerce** (an agency of the Commonwealth of Puerto Rico) (hereinafter "the Department"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Qualified
Workforce Innovation Opportunity Act Fund (WIOA)	Qualified
Tax Incentives Fund	Qualified
Administration Fund	Qualified
Film Industry Development Program Fund	Qualified
Weatherization Assistance Program Fund	Qualified
State Governmental Fund	Qualified
Other Governmental Funds	Qualified

Basis for Qualified Opinions

1. The Department does not account for WIOA reimbursements due from the U.S. Department of Labor (DOL), as they are billed. Instead, the balance due from the DOL, as presented in the balance sheets - governmental funds, amounting to \$15,160,132, is recorded based on an estimate made by management. Therefore, it is not practicable to determine the amount for which this balance could be misstated.
2. The Department lacks controls to ascertain the accuracy and completeness of operating accounts payable and accruals (with a balance, as of June 30, 2019, of \$6,040,522 under Governmental Activities and \$1,143,124 under the Business-type Activities in the statement of net position). Therefore, it is impracticable to determine the amount, for which operating accounts payable and accruals, and related expenditures (principally administrative expenses, excluding payroll), may be misstated.
3. The Department lacks controls to classify interfund transactions based on their nature, as reciprocal or non-reciprocal transactions. Therefore, it is impracticable to determine the classification and accuracy of interfund balances and transfers, and whether the related expense amounts, are presented in the correct opinion unit. As of June 30, 2019, and for the year then ended, the financial statements presented the following interfund balances and transactions:

<u>Statement of Net Position:</u>		<u>Statement of Activities</u>	
Due from/(to) other funds:	Transfers:		
Governmental Activities	\$ 10,275,576	Governmental Activities	\$ 3,069,094
Business-type Activities	(10,275,576)	Business-type Activities	(3,069,094)
Total	<u>\$ -</u>	Total	<u>\$ -</u>

4. As disclosed in Notes 2(e) and 10, as of June 30, 2019, in accordance with statutory requirements, the Department had a recorded liability of \$1,907,641 for unencumbered previous-year balances of allocation from the Commonwealth's General Fund that can no longer be obligated. Management was unable to provide us with support for the accuracy and completeness of this balance.

Qualified Opinions

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinions” paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Puerto Rico Department of Economic Development and Commerce, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matters

Department of Labor Monitoring of WIOA Operations

On October 2, 2019, the DOL's Employment and Training Administration Office issued a monitoring report, resulting from the monitoring of the WIOA operations within the Department for the years 2019, 2018, and 2017. The DOL disallowed certain subrecipient benefits, totaling \$30,248, that the Department was able to recover from the subrecipient and return to the DOL. The monitoring also resulted in eleven issues for which the Department was required to prepare an extensive action plan that is currently in process, as of the date the financial statements were issued. Our opinion of the WIOA opinion unit was modified for qualifications No. 1 and 2, under the "*Basis of Qualified Opinions*" section.

Change in Reporting Entity

As described in Note 3 to the financial statements, the Department combined three previously separated entities, the Permit Management Office, the Public Energy Policy Program, and the Industrial Tax Exemption Office to its operations. These changes in reporting entity represent a decrease to the fund balance of \$1,829,808 and a decrease in net position of \$48,418,526.

Transfer of Operations

As described in Note 3 to the financial statements, the operations of the Business Development Program were transferred to the Department. This change in operations represents an increase to the net position of \$2,974,955.

Restatement

As described in Note 3 to the financial statements, the net position of the governmental activities has been restated as of July 1, 2018, by \$1,381,870 to correct certain oversights in the presentation of the 2018 financial statements, resulting from information that was not timely provided to the accounting department. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis, budgetary comparison information, schedule of the proportionate share of the total pension liability, and schedule of proportionate share of the employee retirement system for post-employment benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2022, on our consideration of the Department'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 solely 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 Department'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 Department's internal control over financial reporting and compliance.

April 7, 2022, except for *Auditor's Responsibility*,
Other Matters - Other Information and Other Reporting
Required by *Government Auditing Standards* paragraph
which date is August 1, 2022

Stamp number E493399 was
affixed to the original of this
report.

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PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE

(An Agency of the Commonwealth of Puerto Rico)

Statement of Net Position

As of June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash in commercial bank	\$ 7,886,684	\$ 11,815,926	\$ 19,702,610
Restricted cash, in commercial bank	4,410,050	-	4,410,050
Accounts receivable:			
Federal agencies	16,316,243	-	16,316,243
Management fees	-	5,131,150	5,131,150
Other receivables	79,452	30,464	109,916
Due from other funds, net	10,275,576	(10,275,576)	-
Other	22,200	-	22,200
Capital assets	416,187	16,145	432,332
	<u>\$ 39,406,392</u>	<u>\$ 6,718,109</u>	<u>\$ 46,124,501</u>
Deferred outflows of resources			
Pension related	\$ 2,797,694	\$ -	\$ 2,797,694
Other postemployment benefits related	47,025	-	47,025
	<u>\$ 2,844,719</u>	<u>\$ -</u>	<u>\$ 2,844,719</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 6,040,522	\$ 1,143,124	\$ 7,183,646
Due to Commonwealth	7,338,448	-	7,338,448
Rent payable:			
Puerto Rico Industrial Development Company	-	714,563	714,563
Puerto Rico Building Authority	3,000,207	-	3,000,207
Due to US Department of Labor	11,429	-	11,429
Due to subrecipients	12,855,307	-	12,855,307
Total pension liability	27,324,999	-	27,324,999
Total OPEB liability	695,347	-	695,347
Voluntary termination benefits:			
Due within one year	178,961	24,474	203,435
Due in more than one year	1,045,725	-	1,045,725
Accrued compensated absences:			
Due in one year	891,685	46,092	937,777
Due in more than one year	852,234	30,073	882,307
	<u>\$ 60,234,864</u>	<u>\$ 1,958,326</u>	<u>\$ 62,193,190</u>
Deferred inflows of resources			
Pension related	\$ 1,776,511	\$ -	\$ 1,776,511
Net position			
Net investment in capital assets	\$ 416,187	\$ 16,145	\$ 432,332
Unrestricted (deficit)	(20,176,451)	4,743,638	(15,432,813)
	<u>\$ (19,760,264)</u>	<u>\$ 4,759,783</u>	<u>\$ (15,000,481)</u>

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Statement of Activities

For the year ended June 30, 2019

	Program revenues			Net (expenses) revenues and changes in net position			
	Expenses	Charges for services - fees, Commissions, and others	Operating grants and Contributions	Other Revenues	Governmental Activities	Business-Type Activities	Total
Functions/programs							
Governmental Activities:							
General government	\$ 7,713,942	\$ -	\$ 6,534,437	\$ -	\$ (1,179,505)	\$ -	\$ (1,179,505)
Labor development	72,566,456	-	72,638,811	-	72,355	-	72,355
Tax incentives	5,847,635	-	2,757,361	-	(3,090,274)	-	(3,090,274)
Film industry development	840,489	-	38	-	(840,451)	-	(840,451)
Green Energy incentives	5,613,829	-	5,613,829	-	-	-	-
Youth development	781,303	-	2,025,000	-	1,243,697	-	1,243,697
Permits management	5,569,074	-	6,085,671	-	516,597	-	516,597
Pension and other postemployment benefits	-	-	71,981,987	-	71,981,987	-	(7,227)
Total governmental activities	<u>98,932,728</u>	<u>-</u>	<u>167,637,134</u>	<u>-</u>	<u>68,704,406</u>	<u>-</u>	<u>(3,284,808)</u>
Business-type activities:							
Operating and administrative	8,907,356	8,631,535	-	162,652	-	(113,169)	(113,169)
Total business-type activities	<u>8,907,356</u>	<u>8,631,535</u>	<u>-</u>	<u>162,652</u>	<u>-</u>	<u>(113,169)</u>	<u>(113,169)</u>
Total functions/programs	<u>\$ 107,840,084</u>	<u>\$ 8,631,535</u>	<u>\$ 167,637,134</u>	<u>\$ 162,652</u>	68,704,406	(113,169)	68,591,237
Transfer in/out					3,069,094	(3,069,094)	-
Special Item							
Transfer of operations					-	2,974,955	2,974,955
Change in net Position					<u>71,773,500</u>	<u>(207,308)</u>	<u>71,566,192</u>
Net position - Beginning of year, as previously reported					(44,497,108)	4,967,091	(39,530,017)
Restatements, including change in reporting entities					<u>(47,036,656)</u>	<u>-</u>	<u>(47,036,656)</u>
Net position - Beginning of year, as restated					<u>(91,533,764)</u>	<u>4,967,091</u>	<u>(86,566,673)</u>
Net position - End of year					<u>\$ (19,760,264)</u>	<u>\$ 4,759,783</u>	<u>\$ (15,000,481)</u>

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Balance Sheets - Governmental Funds

As of June 30, 2019

	General Fund	Workforce Innovation Opportunity Act Fund	Tax Incentives Fund	Film Industry Development Program Fund	Weatherization Assistance Program Fund	State Energy Program Fund	Other Governmental Funds	Total
Assets								
Cash with commercial banks	\$ -	\$ 94,067	\$ 2,887,598	\$ 4,680,495	\$ 224,524	\$ -	\$ -	\$ 7,886,684
Restricted cash with commercial banks	-	-	4,410,050	-	-	-	-	4,410,050
Accounts receivable:								
Federal Agencies	-	15,160,132	-	-	971,234	184,877	-	16,316,243
Other receivables	72,104	-	5,000	-	-	-	2,348	79,452
Other	-	-	-	22,200	-	-	-	22,200
Internal Balances	2,790,368	(1,285,681)	1,785,893	1,376,334	(26,886)	-	5,635,548	10,275,576
Total assets	\$ 2,862,472	\$ 13,968,518	\$ 9,088,541	\$ 6,079,029	\$ 1,168,872	\$ 184,877	\$ 5,637,896	\$ 38,990,205
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 1,184,197	\$ 1,102,667	\$ 2,181,788	\$ 278,320	\$ 332,992	\$ -	\$ 960,558	\$ 6,040,522
Rent payable to Puerto Rico Building Authority	-	-	-	-	-	-	3,000,207	3,000,207
Due to US Department of Labor	-	11,429	-	-	-	-	-	11,429
Due to subrecipients	-	12,854,422	-	-	-	-	885	12,855,307
Due to Commonwealth	201,994	-	4,410,050	33,014	835,880	184,877	1,672,633	7,338,448
Total liabilities	1,386,191	13,968,518	6,591,838	311,334	1,168,872	184,877	5,634,283	29,245,913
Fund balances:								
Unassigned	1,476,281	-	2,496,703	5,767,695	-	-	3,613	9,744,292
Total fund balances	1,476,281	-	2,496,703	5,767,695	-	-	3,613	9,744,292
Total liabilities and fund balances	\$ 2,862,472	\$ 13,968,518	\$ 9,088,541	\$ 6,079,029	\$ 1,168,872	\$ 184,877	\$ 5,637,896	\$ 38,990,205

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances	\$	9,744,292
Capital assets used in governmental activities are not financial resources and, therefore, are not report in the funds		416,187
Deferred outflow of resources - pension related		2,797,694
Deferred outflow of resources - OPEB related		47,025
Total pension liability		(27,324,999)
Total OPEB liability		(695,347)
Deferred inflow of resources - pension related		(1,776,511)
Accrued compensated absences liability not to be paid with current financial resources, therefore, not reported in the fund financial statements		(1,743,919)
Accrued termination benefits liability not to be paid with current financial resources, therefore, not reported in the fund financial statements		(1,224,686)
		(1,224,686)
Net position of governmental activities	\$	(19,760,264)

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the year ended June 30, 2019

	General Fund	Workforce Innovation Opportunity Act Fund	Tax Incentives Fund	Film Industry Development Program Fund	Weatherization Assistance Program Fund	State Energy Program Fund	Other Governmental Funds	Total
Revenues:								
Intergovernmental revenues	\$ 12,794,296	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ 5,925,526	\$ 18,859,822
Federal Grant	-	72,292,556	-	-	1,128,594	410,521	346,254	74,177,925
Tax incentives	-	-	2,617,360	-	-	-	-	2,617,360
Other income	-	-	1	38	-	-	-	39
Total revenues	12,794,296	72,292,556	2,757,361	38	1,128,594	410,521	6,271,780	95,655,146
Expenditures:								
Program direct expenditures	6,221,935	66,113,251	-	199,500	820,615	239,900	4,597,244	78,192,445
Administrative expenditures	2,009,830	6,171,432	5,847,635	640,989	307,979	170,621	5,886,774	21,035,260
Capital outlays	2,264	15,100	-	-	-	-	2,764	20,128
Total expenditures	8,234,029	72,299,783	5,847,635	840,489	1,128,594	410,521	10,486,782	99,247,833
			-					
Excess (deficiency) of revenues under expenditures	4,560,267	(7,227)	(3,090,274)	(840,451)	-	-	(4,215,002)	(3,592,687)
Other financing sources (uses):								
Transfers-in	-	-	-	2,104,742	-	-	7,258,446	9,363,188
Transfers-out	(3,560,060)	(2,999)	(2,731,035)	-	-	-	-	(6,294,094)
Total other financing sources (uses)	(3,560,060)	(2,999)	(2,731,035)	2,104,742	-	-	7,258,446	3,069,094
Net change in fund balances	1,000,207	(10,226)	(5,821,309)	1,264,291	-	-	3,043,444	(523,593)
Fund balance — beginning of year	572,627	10,226	6,936,142	4,503,404	-	-	(1,306,576)	10,715,823
Restatement, including change in reporting entities	(96,553)	-	1,381,870	-	-	-	(1,733,255)	(447,938)
Fund balance — beginning of year restated	476,074	10,226	8,318,012	4,503,404	-	-	(3,039,831)	10,267,885
Fund balance — end of year	\$ 1,476,281	\$ -	\$ 2,496,703	\$ 5,767,695	\$ -	\$ -	\$ 3,613	\$ 9,744,292

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances -
 Governmental Funds to the Statement of Activities

For the year ended June 30, 2019

Amounts reported for governmental activities in the statement
 of activities are different because:

Net changes in fund balance — total governmental funds	\$	(523,593)
Pension benefit		71,964,177
OPEB benefit		17,811
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. In the current period these amounts are:		
Capital outlays		21,383
Less: Depreciation		<u>(134,487)</u>
Subtotal		(113,104)
Decrease in the accrued compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds.		
		229,676
Decrease in the accrued termination benefits reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds.		
		228,052
Other		<u>(29,519)</u>
Change in net position of governmental activities	\$	<u><u>71,773,500</u></u>

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Statement of Net Position – Proprietary Fund

As of June 30, 2019

	Administration Fund
Assets	
Current assets:	
Cash in commercial banks	\$ 11,815,926
Management fees receivable	5,131,150
Other receivables	30,464
Total current assets	16,977,540
Noncurrent assets:	
Capital assets	16,145
Total noncurrent assets	16,145
Total assets	\$ 16,993,685
Liabilities and net position	
Liabilities:	
Current liabilities	
Accounts payable and accrued liabilities	\$ 1,143,124
Rent payable to Puerto Rico Industrial Development Company	714,563
Voluntary termination program benefits	24,474
Internal balances	10,275,576
Total current liabilities	12,157,737
Noncurrent liabilities:	
Accrued compensated absences	76,165
Total noncurrent liabilities	76,165
Total liabilities	12,233,902
Net position:	
Net investment in capital assets	16,145
Unrestricted	4,743,638
Total net position	4,759,783
Total liabilities and net position	\$ 16,993,685

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Statement of Revenue, Expenses and Changes in Net Position – Proprietary Funds

For the year ended June 30, 2019

	Administration Fund
Operating revenues:	
Administrative management fees	\$ 8,631,535
Interest income	102,493
Other	60,159
Total operating income	8,794,187
Operating expenses:	
Salaries and fringe benefits	5,381,468
Legal and professional fees	2,186,115
Occupancy costs	470,413
Office and administrative	863,241
Depreciation	6,119
Total operating expenses	8,907,356
Operating loss	(113,169)
Special Item	
Transfer of operations	2,974,955
Other financing sources (uses)	
Transfers-in	1,198,396
Transfers-out	(4,267,490)
Total other financing sources uses	(3,069,094)
Change in net position	(207,308)
Net position — beginning of year	4,967,091
Net position — end of year	\$ 4,759,783

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Statement of Cash Flows – Proprietary Funds

For the year ended June 30, 2019

	Administration Fund
Cash flows from operation activities:	
Cash received from administration fees	\$ 9,570,879
Cash paid for expenses, other than payroll	(4,042,523)
Cash paid for payroll and related costs	(5,479,411)
Other receipts	11,861,120
Net cash provided by operating activities	11,910,065
Cash flows from noncapital financing activities	
Net transfers-out	(3,069,094)
Net cash used in noncapital financing activities	(3,069,094)
Cash flows from capital and related financing activities	
Transfer of operations	2,974,955
Net cash provided by capital and related financing activities	2,974,955
Net change in cash	11,815,926
Cash in commercial banks, beginning of year	-
Cash in commercial banks, end of year	\$ 11,815,926
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (113,169)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,119
Changes in operating assets and liabilities:	
Accounts receivable	908,880
Internal balances	11,728,932
Accounts payable and accrued liabilities	(1,045,059)
Rent payable to Puerto Rico Industrial Development Company	522,305
Accrued compensated absences	76,165
Voluntary termination program benefits	(174,108)
Net cash provided by operating activities	\$ 11,910,065

See accompanying notes to the basic financial statements.

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE
(An Agency of the Commonwealth of Puerto Rico)

Notes to Basic Financial Statements

As of and for the year ended June 30, 2019

1. GOVERNMENTAL ENVIRONMENT

Organization

The Department of Economic Development and Commerce (the “Department”), and the office of the Secretary of Economic Development and Commerce (the “Secretary”), its director, were created by The Reorganization Plan No. 4 of June 22, 1994, as amended (the “Reorganization Plan”). The Department is responsible for implementing Puerto Rico’s public policy on economic development in the various entrepreneurial sectors of manufacturing, commerce, tourism, services, the cooperative movement, and others. The Reorganization Plan also attached the Economic Development Administration to the Department, as an operating component. Thereafter, Act No. 203, of December 29, 1997, was enacted to transfer all functions, powers, and duties of the Economic Development Administration to the Industrial Development Company and incorporate it to Reorganization Plan.

Act No. 171 of October 2, 2014 was enacted to incorporate the Labor Development Program, the Film Industry Development Program, and the Youth Development Program under the Department, repealing certain other laws under which those activities were previously carried. Under Act No. 171, all employees, and assets of the three programs were transferred to the Department. See Note 21, *Subsequent Events*, for disclosure of the consolidation project for various other entities into the Department.

Labor Development Program

The Labor Development Program’s (formerly, the Labor Development Administration) (“LDP”) main activity is the administration of federal funds received from the US Department of Labor, especially from the Workforce Innovation Opportunity Act Programs (“WIOA”). The purpose of WIOA funds is to increase the employment, retention, earnings, and occupational skill attainment of US workers, particularly those individuals with barriers to employment. WIOA programs administered by the LDP are: Adult Program, Youth Activities Program, and Dislocated Worker Formula Grants.

Film Industry Development Program

The Film Industry Development Program (formerly the Corporation for the Development of the Arts, Science, and Film Industry of Puerto Rico) (“FIDP”) was created for the development of the arts and the film industry in Puerto Rico. Through this program, the Department provides incentives to the film industry to produce movies and for the development of the film industry within Puerto Rico by means of financing, donations, tax incentives, tax credits, among other. Its revenues consist of legislative appropriations, charges for services, consisting of a 1% application fee of the Puerto Rico production expenditures of film projects applying for tax benefits under Act No. 27 of 2011. Effective July 1, 2019, some of the benefits provided under this Act are being provided under Act No. 60 of 2019.

Youth Development Program

The Youth Development Program (formerly the Office of Youth Affairs) (“YDP”) was created to facilitate the training, employment, entertainment, and spiritual recreation of the Puerto Rican youth. By understanding the need for a coordinated and comprehensive attention to this sector of the population, young people play as framers to the future of the economic development of Puerto Rico. Its revenues consist of legislative appropriations. YDP integrates young people in the economic development of Puerto Rico through the programs: “Juvempleo”, and micro-enterprises.

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Business Development Office Program

The Business Development Office Program is responsible for promoting the industrial, economic, and social development of the Island in tune with the new challenges presented by a globalized economy. This, together with a new vision and new strategies of development, is one of the tools that this administration has to stand out local economy and achieve a profound transformation in Puerto Rico. Its revenues consist of legislative appropriations.

The Public Energy Policy Program (“PPE”)

The Public Energy Policy Program (“PPE”) is responsible for developing and promulgating the public energy policy of the Government of Puerto Rico, by virtue of Act No. 141 of July 11, 2018. Among its many functions, it is responsible for managing and operating different federal programs, including the Home Air Conditioning Program (“WAP”), the State Energy Program (“SEP”) and the State Program of the Green Energy Fund, with the main purpose of promoting energy efficiency and introducing renewable energies to Puerto Rico's electricity grid. Under Act No. 17-2019, it is intended to mitigate Puerto Rico's dependence on centralized fossil fuel plants and optimize the available energy resources to build resilience and, ultimately, make it easier for the island to obtain 100% of its energy from renewable sources by 2050. Its revenues consist of grants from the U.S. Department of Energy.

The Office of Permit Management (“OGPe”)

The Office of Permit Management (“OGPe”) is created under Act No. 161 of December 1, 2009, known as the "Law for the Reform of the Permit Process of Puerto Rico." This law establishes that the OGPe will be the office in charge of issuing final determinations and permits, licenses, inspections, certifications and any other authorization or procedure that is necessary to meet the requests of citizens. Facilitate and promote the integral, economic, social, and sustainable physical development of Puerto Rico that will result in the growth of more, better, and diverse industries and the creation of jobs in the private sector. Its revenues consist of legislative appropriations.

The Office of Industrial Tax Exemption (“OITE”)

The Office of Industrial Tax Exemption (previously Tax Exemption Office) was created by Act No. 73-2008, as amended, to supervise the compliance of the terms and conditions of incentives that forgo tax revenues to companies that establish their operations in Puerto Rico. The principal function of the OITE is to review, manage and administer several incentives acts. The OITE was succeeded by the Office of Incentives for Business of Puerto Rico of the Department, created by Act No. 60-2019, as amended, known as the Puerto Rico Incentives Code. Its revenues consist of legislative appropriations.

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The following Acts were enacted to provide incentives that make Puerto Rico competitive:

Act No. 60 (effective July 1, 2019) – On July 1, 2019 the Commonwealth enacted Act No. 60-2019 known as the Puerto Rico Incentives Code (the Incentives Code), which compiles all current and outstanding tax incentives laws into a single code. Qualifying industries such as scientific research and development, manufacturing operations, export services, financial and insurance services, green and efficient energy production, recycling businesses, technology, film, agriculture, hospital facilities, hotels and related tourist activities are eligible to apply for certain preferential tax rates, tax credits, cash grants, and full or partial exemptions from income, property, municipal, and other taxes.

Aiming to codify incentives granted for diverse purposes throughout decades in one code and foster economic development more effectively, the Incentives Code establishes a Return on Investment (ROI) methodology as a measurement tool to grant tax incentive benefits. Since January 1, 2020, all tax incentive applications are submitted under the Incentives Code, however, the previous incentives issued under provisions from deprecated acts are still subject to the provisions of the acts they were issued under.

The Incentives Code adopts a legal and administrative framework for the application, evaluation, and grant or denial of incentive benefits by the Commonwealth. The following are some of the standard terms and benefits provided by the Incentives Code to eligible businesses and individuals:

- 4% fixed income tax rate on eligible income
- 75% exemption on property taxes
- 50% exemption on municipal taxes
- Research & Development tax credits of up to 50%

Act No. 20 (consolidated into Act No. 60) – The Incentive Act the services export was enacted to develop Puerto Rico as a center of international services. Also, the Act promote the permanence and return of local professionals and attract foreign capital achieving the way an economic development for Puerto Rico.

Act No. 22 (consolidated into Act No. 60) – Incentive Act for the transfer of individuals to Puerto Rico. The purpose of this incentive is to promote that individuals who have not been residents of Puerto Rico in at least 15 years and held investments on or outside of United States establish a residence in Puerto Rico. To incentive the transfer of these individuals to Puerto Rico, this Act totally exempts the payment of income tax in Puerto Rico, and the passive income accrued by these individuals with respect to their investments. In addition, the long-term capital gains are exempt of income taxes.

Act No. 14 (consolidated into Act No. 60) – Incentive Act for the retention and return of medical professionals. Individuals with a qualifying degree under this Act will be subject to a fixed tax rate of 4% on income from medical services. In addition, they can make voluntary contributions after income taxes up to 25% their net income to retirement plans (Keogh Plans) or 25% of their income to corporate retirement plans.

Act No. 27 (consolidated into Act No. 60) – See previous reference to the Film Industry Development Program.

Act No. 73 (consolidated into Act No. 60, and until that date administered by PRIDCO) – The Industrial Incentive Act was established to help promote economic development in Puerto Rico, improve the local industry and attract foreign investment by providing numerous tax incentives to businesses that are engaged in eligible activities in Puerto Rico.

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All decrees granted under Acts now consolidated into Act No. 60 continue in effect until expiration renegotiation.

The Department also oversees various governmental instrumentalities that include agencies and public corporations focused on different economic sectors and initiatives to achieve its public policy goals. Each instrumentality is a component unit of the Commonwealth and respond to the Secretary in administrative Act matters only, as stipulated by the Reorganization Plan. The following instrumentalities are defined as operational components created by independent laws:

Industrial agencies

- Economic Development Administration operates under Act No. 203 of December 29, 1997.
- Puerto Rico Industrial Company (“PRIDCO”) operates under Act No. 188 of May 11, 1942, as amended.
- Puerto Rico Tourism Company (“PRTC”) operates under Act No. 10 of June 18, 1970, as amended.
- Puerto Rico Trade and Export Company (“PRTEC”) operates under Act No. 323 of December 28, 2003, as amended.
- Horse Racing Sport & Industry Administration (“HRSIA”) operates under Act No. 83 of July 2, 1987.
- Office of Industrial Tax Exemption (“OITE”) operates under Act No. 73 of May 28, 2008, as amended.

Regional Development Agencies

- Puerto Rico Land Administration (“PRLA”) operates under Act No. 13 of May 16, 1962, as amended.
- Local Redevelopment Authority Roosevelt Roads (“LRA-RR”) operates under Act No. 508 of September 29, 2004, as amended.
- Puerto Rico Convention District Authority (“PRCCDA”) operates under Act No. 351 of September 2, 2000, as amended.
- Port of the Americas operates under Act No. 171 of August 11, 2002, as amended.
- Puerto Rico Cooperative Development Commission (“PRCDC”) operates under Act No. 247 of August 10, 2008 as amended.
- Ponce Ports Authority (PPA) Act No. 240 of 2011.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Department conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”), for governments as prescribed by the Government Accounting Standards Board (“GASB”).

The accompanying basic financial statements present the financial position of the Department, the results of operations of the Department and its various funds, and the cash flows of the proprietary fund. The basic financial statements are presented as of June 30, 2019, and for the year then ended.

(a) Financial Reporting Entity

The Department includes all funds and functions that have been determined to meet the requirement for inclusion in the Department’s financial reporting entity. The Department has considered all potential component units for which it is financially accountable, other organizations which are fiscally dependent on the Department, and the significance of their relationship with the Department is such that exclusion would be misleading or incomplete.

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GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing an organization's governing body voting majority and the ability of the Department to impose its will over that organization or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Department. Based on the above criteria, there are no potential component units that should be included in the basic financial statements.

The basic financial statements of the Department are intended to present the financial position, and the changes in financial position of the Department. It does not intend to and does not present fairly the financial position and changes in financial position of the Commonwealth in conformity with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net position and the statement of activities report information of all the activities of the Department. The effect of interfund balances has been removed from the government-wide statement of net position, except for the residual amounts due between governmental and business-type activities. Interfund charges for services among functions of the government-wide statement of activities have not been eliminated. The Department's activities are distinguished between governmental and business-type activities. Governmental activities are generally supported by intergovernmental revenue and certain taxes are reported separately from business-type activities, which rely to a significant extent on management fees charged to the operational components, previously listed for administrative services.

The statement of net position presents the Department's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets net of accumulated depreciation.
- *Restricted Net Position* – This component of net position results of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets supported. Restricted assets result when constraint placed on those assets use is either, externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, and then unrestricted resources as they are needed.

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The accompanying statement of activities presents the Department's results of operations by showing how the net position changed during the fiscal year. The statement presents the cost of each function/program as well as the extent to which each of the Department's functions, programs expenses or other services either contributes to or draws from the Department's general revenues.

A function/program describes a group of activities that are aimed at accomplishing a major service or regulatory responsibility. The functions/programs reported in the accompanying basic financial statements are general government, WIOA and other governmental programs.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include (i) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (ii) management fees charged to the operational components for administrative services. Other items not meeting the definition of program revenues are instead reported as general revenues.

Program's revenues are generated directly from a program itself or may come from parties outside the Department. In the statement of activities, program revenues reduce the costs (expenses) of the function/program to arrive at the net cost of the function/program that must be financed from the Department's general revenues. The accompanying statement of activities reports the following categories of program revenues:

- **Charges for Services, Fees, Commissions, and Others** – These revenues generally consist of exchange or exchange-like transactions involving charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services. These revenues include fees charged to its operational units, which are component units of the Commonwealth, for administrative functions.
- **Operating Grants and Contributions** – These revenues consist of transactions that are either mandatory or voluntary non-exchange transactions with other governments that restrict the resources for use in a particular program. Operating grants and contributions consist of resources that are required to be used to finance the costs of operating a specific program or can be used either for operating or capital purposes of a specific program. Restricted operating grants and contributions are program revenues because they are specifically attributable to a program and reduce the net expense of that program to the Department. Program grants and contributions are reported net of estimated uncollectible amounts.

Governmental Fund Financial Statements – Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the Department that are reported in the accompanying basic financial statements have been classified into governmental and proprietary funds. Major funds are determined using a predefined percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenue, or expenditures/expenses of either the fund category or the governmental and proprietary funds combined. The nonmajor funds are combined in a single column in the fund financial statements.

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Governmental Funds

Governmental funds focus on the sources and uses of funds and provide information on near-term inflows, outflows, and balances of available resources. The Department reports the following governmental funds:

- *General Fund* – This fund is used to account for and report all financial resources received and used for those services traditionally provided by a government, except for those required to be accounted for and reported in another fund. The financial resources received and used in this fund mostly include budgeted resources (such as charges for services), as approved by the Commonwealth Legislature and as adjusted for timing and basis of accounting differences, and other financial resources outside the General Fund budget such as: federal funds, other special revenue, and general-type funds.
- *Workforce Innovation and Opportunity Act (“WIOA”) Program Fund* – This special revenue fund is used to account for the specific revenue sources related to the WIOA Programs. WIOA reforms federal job training programs and creates a new, comprehensive workforce investment system.
- *Tax Incentives Fund* – Accounts for the specific revenue sources related to tax incentive laws that apply to corporations and individuals.
- *Film Industry Development Program Fund* – Accounts for incentives to the film industry to produce movies and for the development of the film industry within Puerto Rico by means of financing, donations, tax incentives, tax credits, among others.
- *Weatherization Assistance Program Fund (“WAP”)* – Accounts for funds that are used to improve the energy performance of dwellings families in need, using the most advanced technologies and testing procedures available in the housing industry
- *State Energy Program Fund (“SEP”)* – Accounts for funds received to promote innovative approaches for local clean energy development that will reduce energy bills for families and businesses, protect the environment by reducing carbon emissions, and increase our energy security.

Non-major governmental funds are reported within a single column and include several special revenue funds. These funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specified purposes other than the WIOA, WAP, and SEP Funds.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the classification of fund balance is based on the extent to which the Department is bound to observe constraints imposed upon the use of resources in governmental funds. The classifications are as follows:

- *Non-Spendable* – Amounts that are not in a spendable form or are legally or contractually required to be maintained intact. Such balance is associated with inventories, prepaid and long-term loans and notes receivable, and property held for re-sale (unless the proceeds are restricted, combined, or assigned).

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- *Restricted* – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for a specific purpose.
- *Committed* – Amounts that are constrained for specific purposes that are internally imposed by the government's formal action at the highest level of decision-making authority and do not lapse at year-end. The highest level of decision authority for the Department is the Secretary, and the formal action is the enactment of an act, specifying the purposes for which amounts can be used.
- *Assigned* – includes fund balance amounts that are constrained by the Department and are intended to be used for specific purposes that are neither considered restricted nor committed.
- *Unassigned* – is the residual classification for the General Fund. In a governmental fund other than the General Fund, a negative amount indicates that the expenditures incurred for a specific purpose exceeded the amounts in the fund that are restricted, committed, and assigned to that purpose.

The Department uses restricted amounts first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, unless required by law or agreement, the Department would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Department does not have a formal minimum fund balance policy.

The Department reduces restricted amounts, committed amounts, assigned amounts and unassigned amounts at different times depending on the nature of the particular expenditure in question.

Proprietary Fund

This fund accounts for those activities, which are financed and operated in a manner similar to private business enterprises. Management intends to recover, primarily through user charges, the cost of providing goods or services to its operational components.

The following business-type activities of the Department are reported as major proprietary fund:

- *Administration Fund* – The Administration Fund accounts for and reports the administrative services provided to its operational components.

(c) Measurement Focus and Basis of Accounting

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon they are both measurable and available.

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Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay the liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 90 days after the end of the fiscal year.

Principal revenue sources are recorded in the accounting period in which they are expended. Intergovernmental revenues, representing annual appropriations from the Commonwealth are recorded when measurable and available.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include the following:

- Employees vested annual vacation are recorded as expenditures when matured. The unmatured amount of accumulated annual vacation and unpaid on June 30, 2019 is reported only in the government-wide financial statements.
- General capital asset acquisitions are reported as expenditures (capital outlays) in governmental funds.
- Other expenses that do not require the use of current financial resources are reported only in the government-wide financial statements.

A summary reconciliation of the difference between total fund balance as reflected in the governmental funds balance sheet and net position of Governmental Activities as shown on the government-wide statement of net position is presented in an accompanying reconciliation of the balance sheet of governmental funds to the statement of net position.

A summary reconciliation of the difference between net change in fund balance as reflected in the governmental funds statement of revenue, expenditures, and changes in fund balance and change in net position in the statement of activities of the government-wide financial statements is presented in the accompanying reconciliation of revenue, expenditures, and changes in fund balances of governmental funds to the statement of activities.

Proprietary Fund Financial Statements – The basic financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. The proprietary fund accounts for those activities for which the intent of management is to recover, primarily through fees charged and, the cost of providing goods or services to its operational components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing the services that correspond to the proprietary fund's principal ongoing operations. Operating revenues are generated from administrative fees charged to the Department's operational components. Operating expenses include the operational components of the Department's related expenses, and all general and administrative expenses, among others. Revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(d) Use of Estimates

The Department has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with US GAAP. Significant items subject to such estimates and assumptions included the valuation of film rights and notes receivable. Actual results could differ from those estimates.

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(e) Cash in Commercial Banks

For deposits, custodial credit risk is the risk that in the event of bank failure, the Department's deposits may not be recovered. Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amounts deposited in excess of federal depository insurance generally provided by the Federal Deposit Insurance Corporation ("FDIC"). All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth, but not in the Department's name. The custodial credit risk, the availability, and recoverability of cash is evaluated continuously by the Department.

The Department is required, by law, to deposit funds only in institutions approved by the Puerto Rico Treasury Department, and such deposits required to be kept in separate accounts in the name of the specific Program.

As provided by the General Fund Budget Resolution and the State Special Funds Resolution, any unencumbered previous-year balance of non-current allocations cannot longer be obligated. Any proposal to use said funds from previous years must be submitted through budget requests for the evaluation of the Oversight Board (as defined in Note 20). In addition, as a general rule, previous year balances from the General Fund accounts should be closed and forwarded to the Puerto Rico Treasury Department. In the event, the Department regains access to those funds, through the approval of the Oversight Board, the amount recovered will be presented as a change in estimate in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. As of the June 30, 2019, the Department has \$1,907,641 of unencumbered previous-year balance of non-current allocations from the General Fund, which have been recorded as a liability of the Department, refer to Note 10. This amount is the best estimate based on current facts and circumstances, however, due to the novel nature of this requirement, the Department's estimate may change in the near term.

(f) Accounts receivable

Accounts receivable represent principally 1) US Department of Labor receivable owed to the Department for the reimbursement of expenditures incurred pursuant to WIOA funded programs; 2) U.S. Department of Energy receivable owed to the Department for the reimbursement of expenditures incurred pursuant to the SEP and WAP programs, which funds had been temporarily withheld but were subsequently released; and 3) intergovernmental receivable owed to the Department for service provided but not collected at year-end, that was fully allowed because it was in arrears.

(g) Revenues

Governmental activities are generally supported by intergovernmental revenue and certain tax incentive fees, and are reported separately from business-type activities that rely to a significant extent on management fees charged to the operational components.

(h) Notes Receivable and Allowance for Note Losses

Notes receivable are valued at the outstanding principal balance less an allowance for uncollectable amounts. The Department provides for losses through an allowance for doubtful accounts to the extent revenues from film productions are estimated to be insufficient to cover the outstanding balances. The allowance is increased by a provision for note losses, and reduced by charge-offs, net of recoveries.

The Department considers the notes impaired when based on current information or factors (such as payment history, value of collateral, and assessment of the producers' creditworthiness), it is probable that the principal will not be collected. As of June 30, 2019, all notes receivable are fully allowed.

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(i) Investment in Film Rights

Acquisition of distribution film rights, mainly in international markets, are treated as investments pursuant to GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Under such agreements the Department has the right to license, exploit, reproduce, distribute, sub-distribute, broadcast, perform, exhibit, market, advertise and publicize the motion picture in the territory for non-commercial and commercial broadcast in any form, method or means of delivery including terrestrial, cable, satellite or whatsoever other means of delivery broadcast or exhibition now known or later, on such terms and conditions that the Department or its licensees may elect in the exercise of its sole discretion. The producer will have the right to buy back these rights for the same amount paid by the Department before the motion picture is completed and delivered or if thereafter before the Department makes the first sale of the motion picture.

The Department will first recoup the cost of the film rights and if it enters a profit position, then the Department will share the revenue equally with the producer on a 50%/50% basis. Investment in film rights is carried at the lower of cost or net realizable value. The Department has estimated the fair value of the investment by determining the present value of estimated expected future cash flows. Due to the lack of cash flows from these film rights, in prior years, the Department provided an allowance to write-off the investment. For the year ended June 30, 2019, no further investments were made.

(j) Investment in Equity Interest

As a financing option to eligible film projects, the Department may invest in preferred units from eligible companies engaged in film projects. As of June 30, 2019, all investment in equity interest have been written-off.

(k) Restricted Assets

Funds set aside for a specified purpose are classified as restricted assets because their use is limited for a purpose by applicable agreements or as required by law. During the year ended June 30, 2019, the Tax Incentives Fund collected \$4,410,050 on behalf of the Commonwealth, and accordingly, the cash is presented as restricted in the accompanying financial statements.

(l) Capital Assets

Capital Assets include equipment (including software), and vehicles, and are reported in the applicable governmental activities and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Department as assets, which have a cost of \$500 or more at the date of acquisition and have an expected useful life of three or more years. When capital assets are purchased, they are recorded as expenditures in the governmental funds. Capital assets are stated at historical cost. When assets are sold, retired, or otherwise disposed of, the cost is removed. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets range from five to ten years.

All buildings occupied by the Department are recorded as capital assets in the accounting records of other agencies of the Commonwealth. Accordingly, all major modernizations and betterments, if any, done by the Department are charged to expenditures in its fund accounting and reported as expense in the government-wide financial statements when incurred. All other assets used in the governmental operations are accounted for in the government wide financial statements of net position, rather than in the governmental funds.

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Also, the Department periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No evidence of impairment is evident as a result of such review.

(m) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Department reports deferred outflows/inflows of resources in the government-wide statement of net position. They are items related to pensions and other postemployment benefit (OPEB). Pension related items (further disclosed in Note 2(n) and Note 13), changes in proportional share of contributions, and differences between expected and actual experience, are capitalized and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. The net difference between projected and actual earnings on pension plan investments is deferred and recognized as a reduction of the net pension liability after the next measurement date. OPEB benefits related item (further disclosed in Note 2(o) and Note 14), contributions made subsequent to the measurement date recognized as a reduction of the total OPEB liability after the next measurement date.

In addition to liabilities, the statement of net position and the governmental funds' balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position and resources (revenue) until that time. The Department has only one caption arising from the accrual basis of accounting that qualifies for reporting in this category, items related to pensions. Because all participants are inactive, there are no deferred inflows for the OPEB benefits. Pension related items (further discussed in Note 2(n) and Note 13), changes in proportional share of contributions, differences between expected and actual experience and changes in actuarial assumptions, are deferred and recognized over a period equal to the expected remaining working lifetime of active and inactive participants. Net differences between projected and actual earnings on pension plan investments is deferred and recognized over a five-year period.

(n) Accounting for Pension Costs

The Department accounts for pension costs under the provision of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, an amendment of Certain Provisions of GASB Statements No. 67 and No. 68 (GASB Statement No. 73)*. Statement No. 73 maintains the "accrual basis" model under Statement No. 68, where the Total Pension Liability is actuarially determined. GASB Statement No. 73 requires a liability for pension obligations, known as the Total Pension Liability, to be recognized on the balance sheets of participating employers. Changes in Total Pension Liability are immediately recognized as pension expenses. As Act No. 106-2017 eliminated all contribution requirements for the pension plan and converted it into a PayGo system, the corresponding actuarial calculation of the total pension liability and related accounts changed to one based on benefit payments rather than contributions. As a result, the Department recognized a Total Pension Liability (replacing the previously recognized Net Pension Liability and related accounts under the previous method) and pension expenses, accordingly. As the change to the PayGo system was caused by the impact of legislation and the actuarial calculation changed from one based on contributions to a new one based on benefit payments under the new PayGo system, the impact on all corresponding pension related accounts was accounted for prospectively.

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The adoption of GASB No. 73 resulted in a net decrease in the Pension Plan liability and related deferred outflows and inflows of resources of \$71.9 million as of July 1, 2018, which is presented as a separate component of income from operations in the accompanying statement of activities for the year ended June 30, 2019.

Pursuant to the provisions of GASB No. 73, the Department recognizes a pension liability for its proportionate share of the collective pension liability under the Pension Plan, as well as its proportionate share of the collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Department's allocation percentage is based on the ratio of the Department's benefit payments to total benefit payments under the Pension Plan. Changes in the total pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the Total Pension Liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees, in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose.

(o) Other Postemployment Benefits Liability

The Department provided other retirement benefits such as postemployment healthcare benefits (collectively referred to as (OPEB) for its retired employees in accordance with local law. Substantially, all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Department. The Department accounts for OPEB under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement for purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources, if any, related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth and additions to/deductions from the Other Postemployment Benefit Medical Plan of the Commonwealth for Retired Participants of the Employees' Retirement System (the OPEB Plan)'s fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the Department recognizes benefit payments when due and payable in accordance with the benefit terms.

(p) Inter-Fund Transactions

The Department has the following types of inter-fund activities:

- *Inter-Fund Advances* – Represent amounts provided with a requirement for repayment, which are recorded as "due from" in the lender fund and "due to" in the borrower fund. For amounts not expected to be collected within a reasonable period of time, inter-fund receivables/payables are reduced to the estimated realizable value and the amount that is not expected to be repaid is reported as an operating transfer from the fund that made the loan.
- *Inter-Fund Transfers* – Represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. These are reported as other financing sources in the fund making transfers and as other financing sources in the fund receiving transfers.
- *Inter-Fund Reimbursements* – Represent repayments from the governmental fund responsible for particular expenditures or expenses to the governmental fund that initially paid for them.

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When management identifies funds with no capacity to pay outstanding obligations to outside parties, inter-fund transfers from the Administrative Fund are used to cover said obligations.

(q) Compensated Absences

Compensated absences include paid time off made available to employees in connection with vacation, sick leave, and compensatory time. The liability for compensated absences is reported in the statement of net position. A liability for compensated absences is reported in the fund financial statements only when payment is due.

The liability for compensated absences recorded in the accompanying statement of net position is limited to leave that is attributable to services already rendered and is not contingent on a specific event. The liability includes salary-related costs, which are directly and incrementally related to the amount of salary paid to the employee (such as employer's share of Social Security taxes and Medicare taxes).

Under Act No. 26 of 2017 "*Law for the Compliance with the Fiscal Plan Act*" (Act No. 26-2017), all employees accrued 1.25 days per month of service up to 60 days for vacation leave. Employees generally accumulate sick leave at a rate of 1 day per month up to an annual maximum of 12 days and an accumulated maximum of 90 days. The Department's employees are entitled to 2.5 days per month up to maximum of 60 days for vacations, and 1.5 days per month up to a maximum of 90 days for sick leave. Vacation and sick leave are recorded as benefits when earned. The estimated values of leave earned by employees that may be used in subsequent years or paid upon termination or retirement are accounted for in the proprietary fund financial statements and the government-wide financial statements as a liability.

Act No. 26-2017 was enacted to modify the existent legal and judiciary framework to be able to comply with the Fiscal Plan approved by the Oversight Board. In addition to accrual modifications, Act No. 26-2017 also altered the liquidation terms. After the enactment of Act No. 26-2017, only compensation of accrued vacation leave, up to 60 days, is paid upon employment termination. To be eligible to receive compensation, an employee must have been employed for at least three months. Accumulated unpaid sickness days are no longer liquidated upon employment termination.

The Department's practice is not to present within the governmental funds the current-portion of compensated absences.

(r) Voluntary Termination Benefits

The Department accounts for voluntary termination benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. Pursuant to the provisions of GASB Statement No. 47, in financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated. A liability and expense for voluntary termination benefits (for example, severance benefits) is to be recognized in the government-wide financial statements when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

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(s) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the fiscal year to control expenditures. The unencumbered balance of any appropriation of the General Fund at the end of the fiscal year lapses immediately. Appropriations, other than in the General Fund, are continuing accounts for which the Department has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

(t) Litigations and Claims

See disclosure in Note 17 under *Litigation and Claims*.

(u) New Accounting Standards Adopted

GASB has issued the following standards which were adopted during the year ended June 30, 2019:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68*, establishes requirements for defined benefit pension plans and defined contribution plans that are not within the scope of GASB Statement No. 68. GASB Statement No. 73 extends the approach to accounting and financial reporting established in GASB Statement No. 68 to all pensions to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB Statement No. 68, should not be considered pension plan assets. It also requires that information similar to that required by GASB Statement No. 68 be included in the notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities. This statement was adopted by the Department as a result of the implementation of the PayGo system created pursuant to the enactment of Act 106-2017, applying the measurement date as of June 30, 2018.
- GASB Statement No. 95, *Postponements of Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018.

(v) New Accounting Standards Issued But Not Yet Adopted

GASB has issued the following standards that have not been adopted by the Department, and are currently under evaluation for their impact in future financial statements:

- GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- GASB Statement No. 87, *Leases*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
- GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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- GASB Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.
- GASB Statement No. 92, *Omnibus 2020*. The requirements of this Statement are effective as follows:
 - The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
 - The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
 - The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
 - The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The requirements of this Statement, except for paragraphs 11 b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11 b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this Statement are effective immediately.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement are effective as follows:
 - The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.
 - The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021.
 - All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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Earlier application is encouraged and is permitted by specific requirement as follows:

1. Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans.
 2. Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement).
- GASB Statement No 98, *The Annual Comprehensive Financial Report*, this Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

(w) Subsequent Events

Subsequent events were evaluated through April 7, 2022, the date the financial statements were available to be issued. There were no significant events that should have been recorded or disclosed in the financial statements, except as the events disclosed in Note 21.

3. CHANGE IN REPORTING ENTITIES, TRANSFER OF OPERATIONS, AND CORRECTION OF ERROR

Change in Reporting Entities

On July 10, 2018, Act No. 141 of 2018 was enacted which transfers the Permit Management Office (“OGPe”), the Public Energy Policy Program (“PPE”), and the Industrial Incentive Program (“OEI”) to the Department. Which affects the Governmental and Business-type activities of Governmental Funds as follows:

A change in reporting entity occurs when two or more previously separate entities are combined into one entity for reporting purposes, or when there is a change in the mix of entities being reported. The definition of reporting entity is based primarily on the idea that the reporting entity should encompass all units for which the elected officials are financially accountable, as well as those organizations that do not meet the financial accountability test, but that management feels it would be misleading to exclude (GASB Statement No. 61 “The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34”). Since the operations of the different entities were managed by Central Government and now are forming part of the Authority, any balances that had been recorded in these entities financial records are being recognized against beginning fund balance in the Department’s financial statements.

Restatement for Correction of Error

The accounting errors relate to certain prior-year filing fees collected by the Treasury Department under Act No. 27, and that the Treasury Department had not previously reported.

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Summary Changes to the Beginning of the Year Net Position

The following tables summarize the changes to beginning of the year net position resulting from the change in reporting entity and the correction of error:

Governmental Activities

	Governmental Activities
Net position - July 1, 2018, as previously reported	\$ (44,497,108)
Accounting error	
Revenue not previously recognized	1,381,870
Change in reporting entity	
Net pension liability under GASB 68	(45,308,479)
Net OPEB liability under GASB 75	(140,850)
Accrued compensated absences	(1,145,155)
Due to other government agencies	(1,733,255)
Other, including depreciation of \$5,766	(90,787)
Subtotal	(48,418,526)
Net position - July 1, 2018, as restated	\$ (91,533,764)

Governmental Funds (only those funds that reported a change are presented):

	General Fund	Tax Incentive Fund	Other Governmental Funds	Total
Fund balance (deficit) - July 1, 2018, as previously reported	\$ 572,627	\$ 6,936,142	\$ (1,306,576)	\$ 6,202,193
Accounting error	-	1,381,870	-	1,381,870
Change in reporting entity				
Due to other government agencies	-	-	(1,733,255)	(1,733,255)
Other	(96,553)	-	-	(96,553)
Fund balance (deficit) - July 1, 2018, as restated	\$ 476,074	\$ 8,318,012	\$ (3,039,831)	\$ 5,754,255

Transfer of Operations

In January 2019, the Department, combined within its operations, the Business Development Office Program, originally under PRIDCO. The transaction included the transfer of \$2,974,955 in cash, recognized in the proprietary fund, and pension and OPEB liabilities recorded under governmental activities.

A transfer of operations is a governmental combination involving the operations of a government or nongovernmental entity rather than a combination of legally separate entities in which no significant consideration is exchanged. This transaction did not affect the net position as previously stated and instead was recognized as an Special Item.

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4. RISK FINANCING

The Department carries commercial insurance to cover property, casualty, theft, tort claims, and other losses.

The Department carries insurance coverage for death and bodily injuries caused by automobile accidents. This insurance is obtained through the Automobile Accident's Compensation ("AACA"), a discretely presented component unit of the Commonwealth.

The Department obtains workers' compensation insurance coverage through the State Insurance Fund Corporation, a component unit of the Commonwealth. This insurance covers workers against injuries, disability, or death because of work or employment-related accidents, or because of employment related illness.

The Department obtains unemployment compensation, non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Commonwealth's Department of Labor and Human Resources ("DOL"). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because of work or employment-related accidents or because of illness suffered as a consequence of their employment. Unemployment compensation, non-occupational disability and drivers' insurance premiums are paid directly to DOL on a cost reimbursement basis.

The Department also obtains medical insurance coverage from several health insurance companies for its employees. Different health insurance coverage and premium options are negotiated each year by the Department of Treasury on behalf of the Department. The Department's current insurance policies have not been cancelled or terminated.

5. CUSTODIAL CREDIT RISK

Deposits held in commercial banks are maintained in Puerto Rico and are insured as of June 30, 2019. The carrying amount of the deposits of the Department as of June 30, 2019 consists of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Governmental activities:		
Commercial banks	<u>\$ 12,296,734</u>	<u>\$ 12,429,677</u>
Business-type activities:		
Commercial banks	<u>\$ 11,815,926</u>	<u>\$ 11,866,327</u>

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Government Development Bank for Puerto Rico

On November 29, 2018, the Government Development Bank for Puerto Rico (“GDB”) completed a restructuring of certain of its indebtedness pursuant to the Qualifying Modification. Under the Qualifying Modification, holders of claims on account of deposits were exchanged for an interest in a newly formed trust created pursuant to the GDB Restructuring Act, known as the Public Entity Trust (the “PET”). As of June 30, 2019, the Department’s interest in said trust amounted to \$1,729,669. For financial statement purposes, the Department will present this interest at no value, until realized.

U.S. Department of Energy Claim

On January 8, 1981, the Commonwealth Oil Refining Company entered into an agreement with the U.S. Department of Energy in which twenty-four equal payments in the amount of \$291,667 were to be made to a fund that was to be administered by the Governor of Puerto Rico or whoever the Governor delegated to. The Governor then signed Executive Order 4004-A which designated the Office of Energy as the government entity in charge of the administration of the funds. After various amendments, the funds were to be utilized as follows:

- Accelerated Relamping Program \$638,705
- Waste to Energy Project/Eco Futures Caribe \$2,000,000
- Institutional Conservation Program \$4,116,376

As of June 30, 2019, funds being administered by the Office of Energy, under an agreement with the U.S. Department of Energy, include a certificate of deposit amounting to \$2,924,718. However, a custodial credit loss of the same amount has been recorded in previous years.

6. NOTES RECEIVABLE

Notes receivable represent the outstanding balances, amounting to \$15,699,964 and fully allowed as of June 30, 2019, of the financing facilities granted to film producers through the FIDP. However, those were written-off in previous years. As of June 30, 2019, the Department had not issued additional notes receivable. The Department has the option to obtain the film rights of the production financed through the FIDP, if the amounts are not collected in the future.

7. INVESTMENTS IN FILM RIGHTS

During the fiscal year ended June 30, 2019, the Department did not acquire any film rights, under the FIDP. Film rights acquired in previous years were fully allowed as of June 30, 2015 and written off as of June 30, 2016.

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8. INVESTMENTS IN EQUITY INTEREST

Investments in equity interest consist of preferred stocks acquired by the Department from the following five Puerto Rico limited liabilities companies engaged in film projects:

	<u>Shares Authorized</u>		<u>Amount</u>	
	<u>Preferred</u>		<u>Purchased</u>	
	<u>Units</u>	<u>Price</u>	<u>by Department</u>	<u>Project</u>
EI Acantilado Holdings, LLC				
Class A Preferred Membership Interest	1,000,000	\$ 1,000,000	\$ 1,000,000	EI Acantilado
The Caller Production, LLC				
Class B Preferred Units	1,000,000	1,000,000	1,000,000	The Caller
Isla Film Productions, LLC				
Class A Membership Interest	1,140	1,140,000	798,003	America
200 Cartas Films, LLC				
Class B Membership Interest	800	800,000	416,903	200 Cartas
Rid 79, LLC				
Class A Membership Interest	800	800,000	<u>800,000</u>	Riding 79
Total			4,014,906	
Impairment allowance			<u>(4,014,906)</u>	
			<u>\$ -</u>	

The provision for impairment losses, established in prior years, represents the amount that management believes will be adequate to absorb possible losses on its investment in equity interest that may become unrecoverable. During the year ended June 30, 2019, the Department was not able to recover any amount from these investments.

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9. CAPITAL ASSETS

Capital assets activity of the Department for fiscal year ended June 30, 2019 was as follows:

Governmental Activities

	Balance as of July 1, 2018	Additions	Additions from change in reporting entity	Retirements	Balance as of June 30, 2019
Capital assets being depreciated					
Equipment	\$ 1,419,879	\$ 21,383	\$ 37,420	\$ -	\$ 1,478,682
Vehicles	427,506	-	-	-	427,506
Total capital assets being depreciated	<u>1,847,385</u>	<u>21,383</u>	<u>37,420</u>	<u>-</u>	<u>1,906,188</u>
Less accumulated depreciation					
Equipment	(1,115,626)	(89,812)	-	-	(1,205,438)
Vehicles	(208,234)	(44,675)	(31,654)	-	(284,563)
Total accumulated depreciation	<u>(1,323,860)</u>	<u>(134,487)</u>	<u>(31,654)</u>	<u>-</u>	<u>(1,490,001)</u>
Capital assets, net of accumulated depreciation	<u>\$ 523,525</u>	<u>\$ (113,104)</u>	<u>\$ 5,766</u>	<u>\$ -</u>	<u>\$ 416,187</u>

Depreciation expense was charged to expenses on the statement of activities for the year ended June 30, 2019.

Business-Type Activities

	Balance as of July 1, 2018	Additions	Retirements	Balance as of June 30, 2019
Capital assets being depreciated				
Equipment	\$ 30,595	\$ -	\$ -	\$ 30,595
Total capital assets being depreciated	<u>30,595</u>	<u>-</u>	<u>-</u>	<u>30,595</u>
Less accumulated depreciation				
Equipment	(8,331)	(6,119)	-	(14,450)
Total accumulated depreciation	<u>(8,331)</u>	<u>(6,119)</u>	<u>-</u>	<u>(14,450)</u>
Capital assets, net of accumulated depreciation	<u>\$ 22,264</u>	<u>\$ (6,119)</u>	<u>\$ -</u>	<u>\$ 16,145</u>

Depreciation expense was charged to expenses on the statement of activities for the year ended June 30, 2019.

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10. OPERATING LIABILITIES

In addition to operating accounts payable and accruals, liabilities include the following amounts:

- Commonwealth – Includes:

	Amount
Tax incentive application fees collected on behalf of the Treasury	\$ 4,410,050
WAP Advances	835,880
SEP Advances	184,877
Unencumbered cash that can no longer be obligated:	
General Fund	201,994
Film Industry Development Program	33,014
Other fund	1,672,633
	\$ 7,338,448

WAP and SEP fund advances were provided by the Treasury to cover federal grant money that was temporarily withheld. Currently, the Department is in talks with the Treasury Department to determine if a refund is required. Accordingly, until a final resolution is reached these funds will be presented as a liability due to the Commonwealth.

Unencumbered cash that can no longer obligated represents surplus cash, more fully explained in Note 1(e).

- Puerto Rico Public Buildings Authority – Back rent of \$3,207,000.
- Subrecipients – consist principally of amounts due to municipalities or local areas of municipalities of the Commonwealth, of \$12,855,307, for cost of services performed and billed by such entities under the WIOA Fund.

11. ACCRUED COMPENSATED ABSENCES

The accrued compensated absences liability balance on June 30, 2019 consists of the following activity:

	Balance as of July 1, 2018 (As restated)	New entities	Net Change	Balance as of June 30, 2019	Due within one year
Vacation	\$ 828,440	\$ 1,145,155	\$ (229,676)	\$ 1,743,919	\$ 891,685

As disclosed in Note 3, net position was restated due a change in reporting entities. Accrued compensated absences balance at July 1, 2018, of \$828,440, was adjusted to include the June 30, 2018 balance of OECl, OGPe, and PPE of \$65,080, \$74,661, and \$7,079, respectively.

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12. VOLUNTARY TERMINATION BENEFITS

Act No. 70

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provided benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Department, who elected to retire no later than December 31, 2012. Act No. 70, provided that early retirement benefits to eligible employees that had completed between 15 and 29 years of credited service in the Retirement System. This program was available to employees from the enactment of law of 2012. Benefits ranged from 37.5% to 50% of the employee salary, as defined.

Pursuant to Act No. 70-2010, the Department, as employer, will continue making the applicable employer contributions to the Retirement System, as well as covering the annuity payments to the employees opting for early retirement, until both the years of service and age requirements for full vesting would have occurred, at which time the applicable Retirement System will continue making the annuity payments.

Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System (incentivized resignation program) or who have at least 30 years of credited service in the Retirement System and who have the age for retirement (incentivized resignation program). Economic incentives will consist of a lump sum payment ranging from one month to six months' salary based on employment years.

Additionally, eligible employees that choose to participate in the early retirement program or in the incentivized resignation program are eligible to receive health plan coverage for up to 12 months in a health plan selected by the management of the Commonwealth. At June 30, 2019, unpaid long-term benefits granted in Act No. 70-2010 were discounted at an interest rate of 2.20%.

Internal Voluntary Termination Program

The Department's reorganization plan, dated April 18, 2019, includes a voluntary transitory program (the Program), as an alternative for the eligible employee of the agency, to receive certain economic support while seeking an employment opportunity in the private sector. To participate in the Program, the eligible employee must have served on a career position even if paid with federal funds. However, the employee who occupied a position of trust, had a transitory status, or had signed the "Acuerdo Final de Renuncia Incentivada en el Programa de Transición Voluntaria" establish under the OA-2017-05 of "the Puerto Rico Fiscal Agency and Financial Advisory Authority" ("AAFAP") was not eligible for the Program. The OA-2017-05, creates a "Voluntary Transition Program" as an alternative available of resigns encouraged for the eligible employees of the executive branch with career positions. Nevertheless, the employees on positions of trust with the right to reinstatement in a career position are eligible if they are reinstated to the career position before becoming a participant of the program.

The following is the termination benefits liability for the year ended June 30, 2019:

	<u>July 1, 2018</u>			<u>Balance as of</u>	<u>Due within</u>
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2019</u>	<u>one year*</u>
Accrued termination benefits	\$ 1,452,738	\$ 25,967	\$ (254,019)	\$ 1,224,686	\$ 178,961

* – Deductions includes payments of \$178,961 and change in assumption of \$1,798,961. With the enactment of Act No. 106-2017, effective July 1, 2017, employer, and separated employees' contributions to the ERS are no longer required.

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13. PENSION PLAN

On May 21, 2017, the Oversight Board filed in the United States District Court for the District of Puerto Rico voluntary petition under Title III of PROMESA for the ERS. On June 15, 2017, the United States Trustee appointed an Official Committee of Retired Employees in the Commonwealth's Title III cases.

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

The Department will assume the proportional share of the pension benefits of the Department's retirees. Under Act No. 106, active employees will be required to contribute a minimum of 8.5% of their compensation, into a defined contribution plan. However, Act No. 106 does not provide for employer contributions. Contributions will be deposited in a separate account for each employee and invested in accordance with certain guidelines. Upon retirement, employees will receive retirement benefits accumulated after the enactment of Act No. 106, with certain limitations, plus benefits accumulated until the enactment of Act No. 106, with certain limitations, including benefits accumulated under previous defined benefit, defined contribution, and hybrid plans, as discussed below. Benefits accumulated after the enactment of Act No. 106 include only those amounts contributed by the participant during that period and the yield from those deposits. Based on the investment instruments acquire by the participant there are investment risks that may impair the value of the participant account through the date of retirement.

Total Pension Liability and Actuarial Information

The total Pension Plan liability recorded by the Department as of June 30, 2019 (measurement date June 30, 2018) amounted to \$27,324,999 representing its proportionate share of the total pension liability of the Pension Plan as of such date. The total pension liability as of June 30, 2019 (measurement date June 30, 2018) was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018 (measurement date).

The Department's proportion of the total pension liability was actuarially determined based on the ratio of the Department's benefit payments to the total benefit payments made by all participating employers under the Pension Plan for the year ending on the measurement date. At June 30, 2018 (measurement date), the Department's proportionate share was 0.08723%.

(a) Actuarial methods and assumptions

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement period.

Discount rate

The discount rate for June 30, 2018 (measurement date) was 3.87%. This represents the municipal bond return rate as selected by the Commonwealth. The source is the Bond Buyer Obligation 20 Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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Mortality

The mortality tables used in the June 30, 2018 (measurement date) actuarial valuation were as follows:

- Pre-Retirement Mortality - For general employees not covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 on a generational basis.

For members covered under Act No. 127 of 1958, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127 of 1958.

- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Pension Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- Post-Retirement Disabled Mortality - Rates, which vary by gender are assumed for disabled retirees based on a study of the Pension Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvements. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

Other assumptions

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act 3 of 2017, four-year extension of Act No. 66 of 2014, and the current general economy.

(b) Changes in Total Pension Liability for all Employers

The components of the changes in total pension liability were as follows:

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(c) Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the Department's total pension liability calculated using the discount rate of 3.87%, as well as what the Department's proportionate share of the total pension liability it would be if it were calculated using a discount rate of 1%-point lower 2.87% or 1% point higher 4.87% than the current rate (dollar in thousands):

	1% Decrease 2.87%	Current discount rate 3.87%	1% Increase 4.87%
Total pension liability	\$ 31,093,734	\$ 27,324,999	\$ 24,266,648

Deferred Outflows of Resources and Deferred Inflows of Resources from Pension Activities

As of June 30, 2019 (measurement date June 30, 2018), the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in measuring total pension liability	\$ -	\$ 826,449
Changes in assumptions	-	896,044
Net difference between projected and actual earnings on pension plan investments	-	54,018
Changes in proportion and differences between actual benefit payments and proportionate share	1,195,774	-
PayGo fees subsequent to measurement date	1,601,920	-
	<u>\$ 2,797,694</u>	<u>\$ 1,776,511</u>

Note that additional future deferred inflows and outflows of resources may impact these numbers.

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Liability changes due to demographic gains and losses and changes in actuarial assumptions are amortized over the expected working lifetime of active and inactive participants in the plan as of the beginning of the measurement date.

Pension Expense (Benefit)

For the year ended June 30, 2019, the Department recognized pension benefit of \$71,964,177 corresponding to Governmental Activities. Pension benefit represents the change in the total pension liability during the measurement period, adjusted for actual benefit payments and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

The composition of the Department's proportionate share of the total pension benefit for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) are as follows:

Amortization of deferred outflows of resources	\$ 6,273,658
Amortization of deferred inflows of resources	(7,361,997)
Change in total pension liability	<u>(70,875,838)</u>
 Total pension benefit	 <u>\$ (71,964,177)</u>

PayGo Pension Reform

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300-46-17 to convey to the central government agencies, public corporations, and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" ("PayGo") system. With the start of fiscal year 2018, employers' contributions, contributions ordered by special laws, and the Additional Uniform Contribution were all eliminated.

The PayGo system was one component of Act No. 106 of 2017 (Act 106-2017), which the Governor signed into law on August 23, 2017. Act 106-2017 created the legal framework so that the Commonwealth can guarantee benefit payments to current pensioners through the PayGo system. Approximately \$2 billion was allocated for these purposes in each of the budgets for fiscal year 2019 and fiscal year 2019. Act 106-2017 also created a Defined Contributions Plan, similar to a 401(k) plan, which is managed by a private entity. The Retirement Systems will not pay future benefits.

Act No. 106-2017, among other things, amended Act No. 12 with respect to ERS's governance, funding, and benefits for active members of the actual program and new hired members. Under Act 106-2017, ERS's board of trustees was eliminated, and a new Retirement Board was created. The Retirement Board is currently responsible for governing both ERS, the Judiciary Retirement System ("JRS"), and Teachers Retirement System ("TRS").

Act 106-2017 terminated the previously existing pension programs for ERS participants as of June 30, 2017. The members of the prior programs and new system members hired on and after July 1, 2017 have been enrolled in a new defined contributions program selected by the Retirement Board. The accumulated balance on the accounts of the prior program were transferred to the member accounts in the new defined contributions program, effective as of June 22, 2020. ERS' active members of the defined contributions program retained their benefits as stated under Act 91 of March 29, 2003.

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Act 106-2017 also ordered a suspension of ERS's loan programs and ordered a merger of the administrative structures of the Retirement Systems. At the Retirement Board's discretion, the administration of ERS benefits may be externalized. The employees of 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. In addition, Act No. 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating an incentives, opportunities, and retraining program for public workers.

The System's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the tax-free municipal bond index (Bond Buyer General Obligation 20-Year Municipal Bond Index) was applied to all periods of projected benefits payments to determine the total pension liability. The discount rate was 3.87% as of June 30, 2018.

The June 30, 2018, actuarial valuation reflects a decrease of \$4,502 million in the net pension liability, mainly related to the effect of plan changes of \$1,939 million, benefit payments of \$1,506 and effect of economic/demographic gains or losses of \$1,102. There were changes in assumptions of \$1,086 million, as a result of an increase in the discount rate as required by GASB Statement No. 67 from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

The discount rate on June 30, 2018, and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	3.87%	3.58%
Municipal bond rate *	3.87%	3.58%

* Bond Buyer General Obligation 20-Year Municipal Bond Index

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2018 (the measurement date), will be recognized as adjustments to pension expense in the Department's financial statements as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ (145,184)
2021	(145,184)
2022	(145,184)
2023	(145,184)
	\$ (580,736)

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14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Other Postemployment Benefit Medical Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees' Retirement System (the OPEB Plan) is an unfunded, multi-employer defined benefit other postemployment healthcare benefit plan sponsored by the Commonwealth. The Plan is administered on a pay-as-you-go basis and no assets are accumulated in a qualifying trust that meets the criteria of GASB Statement No. 75.

The OPEB Plan covers a payment of up to \$100 per month for an eligible medical insurance plan selected by the member, provided that the member retired prior to July 1, 2013, Act No. 483 of September 23, 2004, as amended by Act No. 3 of April 4, 2013. Substantially all fulltime employees of the Commonwealth's primary government, certain municipalities of Puerto Rico and certain component units of the Commonwealth not having their own postemployment benefit plan, were covered by the OPEB benefits.

Beneficiaries

Commonwealth employees became members upon their date of employment. Plan members were eligible for benefits upon reaching the pension benefits retirement ages. However, Act No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

As of July 1, 2018, there were ninety-seven retired participants receiving OPEB benefits under this plan.

Contributions

The contribution requirement of the OPEB Plan was established by Act No. 95 approved on June 29, 1963. This OPEB Plan is financed by the Commonwealth on a pay-as-you-go basis. There is no contribution requirement from the plan member during active employment. Retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. As a result, these OPEB are 100% unfunded. During the year ended June 30, 2019, OPEB payments amounted approximately to \$47,169.

The funding of the OPEB benefits is provided to the System through legislative appropriations each July 1 by the Commonwealth's General Fund. The legislative appropriations are considered estimates of the payments to be made by the System for the healthcare benefits throughout the year. However, each month the Commonwealth claims reimbursement from the employer for the actual OPEB payments.

Total Other Postemployment Benefits Liability

The Entity's total OPEB liability, of \$695,347, was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2018, projected forward to determine the June 30, 2019 total OPEB liability.

Actuarial Methods and Assumptions

The census data collection date is at beginning-of-year. The total OPEB liability as of June 30, 2018 are based on projecting the System obligations determined as of the census data collection date of July 1, 2018 for one year, using roll-forward methods and assuming no liability gains or losses.

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The actuarial valuation used the following actuarial assumptions:

Inflation	Not applicable
Municipal bond index	3.87%%, as per Bond Buyer General Obligation 20-Year Municipal Bond Index
Mortality	<p>Pre-retirement Mortality:</p> <p>For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2017 from the 2006 base year and projected forward using MP-2017 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2017 from the 2016 base year, projected forward using MP-2017 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.</p> <p>100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.</p> <p>Post-retirement Healthy Mortality:</p> <p>Rates which vary by gender are assumed for healthy retirees and beneficiaries on a study of plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92 % of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2017 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.</p> <p>Post-retirement Disabled Mortality:</p> <p>Rates which vary by gender are assumed for disabled retirees based on a study of plan's experience from 2017 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2016 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.</p>

Most other demographic assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience 2009 study using data as of June 30, 2003, June 30, 2005, and June 30, 2007.

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Discount Rate

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average of AA/Aa or higher. It was applied to all periods of projected benefits payments to determine the total pension liability. The discount rate was 3.87% as of June 30, 2018.

Changes in the Total Other Postemployment Benefits Liability

Changes in the Total OPEB Liability of ERS, measured as of June 30, 2018, were as follows:

	Total OPEB Liability
Total OPEB liability – beginning	\$ 570,050
Changes for the year:	
Interest on Total OPEB liability	275,945
Effect of economic/demographic gains or losses	(39,667)
Effect of assumptions changes or inputs	(63,812)
Benefit payments	(47,169)
Net change in total pension liability	125,297
Total OPEB liability – ending	\$ 695,347

Entity's Proportion of Total Other Postemployment Benefits Liability of ERS

The following table presents the Entity's proportionate share of the total OPEB liability of ERS as of June 30, 2018, and the proportion percentage of the aggregate total OPEB liability of ERS allocated to the Entities:

	Measured as of June 30, 2018
Department's proportion of the total OPEB liability	0.06744%
Department's proportionate share of the total OPEB liability	\$ 695,347

Sensitivity of the Total Other Postemployment Benefits Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Entity's calculated using the discount rate of 3.87%, as well as what it would be if it were calculated using a discount rate of 1-percent point lower 2.87% or 1-percent point higher 4.87% than the current rate (dollars in thousands):

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	1% Decrease	Current discount rate	1% Increase
	2.87%	3.87%	4.87%
Total OPEB liability	<u>\$ 762,980</u>	<u>\$ 695,347</u>	<u>\$ 638,473</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

Because all participants are inactive, there are no deferred inflows and outflows as any changes due to changes in actuarial assumptions or economic or demographic gains and losses are recognized immediately during the measurement year.

In addition, as of June 30, 2019, employer OPEB payments subsequent to the measurement date, in the amount of \$47,025 were reported as deferred outflows of resources and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020.

15. RELATED-PARTY TRANSACTIONS

Governmental Activities

Invest Puerto Rico (InvestPR)

InvestPR works to elevate Puerto Rico as a world-class business destination. The organization is a public-private partnership created by law and incorporated as a 501(c)(3) nonprofit entity. It is governed by an eleven-member Board of Directors appointed by the Governor of Puerto Rico and is comprised of three public sector representatives and eight private sector representatives.

During the year ended June 30, 2019, the Department contributed \$2,000,000 to support the activities of InvestPR. As of June 30, 2019, there was no amount payable to the entity.

Puerto Rico Industrial Development Corporation ("PRIDCO")

PRIDCO is a component unit of the Commonwealth, created in 1942 by Act No. 188, as amended. PRIDCO is engaged in promoting the development of new local enterprises and encouraging U.S. and foreign investors to establish and expand their business operations in Puerto Rico. To accomplish its mission, PRIDCO, among its many programs, constructs industrial facilities for lease or sale to qualified enterprises.

The Department pays rent for several office spaces from PRIDCO, for which rent expense amounted to approximately \$2 million, annually.

The Department also provides management services to PRIDCO, for which services the Department billed \$4.1 million, for the year ended June 30, 2019. Said balance was still unpaid as of June 30, 2019, but was subsequently collected.

Puerto Rico Trade & Export Corporation

The Puerto Rico Trade and Export Company (the "Company") is a component unit of the Commonwealth of Puerto Rico created by Act No. 323 of December 28, 2003. The Company has the responsibility to promote the highest efficiency in the services provided to the commercial sector, with emphasis on small and medium-sized enterprises, and the export of products and services from Puerto Rico to other countries to strengthen the economy of the Commonwealth and promote the creation and retention of employments.

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The Department provides management services to this entity, for which services the Department billed \$0.5 million, which balance was still unpaid as of June 30, 2019.

Puerto Rico Public Buildings Authority (the "Authority")

The Authority is a component unit of the Commonwealth created by act No. 56 of June 19, 1958. The Authority provides several office spaces to the Department, for which rent expense amounted to approximately \$1.3 million. As of June 30, 2019, the Department owed \$3.2 million to the Authority, in back rent.

Puerto Rico Tourism Company ("PRTC")

The PRTC is an operational component of the Department, created by Act No. 10 of 1970.

The Department also provides management services to PRTC, for which services the Department billed \$4.0 million, of which \$0.3 million was still unpaid as of June 30, 2019.

16. INCENTIVES

The Department is the designated authority to grants tax incentives to companies and individual, however, it is the Treasury Department that forego tax revenue. A brief summary of current laws is included in Note 1 under the Office of Industrial Tax Exception section.

17. CONTINGENCIES

Litigation and Claims

The Commonwealth's Act No. 4 of June 30, 1955, as amended, known as Claims and Lawsuits against the State provides that lawsuits against an agency or instrumentality of the Commonwealth, present and former employees, directors and other may be represented by the Department of Justice of the Commonwealth. Any adverse claims to the defendants are to be paid by the Commonwealths General Fund. However, the Secretary of the Treasury of the Commonwealth has the discretion of requesting reimbursement of the funds expended for these purposes from the public corporations, governmental institutions, and municipalities of the defendants.

The Department is involved in litigation arising on the normal course of operations. The management of the Department believes that the ultimate liability, if any, in connection with these matters will not have a material effect on the Department's financial position and results of operations. Refer to Note 21.

Federal Awards

The Department participates in a number of federal assistance programs funded by the federal government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantor.

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18. COMMITMENTS

Operating leases

The Department leases various office facilities under operating lease agreements with PRIDCO and the Puerto Rico Public Buildings Authority (the "Authority"). The PRIDCO agreement has a term of one year and is automatically renewed. The Authority's agreements all expire on July 1, 2039. Rental expenditures for the year ended June 30, 2019, amounted to approximately \$2,563,114. The payment of the Authority's leases were used to guarantee the debt service of general obligations of the Authority. These obligations, however, were discharged as part of the Eight Amended Plan (disclosed in Note 20), in March 15, 2022, and the rent commitment is expected to be significantly adjusted, therefore the Department is not disclosing the required rent commitment information.

19. COLLECTIVE BARGAINING AGREEMENTS

Employees of the LDP are represented by the "Coordinadora Unitaria de Trabajadores del Estado" labor union. Employees of the YDP are represented by the United Automobile, Aerospace, and Agricultural Implement Workers of America. Under the labor agreements, the covered employees may enjoy certain rights and benefits that may differ from those enjoyed by non-unionized employees of the Department.

20. ALLEVIATED GOING CONCERN

In response to the Commonwealth's fiscal crisis, the United States Congress enacted PROMESA to establish the Oversight Board. On May 1, 2017, the temporary stay under Title IV of PROMESA expired, permitting substantial litigation brought by bondholders and other creditors against the Commonwealth and its component units to resume and new suits to be initiated. As a result, on May 3, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico (the Title III Court). Title III of PROMESA incorporates the automatic stay provisions of Bankruptcy Code section 362 and 922, which are made applicable to Title III cases pursuant to PROMESA section 301(a). Accordingly, upon the filing of the Commonwealth's Title III case, an automatic stay immediately went into effect to stay creditor litigation.

Under the Eighth Amended Plan (the "Plan") for the Commonwealth, ERS, and PBA, on March 15, 2022 (the Plan Effective Date), the Commonwealth's general obligation bonds, the ERS bonds, and the PBA bonds were exchanged for cash, New GO Bonds, and CVI's (each as defined in the Eighth Amended Plan). Therefore, as of the effective date, all legacy general obligation bonds, ERS bonds, and PBA bonds were discharged, and all of the Commonwealth, ERS, and PBA obligations and guarantees related thereto were discharged, in addition, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities were deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. At that time, the Commonwealth was discharged from Title III Bankruptcy and the Commonwealth's debt levels were reduced, in substance ending the Island's fiscal crisis. For additional information regarding the Eighth Amended Plan. The last version of the Eighth Amended Plan is available at <https://cases.primeclerk.com/puertorico/Home-DocketInfo>.

In accordance with accounting principles generally accepted in the United States of America, the Department considered the latter facts to evaluate going concern, and accordingly, has determined that the risks of going concern have been mitigated for the foreseeable future.

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21. SUBSEQUENT EVENTS

The Department has evaluated subsequent events through April 7, 2022 the date on which the financial statements were available to be issued. Management believes that the following events should be disclosed

Act No. 60 – Incentive Code of Puerto Rico – July 1, 2019 (a consolidation of all the tax incentive acts)

Effective July 1, 2019, "*Act No. 60 – Incentive Code of Puerto Rico of July 1, 2019*" was enacted. See Note 1.

Earthquakes

On January 7, 2020, the Puerto Rico southwest was struck by a 6.4 magnitude earthquake causing damages to localized infrastructure, an island-wide power outage, water shortages, and threatening the lives of area residents. The President of the United States approved an emergency declaration and local action was also taken to safeguard the health and safety of its residents in the area. A preliminary assessment of the damages caused by the earthquake and subsequent aftershocks, calculated by the United States Geological Survey, estimated total economic damages at approximately \$838 million (excluding further damage caused by a 5.4 magnitude earthquake on May 2, 2020. As of the date these financial statements were issued, a significant number of homes and other structures with earthquake damage remained to be repaired or demolished.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the Coronavirus disease caused by a novel coronavirus ("COVID-19") a global pandemic. As a result of the health threat and to contain the COVID-19 spread across the Island, the Governor issued executive order EO 2020-020, on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, well-being, and public safety of the residents of Puerto Rico. Thereafter, Governor issued several extensions on the March order with various modifications to Puerto Rico's social distancing measures. However, although as of the date these financial statements were issued, controls had been significantly relaxed, there is a concern that a new variant that was first identified in Asia may significantly impact the Island during the ensuing weeks. Therefore, it is impracticable for management to determine the full impact that the Coronavirus pandemic may have in Puerto Rico.

U.S. Department of Labor Findings

On October 2, 2019, the DOL's Employment and Training Administration Office issued a monitoring report, resulting from the monitoring of the WIOA operations within the Department for the years 2019, 2018, and 2017. The monitoring resulted in eleven issues for which the Department was required to prepare an extensive action plan that is currently in process. The DOL is requiring the completion of the action plan to correct the deficiencies identified. Currently, the Department management is working with the corrective action plan requested by the DOL. Management believes, that other than the issue related to the \$245,000 job training program contract, of which \$30,248 were disallowed and returned to the DOL as a result of the DOL's findings, that may involve costs wrongly charged to the programs during the fiscal years 2019 and 2020.

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As of and for the year ended June 30, 2019

Custodial Credit Gain

The OPPE had previously recognized a custodial credit loss of assets related to funds deposited in the Economic Development Bank. Subsequently, the OPPE was able to access \$1,000,000, to provide incentives related to energy projects. As a result, a custodial credit loss recovery will be recorded in the fiscal year 2020, for the same amount.

Ukraine/Russian Conflict

On 24 February 2022, Russia launched a large-scale military invasion of Ukraine a southwestern neighboring country, marking a steep escalation to a conflict that began in 2014. Several officials and analysts called the invasion the largest conventional military attack in Europe since World War II. The United States took significant and unprecedented action to respond to Russia's further invasion of Ukraine by imposing severe economic costs that will have both immediate and long-term effects on the Russian economy and financial system. Management has not evaluated the financial impact that this conflict may have in Puerto Rico's economy, other than a significant increase in the cost of petroleum derived products or services that are petroleum dependent, like electricity production and transportation. It is impracticable to determine at the present time, the possible long-term effects this conflict will have in the local economy.

Department of Economic Development and Commerce of Puerto Rico
(An Agency of the Commonwealth of Puerto Rico)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Labor			
Direct Programs			
Workforce Innovation Opportunity Act Cluster:			
WIOA Adult Program	17.258	\$ 22,876,414	\$ 23,519,290
WIOA Youth Activities	17.259	21,030,497	22,044,558
WIOA Dislocated Workers Formula Grant	17.278	<u>22,206,340</u>	<u>26,728,709</u>
Total Workforce Innovation Opportunity Act		<u>66,113,251</u>	<u>72,292,557</u>
Trade Adjustment Assistance	17.245	-	344,786
WIOA Employment Service/Wagner-Peyser Funded Activities			
Disability Resource Coordination Cooperative Agreement	17.207	9,335	187,224
Unemployment Insurance	17.225	-	34,598
Apprenticeship USA Grants	17.285	<u>-</u>	<u>79,449</u>
Total U.S. Department of Labor		66,122,586	72,938,614
U.S. Department of Energy			
Direct Program			
State Energy Program	81.041	-	410,521
Weatherization Assistance Program	81.042	<u>-</u>	<u>1,128,594</u>
Total U.S. Department of Energy		-	1,539,115
Federal Emergency Management Agency			
Direct Program			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>-</u>	<u>21,312</u>
Total Expenditures of Federal Awards		<u>\$ 66,122,586</u>	<u>\$ 74,499,041</u>

See Notes to Schedule of Expenditures of Federal Awards

Department of Economic Development and Commerce of Puerto Rico
(An Agency of the Commonwealth of Puerto Rico)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the **Department of Economic Development and Commerce** of Puerto Rico (the Department) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule presents only a selected portion of the financial activities of the Authority. Therefore, it is not intended to, and does not present the net deficit, changes in net deficit, or cash flows of the Department.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting. The financial transactions are recorded by the Department in accordance with the terms and conditions of the grants, which are consistent with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The titles of federal awards included in the Schedule are presented as described in the Catalog of Federal Domestic Assistance (CFDA).

3. MATCHING COSTS

Matching costs, such as the nonfederal share of certain programs costs, are not included in the Schedule.

3. INDIRECT COST RATE

In 2018, the Department signed an indirect cost rate agreement with the U.S. Department of Labor (DOL) on which the state agency would use an indirect cost of 20.37% for Workforce Innovation Opportunity Act Programs. As for the rest of the grants on which the DOL served as Grantor the indirect cost rate would be of 21.44%. This agreement was signed on March 9, 2021, and would be valid from July 1, 2018, through June 30, 2023.

For programs managed by the Department with U.S. Department of Energy (DOE), the agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. PROGRAM OBJECTIVES

The Department received the following federal awards:

1. Workforce Innovation Opportunity Act (WIOA) grants from the DOL to help local companies find skilled workers. Through Adults and Dislocated Workers programs, they seek to improve employment, retention, and earnings of participants and increase their educational skill attainment, thereby improving the quality of the workforce, reducing welfare dependency, and enhancing national productivity and competitiveness. Through Youth activities, they seek to increase attainment of basic skills, work readiness or occupational skills, and secondary diplomas or other credentials.

Department of Economic Development and Commerce of Puerto Rico
(An Agency of the Commonwealth of Puerto Rico)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

4. PROGRAM OBJECTIVES (CONTINUED)

2. State Energy Program from the DOE to provide financial and technical assistance to the Commonwealth of Puerto Rico (the Commonwealth) and its component units to create and implement a variety of energy efficiency and conservation projects in order to provide leadership to maximize the benefits of energy efficiency and renewable energy through communications and outreach activities, technology deployment, and accessing new partnerships and resources across the geographic panorama of the United States and its territories.
3. Weatherization Assistance for Low-Income Persons Program from the DOE to improve home energy efficiency for low-income families through the most cost-effective measures possible. The program's objectives are:
 - To reduce fossil fuel emissions created as a result of activities within the jurisdictions of eligible entities; and
 - To reduce the total energy use of the eligible units while ensuring their health and safety.

5. RELATION TO FEDERAL FINANCIAL STATEMENTS

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

Federal awards revenues and expenses are reported in the Department's statement of activities in accordance with standards issued by the Government Accounting Standards Board (GASB) No. 34, *Basic Financial Statements--and Management's Discussion and Analysis - For State and Local Governments*. Because the Schedule of Expenditures of Federal Awards presents only federal activities of the Department, it is not intended to and does not present the financial position, assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows of the Department, as a whole.

6. CLUSTER PROGRAM

The Uniform Guidance defines a cluster of programs as a group of closely related programs that share common compliance requirements. According to this definition, the Workforce Innovation Opportunity Act Programs were deemed to be a cluster of programs.

7. CONTINGENCIES

The Department receives funds under various federal grant programs, and such awards are to be expended in accordance with the provisions of each grant. Compliance with the grants is subject to audit by various government agencies, which may impose sanctions in the event of non-compliance. Management believes that it has complied with all aspects of grant provisions, and the results of adjustments, if any, relating to such audits would not have a material impact on the programs nor the accompanying Schedule.

Department of Economic Development and Commerce of Puerto Rico
(An Agency of the Commonwealth of Puerto Rico)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

8. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease caused by a novel coronavirus (COVID-19) as a global pandemic. As a result of the health threat and to contain the virus spread across the island, then-Governor Vázquez-Garced issued executive order 2020-020, on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, well-being and public safety of the citizens of Puerto Rico. On March 15, 2020, the Governor of Puerto Rico issued Executive Order #OE-2020-023 to make the necessary closures of the government and private companies to combat the effects of Coronavirus (COVID-19). The closure consisted of a lockdown and social distancing. Throughout the year 2020, the Governor issued various executive orders which partially relieved the restrictive measures as imposed by the executive order 2020-023. The long-term effect the COVID-19 Pandemic could have on the Department's operations remains uncertain at the issuance date of the Schedule.



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

Honorable Manuel Cidre Miranda
 Secretary of the Department of Economic Development and Commerce
 San Juan, Puerto Rico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Department of Economic Development and Commerce** (the Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements and have issued our report thereon dated April 7, 2022.

Our report included a qualified opinion because of the following:

1. The Department does not account for WIOA reimbursements due from the U.S. Department of Labor (DOL), as they are billed. Instead, the balance due from the DOL, as presented in the balance sheets - governmental funds, amounting to \$15,160,132, is recorded based on an estimate made by management. Therefore, it is not practicable to determine the amount for which this balance could be misstated.
2. The Department lacks controls to ascertain the accuracy and completeness of operating accounts payable and accruals (with a balance, as of June 30, 2019, of \$6,040,522 under Governmental Activities and \$1,143,124 under the Business-type Activities in the statement of net position). Therefore, it is impracticable to determine the amount, for which operating accounts payable and accruals, and related expenditures (principally administrative expenses, excluding payroll), may be misstated.
3. The Department lacks controls to classify interfund transactions based on their nature, as reciprocal or non-reciprocal transactions. Therefore, it is impracticable to determine the classification and accuracy of interfund balances and transfers, and whether the related expense amounts, are presented in the correct opinion unit. As of June 30, 2019, and for the year then ended, the financial statements presented the following interfund balances and transactions:

Statement of Net Position:

Due from/(to) other funds:	Transfers:
Governmental Activities	\$ 10,275,576
Business-type Activities	<u>(10,275,576)</u>
Total	<u>\$ -</u>

Statement of Activities

Governmental Activities	\$ 3,069,094
Business-type Activities	<u>(3,069,094)</u>
Total	<u>\$ -</u>

4. As disclosed in Notes 2(e) and 10, as of June 30, 2019, in accordance with statutory requirements, the Department had a recorded liability of \$1,907,641 for unencumbered previous-year balances of allocation from the Commonwealth's General Fund that can no longer be obligated. Management was unable to provide us with support for the accuracy and completeness of this balance.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2019-001** and **2019-002** to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item **2019-003** significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters 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 **2019-001**, **2019-002** and **2019-003**.

The Department's Response to Findings

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department'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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 1, 2022

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affixed to the original of this 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

Honorable Manuel Cidre Miranda
Secretary of the Department of Economic Development and Commerce
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited the **Department of Economic Development and Commerce's** (the Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Department's major federal programs for the year ended June 30, 2019. The Department's 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 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 Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, 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 Department'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 qualified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Department's compliance.

Basis for Qualified Opinion on Workforce Innovation Opportunity Act Cluster, State Energy Program, and Weatherization Assistance Program for Low-Income Persons

As described in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding the following:

<u>Finding No.</u>	<u>CFDA No.</u>	<u>Program Name</u>	<u>Compliance Requirement</u>
2019-007	81.041	State Energy Program	Matching, Level of Effort, Earmarking
2019-008	84.041	State Energy Program	Matching, Level of Effort, Earmarking
2019-009	81.041	State Energy Program	Cash Management
2019-010	81.042	Weatherization Assistance Program for Low-Income Persons	Procurement, Suspension, and Debarment
2019-011	81.042	Weatherization Assistance Program for Low-Income Persons	Procurement, Suspension, and Debarment
2019-012			
1.	17.258 17.259 17.279	Workforce Innovation Opportunity Act Cluster	Reporting
2.	81.041 81.042	State Energy Program Weatherization Assistance Program for Low-Income Persons	Reporting

Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to those programs.

Qualified Opinion on Workforce Innovation Opportunity Act, State Energy Program, and Weatherization Assistance Program for Low-Income Persons

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Department 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 the major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2019-004**, **2019-005**, and **2019-006**. Our opinion on each major federal program is not modified with respect to these matters.

Other Matters (Continued)

The Department's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department'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 Department 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 Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2019-007**, **2019-008**, **2019-009**, **2019-010**, **2019-011**, and **2019-012** to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2019-004**, **2019-005**, and **2019-006** to be significant deficiencies.

The Department'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 Department'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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated April 7, 2022, which contained qualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.

August 1, 2022

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DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
(An Agency of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report issued	Qualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to the financial statement noted?	Yes

Federal awards

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

Identification of Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>	<u>Page</u>
Workforce Innovation and Opportunity Act (WIOA) Cluster:		
WIOA Adult Program	17.258	52
WIOA Youth Activities	17.259	52
WIOA Dislocated Workers Formula Grants	17.278	52
State Energy Program	81.041	52
Weatherization Assistance Program for Low-Income Persons	81.042	52
Dollar threshold used to distinguish between type A and type B programs:		\$2,234,971
Auditee qualified as a low-risk auditee?		No

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
(An Agency of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - FINANCIAL STATEMENTS FINDINGS

2019-001	Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB)
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance

Criteria

Measurement Focus and Basis of Accounting

Financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting, as the terms are discussed in NCGA Statement No. 1, as amended. (GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government* (GASB Statement No. 34), Section 79).

2 CFR § 200.510, Financial statements.

(a) *Financial statements*. The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with § 200.514(a) and prepare separate financial statements.

Conditions

The Department took close to three years after the June 30, 2019, year-end to assemble its books and records and be able to prepare financial statements in accordance with GAAP, but even then, the auditor's report qualified the financial statements for significant deficiencies or uncertainties in the amounts recorded. Furthermore, the financial statements reported a significant correction to the prior-year financial statement for information not previously provided to the finance department.

Cause

The Department lacks internal controls over accounting processes to ascertain that the books and records are accurate, complete, and are timely kept to prepare financial statements and related disclosures in accordance with GAAP.

In May 2021, upon findings reported by the request of the U.S. Department of Labor (DOL), an external consultant issued a Report on Review and Evaluation of Finance Reporting and Operational System related to the Workforce Innovation Opportunity Act (WIOA) Programs, that in general terms, could also apply to other Programs at the Department.

Effect

Neither the Federal government nor other financial statement users may rely on the Departments' financial statements. Furthermore, the lack of reliable financial statements may allow for an increased risk that fraud may occur and not be detected.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
(An Agency of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - FINANCIAL STATEMENTS FINDINGS

2019-001 **Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB)**
Finding Type **Material Weaknesses in Internal Control and Material Noncompliance**

Identification as a Repeated Finding

Refer to Items No. **2018-001**, **2017-001** and **2016-001** in the *Summary of Prior Year Audit Findings*. The U.S. Department of Labor (US DOL) addressed these material weaknesses in their letter dated August 10, 2020.

Recommendations

The external consultant's Report addresses the conditions in this finding, among other conditions; therefore, we recommend the Department implement the recommendations provided in the Report.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
(An Agency of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2019-002
Finding Type

Change in Reporting Entities
Material Weaknesses in Internal Control and Material Noncompliance

Criteria

Under Act No. 141 of July 11, 2018, *Reorganization Plan of the Department of Economic Development and Commerce, Section 16.1, Transition*, the Governor and the Secretary of the Department are hereby authorized to adopt the necessary transition measures to implement the provisions of the Reorganization Plan without interrupting the public services and other administrative processes of the entities that will form part of the Department and its components. The necessary, appropriate, and convenient actions to comply with the purposes of the Reorganization Plan and this Act, such as but not limited to, the review of regulations, the establishment of its internal, programmatic, and budgeted structure, as well as the account structure required to carry out the accounting of its funds, relocation of offices, must begin within a time that will not exceed thirty calendar days after the approval of this Plan.

The Secretary of the Department shall have up to one hundred eighty days upon approval of this Act to certify compliance with the duties and functions delegated to the consolidated entities.

Conditions

During the fiscal year 2019, the Public Energy Policy Program (Federal programs) was incorporated into the Department. However, the transition was not performed within the established timeframe; the consolidation was completed approximately two years after the established deadline.

Cause

The Department lacks sufficient resources to maintain a structured accounting department that could assume the increase in responsibilities.

Effect

Noncompliance with laws and regulations such as Act No. 141-2018.

Recommendation

We recommend the Department to establish sufficient controls to ascertain all new applicable laws and regulations are monitored, and upon enactment of new laws and regulations plan ahead to ascertain full compliance with laws and regulations, as they are implemented. Checklists should be prepared to ascertain all requirements of applicable laws and regulations are identified and corroborated for compliance.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
(An Agency of the Commonwealth of Puerto Rico)

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2019-003
Finding Type

Human Resources Documents
Significant Deficiency in Internal Control and Noncompliance

Criteria

2 CFR §200.303 Internal controls.
The non-Federal entity must:

1. 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).
2. Comply with the Federal statutes, regulations, and the terms and conditions of the Federal awards.
3. Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
4. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

8 CFR § 274a.2 - Verification of identity and employment authorization.

(a) General. This section establishes requirements and procedures for compliance by persons or entities when hiring, or when recruiting or referring for a fee, or when continuing to employ individuals in the United States.

(1)

(2) Verification form. Form I-9, Employment Eligibility Verification Form, is used in complying with the requirements of this 8 CFR 274a.1-274a.11. Form I-9 can be in paper or electronic format. Alternatively, Form I-9 can be electronically generated or retained, provided that the resulting form is legible; there is no change to the name, content, or sequence of the data elements and instructions; no additional data elements or language are inserted; and the standards specified under 8 CFR 274a.2(e), (f), (g), (h), and (i), as applicable, are met. When copying or printing the paper Form I-9, the text of the two-sided form may be reproduced by making either double-sided or single-sided copies.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2019-003
Finding Type

Human Resources Documents (Continued)
Significant Deficiencies in Internal Control and Noncompliance

Criteria (Continued)

- (3) Attestation Under Penalty and Perjury. In conjunction with completing the Form I-9, an employer or recruiter or referrer for a fee must examine documents that evidence the identity and employment authorization of the individual. The employer or recruiter or referrer for a fee and the individual must each complete an attestation on the Form I-9 under penalty of perjury.

Act No. 184 of August 3, 2004, as amended, Article No. 12, Employee Records. All agencies shall maintain the following records for each of their employees:

- a. One that reflects the employee's complete history from the date of his or her original entry into public service to the date of his or her final separation from service.
- b. A confidential and separate record containing medical instructions, determinations, and certifications, following the *Federal Americans with Disabilities Act*. (ADA).
- c. One containing a copy of all Change Reports and other documents and information required for withdrawal purposes.

Condition

From a sample of fifty employees selected to test the Department's compliance with state, local, and federal laws and regulations, contracts, and grant agreements, we identified the following:

1. Job Application not available. (Seventeen instances)
2. Personal History Form not available. (Two instances)
3. Birth Certificate not available. (Three instances)
4. Form I-9, *Employment Eligibility Verification Form* was not available or incomplete. (Eleven instances)
5. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) not available. (Five instances)
6. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) not available. (Thirteen instances)
7. Certifications from the Puerto Rico Department of the Treasury not available. (Sixteen instances)
8. Certificate of Good Conduct not available. (Two instances)
9. Certificate of Prior Employment not available. (Twelve instances)

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2019-003 **Human Resources Documents (Continued)**
Finding Type **Significant Deficiency in Internal Control and Noncompliance**

Condition (Continued)

- 10. Resumes not available. (Twelve instances)
- 11. Diplomas and/or college transcripts not available. (Four instances)
- 12. Professional Certifications not available. (Six instances)
- 13. Membership Certifications (Certified Public Accountants/Lawyers/Other) not available. (Five instances)
- 14. Direct Deposit Form not available. (Eleven instances)
- 15. Incomplete Retirement System's required documents. (Seventeen instances)
- 16. Incomplete medical documents. (Nineteen instances)

Cause

In 2014 and 2018, the Commonwealth of Puerto Rico (the Commonwealth) issued Act No. 171 on October 2, 2014 (Act No. 171-2014) and Act No. 141 on July 11, 2018 (Act No. 141-2018), respectively. Through Act 171-2014, the Labor Development Program, the Film Industry Development Program, and the Youth Development Program merged with the Department. Then, through Act No. 141-2018, the Public Energy Program, the Office of Permit Management, and the Office of Industrial Tax Exemptions merged with the Department. Both Acts required transferring all employees and relocation of the administrative facilities upon the effectiveness of each one. Due to these transitions, the Department lost important and necessary documentation during the process or remained at the Commonwealth's facilities.

Also, upon the transfers, the Department's Human Resources Office opts to leave all employees' files "as is" by understanding that missing documents correspond to laws and regulations applicable over the commencement date of each employee at the previous reporting entity.

Effect

The Department could be subject to audits from State, Local, and Federal agencies, resulting in the imposition of penalties.

Insufficient or incomplete documentation in the verification of identity and employment authorizations is a violation of section 274A (a)(1)(B) of the Immigration and Nationality Act (INA) (8 CFR Part 274a.2(f)(2).

Identification as a Repeated Finding

Refer to Items No. **2018-002**, **2017-001E**, **2016-002E** in the *Summary of Prior Year Audit Findings*.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2019-003

Finding Type

Human Resources Documents (Continued)

Significant Deficiency in Internal Control and Noncompliance

Recommendation

We recommend strengthening controls to ascertain the completeness of employee files, including those from transferred employees from other governmental agencies

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

2019-004	Disbursements Documents and Approvals
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Finding Type	Significant Deficiency in Internal Control and Noncompliance
Federal Agency	U.S. Department of Labor
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278

Criteria

2 CFR §200.303 Internal controls.

The non-Federal entity must:

1. 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).
2. Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

2 CFR §200.400 Policy guide.

The application of these cost principles is based on the fundamental premises that:

- (a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.
- (b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- (c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.
- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to the Federal award.

Conditions

From a sample of sixty disbursements to subrecipients examined to test the internal controls over the disbursement process and its compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements of the Uniform Guidance, we were unable to obtain sufficient appropriate audit evidence to ascertain the nature and allowability of one transaction.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-004	Disbursements Documents and Approvals (Continued)
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Finding Type	Significant Deficiency in Internal Control and Noncompliance
Federal Agency	U.S. Department of Labor
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278

Cause

An oversight over the management of the files of disbursements, which might have been misplaced. No controls implemented to ensure complete and adequate supporting documentation for federal disbursements, including but not limited to subrecipients.

Effect

If the Federal awarding agency determines that the significant deficiency cannot be remedied by imposing additional conditions, the Federal awarding agency may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
- (b)
- (c)
- (d)
- (e) Withhold further Federal awards for the project or program.

Questioned Costs

\$59,304

Recommendation

In May 2021, upon the request of the U.S. Department of Labor (DOL), an external consultant issued a Report on Review and Evaluation of Finance Reporting and Operational System related to the Workforce Innovation Opportunity Act (WIOA) Programs, that in general terms, could also apply to other Programs at the Department. That Report addresses the conditions in this finding, among other conditions, therefore, we recommend the Department to implement the recommendations provided in the external consultant Report.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-005	Form ETA-9130 Submission
Compliance Requirement	Reporting
Finding Type	Significant Deficiency in Internal Control and Noncompliance
Federal Agency	U.S. Department of Labor
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278

Criteria

All Employment & Training Administration (ETA) grantees are required to submit quarterly financial reports for each grant award they receive. Reports are due 45 days after the end of the reporting quarter. Financial data is required to be reported cumulatively from grant inception through the end of each reporting period.

Condition

From a sample of twenty-four Forms ETA-9130, Financial Reports (OMB No. 12050461), submitted during the fiscal year ended June 30, 2019, two forms could not be validated as to the date they were submitted to the U.S. Department of Labor.

Cause

The Department does not maintain adequate monitoring controls to ensure retention of adequate documentation evidencing the submission of federal financial reports.

Effect

Form ETA-9130 is used by ETA to confirm that grant recipients have satisfied the obligations established in the grant program and/or in the Specific Grant Agreement. If the closeout examination reveals any unmet match obligation, the grantee can end up owing monies to the Federal Government.

Questioned Costs

None

Identification as a Repeated Finding

Refer to Items No. **2018-006**, **2017-002** and **2016-002** in the *Summary of Prior Year Audit Findings*.

Recommendation

We recommend strengthening controls to ensure that the Forms ETA-9130, and the timeliness of filing such forms.

Views of responsible Officials (Unaudited)

Refer to Corrective Action Plan.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-006	Federal Funding Accountability and Transparency Act
Compliance Requirement	Reporting
Category	Significant Deficiency in Internal Control and Noncompliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Criteria

The Federal Funding Accountability and Transparency Act (Pub. L. 109-282, as amended by section 6202(a) of Pub. L. 110-252), known as FFATA or the Transparency Act requires information disclosure of entities receiving Federal financial assistance through Federal awards such as Federal contracts, sub-contracts, grants and sub-grants, FFATA 2(a),(2),(i),(ii).

2 CFR Chapter 1, Part 170, Reporting Sub-Award and Executive Compensation Information
Prime Awardees awarded a federal grant are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$30,000.

Condition

None of the required monthly Federal Funding Accountability and Transparency Act (FFATA) reports were filed.

Cause

Lack of oversight over the federal reporting requirements.

Effect

If the Federal awarding agency or passthrough entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c) Wholly or partly suspend or terminate the Federal award.
- (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).
- (e) Withhold further Federal awards for the project or program.
- (f) Take other remedies that may be legally available.

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Schedule of Findings and Questioned Costs (Continued)

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Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-006	Federal Accountability and Transparency Act (Continued)
Compliance Requirement	Reporting
Category	Significant Deficiency in Internal Control and Noncompliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Questioned Costs

None

Identification as a Repeated Finding

Refer to Items No. **2018-007**, **2017-003** and **2016-003** in the *Summary of Prior Year Audit Findings*.

Recommendation

We recommend the Department to correct the technical issues encountered with the Department's subrecipients' information and work together issue with the local areas to comply with FFATA. In addition, communication of the implications of noncompliance should be communicated to management and those charged with governance, who are the individuals responsible for ascertaining those processes and controls are kept meeting federal requirements. The Department should implement stricter compliance policies.

Views of responsible Officials (Unaudited)

Refer to Corrective Action Plan.

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Schedule of Findings and Questioned Costs (Continued)

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Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-007	Matching
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Criteria

2 CFR §200.306, Cost sharing or matching.

(a)

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;

10 CFR § 420.12, State Matching Contributions.

(a) Each State shall provide cash, in kind contributions, or both for SEP activities in an amount totaling not less than 20 percent of the financial assistance allocated to the State under § 420.11(b).

(b) Cash and in-kind contributions used to meet this State matching requirement are subject to the limitations on expenditures described in § 420.18(a) but are not subject to the 20 percent limitation in § 420.18(b).

Condition

No audit evidence could be obtained to ascertain compliance with the 20 percent matching requirement.

Cause

In 2018, the Commonwealth issued Act No. 141-2018, *Reorganization Plan Execution Act of Economic Development and Commerce*. Through this Act, Puerto Rico Office of Public Energy Policy (PROPEP) was merged into the Department resulting in a period of management reorganization, which may have prevented the full compliance with federal requirements. However, we could not determine if these or other reasons, including lack of internal controls, have caused this finding.

Effect

The grantor can suspend future reimbursements until proof of the 20 percent matching contribution is provided.

Questioned Costs

Could not be determined.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-007	Matching (Continued)
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Identification as a Repeated Finding

Refer to Items No. **2018-001E**, **2018-002E**, **2017-002E** and **2016-005E** in the *Summary of Prior Year Audit Findings*.

Recommendation

To comply with the matching requirement, the Department should establish a process to validate, substantiate, and recognize in its accounting records the cash or in-kind contributions from non-federal funds, as required by the Federal awarding agency through the Standard Form 424A, *Budget Information - Non-Construction Programs* (OMB Approval No. 0348-0044) and the Federal laws and regulations.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-008	Employees' Level of Effort
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Criteria

Level of effort includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.

Condition

We were unable to examine an activity report or equivalent to determine the time and effort incurred by each employee on the federal program, as established by the DOE in the Budget Justification for Formula Grants (the Budget Justification).

Cause

In 2018, the Commonwealth issued Act No. 141-2018, *Reorganization Plan Execution Act of Economic Development and Commerce*. Through this Act, PROPEP was merged into the Department, resulting in a period of management reorganization, which may have prevented the full compliance with federal requirements. However, we could not determine if these or other reasons, including lack of internal controls, have caused this finding.

Effect

The Federal awarding agency can suspend future grant funding until proof of the level of effort has been met.

Questioned Costs

Could not be determined.

Identification as a Repeated Finding

Refer to Items No. **2018-003E**, **2017-003E** and **2016-006E** in the *Summary of Prior Year Audit Findings*.

Recommendation

To comply with the level of effort, PROPEP should implement the use of time sheets or an equivalent document to support the time incurred by each employee in the federal program.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-008	Employees' Level of Effort (Continued)
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-009	Reimbursement Method Used and Reimbursements Request Delays
Compliance Requirements	Cash Management
Finding Type	Material Weakness in Internal Control and Noncompliance
Federal Program	State Energy Program
CFDA Number	81.041
Federal Agency	U.S. Department of Energy

Criteria

The reimbursement payment method is the preferred payment method if (a) the non-Federal entity cannot meet the requirements in 2 CFR section 200.305(b)(1) for advance payment, (b) the Federal awarding agency sets a specific condition for use of the reimbursement or (3) if requested by the non-Federal entity (2 CFR sections 200.305(b)(3) and 200.207)). The reimbursement payment method also may be used on a Federal award for construction or for other construction activity as specified in 2 CFR section 200.305(b)(3), program costs must be paid by non-Federal entity funds before submitting a payment request (2 CFR section 200.305(b)(3)), i.e., the non-Federal entity must disburse funds for program purposes before requesting payment from the Federal awarding agency or pass-through entity.

10 CFR §600.122, Payment.

(e)(2) Recipients may submit requests for advances and reimbursements at least monthly when electronic fund transfers are not used.

Condition

(a)

From a sample of eighteen payments, in two instances totaling \$23,990, the payments to the vendor were made on an advance basis (payment to vendor made after the reimbursement request date). As stipulated on the grant awards, cash requests must be based on reimbursements and not as advances.

(b)

Delays in the requests for reimbursements of the expenditures incurred during the fiscal year ended June 30, 2019. This issue limits the Department's capacity to provide benefits.

Cause

(a)

The Department lacks developed grant management SOP's related to the process of requesting reimbursement for expenses incurred under federal programs.

(a) and (b)

In 2018, the Commonwealth issued Act No. 141-2018, *Reorganization Plan Execution Act of Economic Development and Commerce*. Through this Act, PROPEP was merged into the Department, resulting in a period of management reorganization, which may have prevented the full compliance with federal requirements. However, we could not determine if these or other reasons, including lack of internal controls, have caused this finding.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-009	Reimbursement Method Used and Reimbursements Request Delays (Continued)
Compliance Requirements	Cash Management
Finding Type	Material Weakness in Internal Control and Noncompliance
Federal Program	State Energy Program
CFDA Number	81.041
Federal Agency	U.S. Department of Energy

Effect

(a) and (b)

If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c)
- (d)
- (e) Withhold further Federal awards for the project or program.

Questioned Costs

(a)
\$23,990.

(b)
None, because the expenditures had not been reimbursed.

Identification as a Repeated Finding

Refer to Item No. **2018-004E** in the *Summary of Prior Year Audit Findings*.

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Schedule of Findings and Questioned Costs (Continued)

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Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-009	Reimbursement Method Used and Reimbursements Request Delays (Continued)
Compliance Requirements	Cash Management
Finding Type	Material Weakness in Internal Control and Noncompliance
Federal Program	State Energy Program
CFDA Number	81.041
Federal Agency	U.S. Department of Energy

Recommendation

(a)

The Department must implement sufficient internal controls to ascertain request of reimbursement for expenses incurred under federal programs be done only after the actual disbursement is made.

(b)

To comply with the cash management requirements, the Department should implement controls to correct the timeliness of submitting the reimbursements requests by establishing due dates and alerts.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

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Schedule of Findings and Questioned Costs (Continued)

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Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-010	Procurement Supporting Documents
Compliance Requirements	Procurement, Suspension, and Debarment
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Weatherization Assistance for Low-Income Persons
CFDA Number	81.042
Federal Agency	U.S. Department of Energy

Criteria

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

2 CFR Part 200.317, Procurement by States

A State must follow the same procurement policies and procedures it uses when procuring property and services with non-Federal funds, when they procure property and services with Federal funds.

2 CFR 200.318(i), General Procurements Standards

A State must maintain records sufficient to detail the history of procurement. These records must include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

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

Condition

We requested the documentation for the procurement process for nine transactions, of which seven, with contract costs totaling \$602,260, were carried out by the General Services Administration (ASG), an agency of the Commonwealth of Puerto Rico. Since these procedures were not performed by the Department, we could not determine whether procurements under federal awards were made in compliance with applicable federal regulations and other procurement requirements specific to the award. Therefore, the audit team was not able to obtain and verify the entity's procurement policies and the procedures performed to select the most beneficial offer.

We also requested for examination two other procurement transactions for which the contract was not available, as more fully discussed in item No. **2019-011**.

Cause

The Department lacks internal controls to oversee the procurement process carried out by ASG.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-010	Procurement Supporting Documents (Continued)
Compliance Requirements	Procurement, Suspension, and Debarment
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Weatherization Assistance for Low-Income Persons
CFDA Number	81.042
Federal Agency	U.S. Department of Energy

Cause (Continued)

The Department is an agency of the Commonwealth and the procurement process for the acquisition of certain work and for the supply of products, for several dependencies of the Commonwealth, has been delegated to Administration of General Services (ASG, as its Spanish acronym). The auditor requested access to the contract file to verify the existence and to ascertain if the appropriate cost analysis was performed in connection with procurement actions, including contract modification and the analysis performed that supports the procurement standards but the contract and procurement information was not available for our review, because it is under control and custody of ASG.

Effect

If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c) Wholly or partly suspend or terminate the Federal award.
- (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).
- (e) Withhold further Federal awards for the project or program.
- (f) Take other remedies that may be legally available.

Questioned Costs

\$602,260 ⁽¹⁾

(1) Questioned costs are only related to disbursements tested in sample. However, this finding applies to all disbursements made under the contract examined, accordingly, the actual costs that may not be in compliance with the procurement requirements may be significantly higher.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-010	Procurement Supporting Documents (Continued)
Compliance Requirements	Procurement, Suspension, and Debarment
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Weatherization Assistance for Low-Income Persons
CFDA Number	81.042
Federal Agency	U.S. Department of Energy

Identification as a Repeated Finding

Refer to Items no. **2018-005E** and **2017-004E** in the *Summary of Prior Year Audit Findings*.

Recommendation

The Department's management must ascertain to obtain and maintain records sufficient to detail the history of procurement, to include the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price, among other, to accomplish this control objective, the Department must request the bidding information from ASG.

Views of responsible Officials (Unaudited)

Refer to Corrective Action Plan.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-011	Contracts
Compliance Requirements	Procurement, Suspension, and Debarment
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Weatherization Assistance for Low-Income Persons
CFDA Number	81.042
Federal Agency	U.S. Department of Energy

Criteria

2 CFR §200.303 Internal controls.

The non-Federal entity must:

3. 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).
4. Comply with the Federal statutes, regulations, and the terms and conditions of the Federal awards.

Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

2 CFR §200.327, Contract Provisions,

A non-Federal entity's contract must contain the applicable provisions described in Appendix II of Part 200.

Appendix II of Part 200,

All prime construction contracts in excess of \$2,000 awarded by non-federal entities must include a provision for compliance as per the Davis Bacon Act, amended (40 U.S.C. 3141-3148) and must also include a clause which stipulates that the entity must not make transactions with parties listed on the government wide exclusions in the System for Award Management (SAM), in accordance with the OMB Guidelines at 2 CFR 180.

Condition

From a sample of nine contracts selected to test the contract provisions required by 2 CFR §327, we identified the following:

1. The Davis-Bacon Act, as amended clause was not included in the contract. (Seven instances)
2. The Debarment and suspension clause was not included in the contract. (Seven Instances)
3. All applicable clauses required by 2 CFR §327 were not included. (Two instances)

Cause

The Department lacks internal controls to properly manage and revise contracts under federal programs to ensure that federal clauses are included.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-011	Contracts (Continued)
Compliance Requirements	Procurement, Suspension, and Debarment
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Weatherization Assistance for Low-Income Persons
CFDA Number	81.042
Federal Agency	U.S. Department of Energy

Cause (Continued)

The Program was previously managed by another agency. The Legal Division of the Department has the responsibility to manage and maintain the contracts under federal grants and ensure that they include the required clauses under 2 CFR 200.327.

Effect

If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c) Wholly or partly suspend or terminate the Federal award.
- (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).
- (e) Withhold further Federal awards for the project or program.
- (f) Take other remedies that may be legally available.

Questioned Costs

None.

Identification as a Repeated Finding

Refer to Item No. **2018-05E** in the *Summary of Prior Year Audit Findings*.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-011	Contracts (Continued)
Compliance Requirements	Procurement, Suspension, and Debarment
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Weatherization Assistance for Low-Income Persons
CFDA Number	81.042
Federal Agency	U.S. Department of Energy

Recommendation

The Department's Legal Division should implement sufficient controls to ascertain provisions of laws and regulations are considered in the drafting of contracts. The preparation of a review checklist and the approval of the contract draft by a person other than the preparer, are steps that could be considered.

Views of responsible Officials (Unaudited)

Refer to Corrective Action Plan.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-012	Late Single Audit Submission
Compliance Requirement	Reporting
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor
Federal Programs	State Energy Program and Weatherization Assistance Program for Low-Income Persons
CFDA No.	81.041 and 81.042
	U.S. Department of Energy

Criteria

2 CFR §200.501 Audit requirements.

(a) Audit required. A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

2 CFR §200.512 Report Submission,

(a) General

(1) The audit must be completed, and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

(Refer also to 10 CFR § 600.226, Non-Federal audit, 10 CFR §600.126, Non-Federal audits, and 45 CFR §75.501, Audit requirement)

Condition

The Department has not submitted the Single Audit Reporting Packages for the years ended June 30, 2018, 2019, and 2020.

Cause

The Single Audit Reporting Packages late submission results from the operational changes generated by Act No. 171 of October 2, 2014 (Act No. 171) enactment. Act No. 171 integrated the Labor Development Program and the WIOA Cluster Programs with the Department. This merge, in conjunction with other difficulties, has been delaying the Department's efforts to bring up to date all federal filings.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

2019-012	Late Single Audit Submission (Continued)
Compliance Requirement	Reporting
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor
Federal Programs	State Energy Program and Weatherization Assistance Program for Low-Income Persons
CFDA No.	81.041 and 81.042
	U.S. Department of Energy

Effect

If the Federal awarding agency or passthrough entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c) Wholly or partly suspend or terminate the Federal award.
- (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).
- (e) Withhold further Federal awards for the project or program.
- (f) Take other remedies that may be legally available.

Questioned Costs

None

Identification as a Repeated Finding

Refer to Items No. **2018-008**, **2018-007E**, **2017-05E** and **2016-009E** in the *Summary of Prior Year Audit Findings*.

Recommendation

To comply with the reporting compliance requirement, the Department needs to perform and submit the compliance reporting packages in default for the fiscal years ended June 30, 2019, 2020, and 2021. Moving forward, the Department needs to establish controls to ascertain all Federal reports are filed on time.

Views of Responsible Official (Unaudited)

Refer to Corrective Action Plan.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-001	Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) (Continued)
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance

Condition (Continued)

- Compensated absences amounting to \$119,054 related to the business-type activities (the Administration Fund), were fully recognized under governmental activities in the government-wide financial statements.
- Significant accounts with different purposes were accounted for as one fund, and not per fund as required by GASB.
- Accounts, subsidiaries, and the general ledger are not reconciled on a recurring basis.

A similar finding was reported prior year as items **2017-001** and **2016-001**.

Recommendations

The Department shall develop written accounting policies and procedures following GAAP and GASB or updating existing manuals, covering the following areas:

- Internal Controls/Segregation of Duties
 - Management needs to hire staff to assign tasks and segregate duties.
- Revenue Recognition
 - Management shall ensure all reimbursable costs or contract costs are billed and periodically reviewed by the appropriate level of management or another appropriate person.
 - Revenue by revenue source and/or governmental activities shall be reviewed regularly by management.
- Aging of Accounts Receivable
 - Accounts receivable shall be reviewed and reconciled to general ledger periodically.
 - An analysis shall be prepared for estimating the allowance for uncollectible accounts and bad debt expense, periodically.
- Interfund transactions
 - Interfund receivables and payables shall be balanced monthly and reconciled to the general ledger.
- Budget Control
 - Management shall review the Department's financial statements on periodic basis and investigates significant variances from budgets and expected results.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-001	Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) (Continued)
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance

Recommendations (Continued)

- Financial Closing and Reporting Process
 - Management shall establish a well-defined process for financial reporting including the timely posting of prior year audit adjustments.
- Authoritative guidance and regulations
 - Knowledgeable personnel shall monitor changes in authoritative guidance and regulations affecting accounting policies and procedures on a timely basis.
- Cash
 - Bank reconciliations shall be prepared and reviewed in a timely fashion.
 - Bank reconciliations for the concentration account shall be prepared as a whole and by each fund it is accounted for. However, the latter may be simplified if cash balances are kept at the fund holding control of the account and cash transfers recorded through interfund accounts.
- Significant estimates
 - Knowledgeable personnel shall review significant judgments and estimates included in the financial records at the end of every accounting period.

All changes in or implementation of new policies and/or procedures must be accompanied by staff training. Policies and procedures must have adequate internal controls to provide reasonable assurance of compliance with applicable state, local and federal laws and regulations and administrative requirements.

Current Status

Uncorrected. Refer to items **2019-001** for a similar finding and **2017-001** and **2016-001** in the *Summary of Prior Year Audit Findings*. The U.S. Department of Labor (US DOL) addressed these material weaknesses in their letter dated August 10, 2020.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-002
Finding Type

Human Resources Documents
Significant Deficiency in Internal Control and Noncompliance

Condition

From a sample of twenty-five employees selected to test the Department's compliance with state, local, and federal laws and regulations, contracts, and grant agreements, we identified the following:

17. Form I-9, *Employment Eligibility Verification Form* was not available or incomplete (Two instances)
18. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) not available (Five instances)
19. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) not available (Seven instances)
20. Certifications from the Puerto Rico Department of the Treasury not available (Eight instances)
21. Certificate of Prior Employment not available (Six instances)
22. Resumes not available (Two instances)
23. Diplomas and/or college transcripts not available (One instance)
24. Employees Association of the Commonwealth of Puerto Rico (AEELA, for its Spanish acronym) Authorization for Entry and Discount Form (Twelve instances)
25. Incomplete Retirement System's required documents (Four instances)
26. Incomplete medical documents (Four instances)

Recommendation

We recommend strengthening controls to ascertain the completeness of employee files, including those from transferred employees from other governmental agencies.

Current Status

Uncorrected. Refer to item no. **2019-003** for a similar finding, and **2017-001E** and **2016-002E** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-003	Disbursements Documents and Approvals
Compliance Requirement Reporting	Allowable Costs/Cost Principles
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Agency	U.S. Department of Labor
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278

Conditions

From a sample of twenty-five professional services disbursements and a second sample of ninety-eight disbursements to subrecipients examined to test the internal controls over the disbursement process and its compliance with the Allowable Costs/Cost Principles requirements of the Uniform Guidance, we identified the following:

1. One file was not available for examination.
2. Invoices were not stamped as paid (Three transactions)
3. Evidence not available for examination. (Three transactions)
4. Inconsistency in the approval of disbursements.

Recommendation

We recommend developing, implementing, and monitoring specific internal controls through written policies following the Uniform Guidance's allowable costs/cost principles compliance requirements. Also, the Department needs to train the personnel managing federal funds.

Current Status

Uncorrected. Refer to item no. **2019-004** for a similar finding.

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Summary Schedule of Prior Audit Findings (Continued)

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Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-004	Reimbursement Requests Documents
Compliance Requirement Reporting	Cash Management
Finding Type	Material Weakness in Internal Control and Noncompliance
Federal Agency	U.S. Department of Labor
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278

Condition

Treasury-State Cash Management Improvement Act

The Department lacks a Treasury-State Cash Management Improvement Act (CMIA) agreement for the fiscal year ended June 30, 2018.

Reimbursement Requests

From a sample of ninety-eight reimbursement requests examined to test compliance with the cost-reimbursement method, the following was identified:

1. No supporting information was provided for one reimbursement request.
2. Inconsistency in the approval of reimbursements requests by management.

Recommendation

Treasury-State Cash Management Improvement Act

We recommend obtaining a Cash Management Improvement Act Agreement between the Commonwealth of Puerto Rico and the Secretary of the Treasury of the U.S. Department of the Treasury.

Reimbursement Requests

We recommend developing, implementing, and monitoring specific internal controls through written policies following the Uniform Guidance's cash management compliance requirements. Also, the Department needs to train the personnel managing federal funds.

Current Status

Corrected.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-005	Procurement Documents
Compliance Requirement Reporting	Procurement, Suspension, and Debarment
Finding Type	Significant Deficiency in Internal Control and Noncompliance
Federal Agency	U.S. Department of Labor
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278

Condition

From sixteen contract files examined to test the compliance with state, local, and federal laws and regulations, we identified the following:

1. Certifications from the Puerto Rico Department of State were missing (Seven instances)
2. Certifications from the Puerto Rico Department of the Treasury were missing (Six instances)
3. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) were missing (Four instances)
4. Certifications from the Department of Labor and Human Resources were missing (Six instances)
5. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) was missing (Six instances)
6. Corporate Resolution (Only applies to Corporations) was missing (Five instances)
7. One contract did not contain the provision of the Byrd Anti-Lobbying Amendment.
8. One contract and its file could not be examined because the contract number was not available.

Recommendation

We recommend strengthening the procurement oversight process and ascertain the completeness of each contract file to comply with state, local, and federal laws and regulations.

Current Status

Uncorrected. Refer to items no. **2019-010** for a similar finding, and **2018-005E** and **2017-004E** in the *Summary of Prior Year Audit Findings*.

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Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-006	Form ETA-9130 Late Submission
Compliance Requirement Reporting	Reporting
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Agency	U.S. Department of Labor
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278

Condition

From a sample of forty Forms ETA-9130, Financial Reports (OMB No. 1205-0461), submitted during the fiscal year ended June 30, 2018, thirty forms were not submitted during the 45-day calendar day requirement, and five forms could not be validated as to the date they were submitted to the U.S. Department of Labor.

Recommendation

The Department's management should review its oversight process to ascertain the timely submission of the required federal financial reports. In addition, management should keep a calendar with filing due dates to ascertain compliance with filing deadlines.

Current Status

Uncorrected. Refer to Items No. **2019-005** for a similar finding, and **2017-002** and **2016-002** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

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Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-007	Federal Accountability and Transparency Act
Compliance Requirement Reporting Category	Reporting
	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Condition

None of the required monthly Federal Funding Accountability and Transparency Act (FFATA) reports were filed.

Recommendation

We recommend the Department to correct the technical issues encountered with the Department's subrecipients' information and assign personnel to work the issue with the local areas to comply with FFATA. In addition, communication of the implications of noncompliance should be communicated to management and those charged with governance, who are the individuals responsible for ascertaining those processes and controls are kept meeting federal requirements. The Department should implement stricter compliance policies.

Current Status

Uncorrected. Refer to items no. **2019-006** for a similar finding, and **2017-003** and **2016-003** in the *Summary of Prior Year Audit*

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Summary Schedule of Prior Audit Findings (Continued)

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Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-008	Late Single Audit Submission
Compliance Requirement Reporting	Reporting
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Agency	U.S. Department of Labor
Federal Programs	Workforce Innovation Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278

Condition

The Department has not submitted the Single Audit Reporting Packages for the years ended June 30, 2018, 2019, and 2020.

Recommendation

To comply with the reporting compliance requirement, the Department needs to perform and submit the compliance reporting packages in default for the fiscal years ended June 30, 2018, 2019, and 2020.

Current Status

Uncorrected. Refer to items no. **2019-012** for a similar finding, and **2018-007E**, **2017-005E** and **2016-009E** in the *Summary of Prior Year Audit*

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2018-009	Return of Funds
Compliance Requirement	Period of Performance
Category	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Condition

When examining Accounts Payable amounts related to US DOL balances, we identified \$429,184 in unreturned closeouts funds. The Department has not returned unspent cash received in advance as of May 14, 2019.

Recommendation

The Department should establish policies and controls to ensure that unspent funds are promptly returned to the Federal government after grants are closed. The Department has at the most, one year and three months after the end of the award to return unspent funds. A policy that should prevent noncompliance could be to assign someone to quarterly review the account and timely identify and refund any unused funds for closed-out grants.

Current Status

Corrected.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2017-001	Financial Reporting System
Finding Type	Material Weakness in Internal Control over Financial Reporting

Condition

The Department's net position/fund balance of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information have been restated as of July 1, 2016, to correct certain oversights in the presentation of the 2017 financial statements. The restatements are related to an oversight in the methodology used to determine the federal funds receivable, interfund transactions, the reconciliation of the capital asset ledger, and the accrual of the System's payable, which resulted in the restatement of the beginning net position of the Department's government-wide financial statements.

Recommendation

The Department needs to reinforce the processes and controls over its accounting operations.

Current Status

Uncorrected. Refer to items no. **2019-001** for a similar finding, and **2018-001** and **2016-001** in the *Summary of Prior Year Audit*

2017-002	Late Filing of Form ETA-9130
Compliance Requirement	Reporting
Category	Material Weakness in Internal Control and Material Noncompliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Condition

Twenty-three of the ninety sampled Form ETA-9130, Financial Reports (OMB No. 1205-0461) were not submitted during the 45-day calendar day requirement.

Recommendation

The Department management should review its oversight process to ascertain the timely submission of the required federal financial reports. In addition, management should keep a calendar with filing due dates to ascertain compliance with filing deadlines.

Current Status

Uncorrected. Refer to items no. **2019-005** for a similar finding, and **2018-006** and **2016-002** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2017-003	Federal Funding Accountability and Transparency Act (FFATA)
Compliance Requirement	Reporting
Category	Significant Deficiency in Internal Control over Compliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Condition

None of the required monthly Federal Funding Accountability and Transparency Act (FFATA) reports were filed.

Recommendation

We recommend the Department to correct the technical issues encountered with the information required by the Department's subrecipients, and to assigned personnel to work the issue with the local areas to comply with FFATA. Communication of the implications of noncompliance should be communicated to management and those charged with governance, who are the persons responsible for ascertaining those processes and controls are kept meeting federal requirements. And stricter compliance policies should be implemented.

Current Status

Uncorrected. Refer to items no. **2019-006** for a similar finding, and **2018-007** and **2016-003** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2016-001	Accounting Records
Compliance Requirement	Financial Reporting
Category	Material Weakness in Internal Control over Financial Reporting
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Condition

Management methodology for reviewing the accounts receivable recognition in the Workforce Innovation Opportunity Act (WIOA) Fund was not correct.

Recommendation

The Department needs to establish a methodology for reviewing the accounts receivable recognition in accordance with GASB Statement No. 33. It is important to understand when the eligibility requirements are met in order to recognize a receivable of a non-exchange transaction.

Current Status

Uncorrected. Refer to items no. **2019-001** for similar finding, and **2018-001** and **2017-001** in the *Summary of Prior Year Audit Findings*.

2016-002	Late Filing of Form ETA-9130
Compliance Requirement	Reporting
Category	Significant Deficiency in Internal Control over Compliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Condition

Three of the twenty-four sampled Form ETA-9130, Financial Reports (OMB No. 1205-0461) were not submitted during the 45-calendar day requirement.

Recommendation

The Department's management should review its oversight process to ascertain the timely submission of the required federal financial reports. In addition, management should keep a calendar with filing due dates to ascertain compliance with filing deadlines.

Current Status

Uncorrected. Refer to items no. **2019-005** for a similar finding, and **2018-006** and **2017-002** in the *Summary of Prior Year Audit Findings*.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
(An Agency of the Commonwealth of Puerto Rico)

Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2016-003	Federal Funding Accountability and Transparency Act (FFATA)
Compliance Requirement	Reporting
Category	Significant Deficiency in Internal Control over Compliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Condition

None of the required monthly *Federal Funding Accountability and Transparency Act* (FFATA) reports were filed. The Department needs to submit their reports through the FFATA Sub-award Reporting System (FRSS) by the end of each month following the month in which the Department subgrants funds in excess of \$25,000 to subrecipients.

Recommendation

We recommend the Department to correct the technical issues encountered with the information required by the Department's subrecipients, to assign personnel to work the issue with the local areas in order to comply with FFATA. Communication of the implications of noncompliance should be communicated to management, and those charged with governance and stricter compliance policies should be implemented.

Current Status

Uncorrected. Refer to items no. **2019-006** a similar finding, and **2018-006** and **2017-003** in the *Summary of Prior Year Audit Findings*.

2016-004	Return of Funds
Compliance Requirement	Period of Performance
Category	Material Weakness in Internal Control over Compliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Condition

When examining the detail of Accounts Payable - US DOL, the auditor noted that the balance of \$418,244 in said account from close continues to increase without payments being issued to the Federal Government. After inquiring to Management and examining the transaction account, the auditor confirmed that the Department had not made payments for returning unspent or unobligated cash received in advance for some time.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (CONTINUED)

2016-004	Return of Funds (Continued)
Compliance Requirement	Period of Performance
Category	Material Weakness in Internal Control over Compliance
Federal Program	Workforce Innovation and Opportunity Act Cluster
CFDA No.	17.258, 17.259, and 17.278
Federal Agency	U.S. Department of Labor

Recommendation

The Department should establish policies to ensure that unspent funds are promptly returned to the Federal government after grants are closed. The Department has at the most, one year and three months after the end of the award to return unspent funds. A policy that should prevent noncompliance could be to assign someone to quarterly review the account and timely identify and refund unused funds for terminated grants.

Current Status

Corrected. On May 14, 2019, the Department reimbursed the \$418,244 to the US DOL. However, refer to items **2018-007**.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY

2018-001E	Cost Sharing Accounting
Finding Type	Material Weakness in Internal Control and Material Noncompliance

Condition

The Puerto Rico Office of Public Energy Policy (PROPEP) did not recognize the cash and/or in-kind contributions made during the fiscal year ended June 30, 2018.

Refer to item no. **2018-002E**.

Recommendation

PROPEP needs to adopt accounting policies to recognize cash and/or in-kind contributions in books.

Current Status

Uncorrected.

2018-002E	Matching
Compliance Requirement	Matching
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Condition

No audit evidence could be obtained to ascertain compliance with the 20 percent matching requirement. Refer to item no. **2018-001E**.

Recommendation

To comply with the matching requirement, PROPEP should establish a process to validate, substantiate, and recognize in its accounting records the cash or in-kind contributions from non-federal funds, as required by the Federal awarding agency through the Standard Form 424A, *Budget Information - Non-Construction Programs* (OMB Approval No. 0348-0044) and Compliance Supplement 2017 and 2018.

Current Status

Uncorrected. Refer to Items no. **2019-007** for a similar finding, and **2018-002E** and **2016-005E** in the *Summary of Prior Year Audit*

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2018-003E	Employees' Level of Effort
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Condition

We were unable to examine an activity report or equivalent to determine the time incurred by each employee on the federal program, as established by the US DOE in the Budget Justification for Formula Grants (the Budget Justification).

Recommendation

To comply with the level of effort, the Department should implement the use of time sheets or an equivalent document to support the time incurred by each employee in the federal program. However, this report is for the fiscal year 2018, almost three years ago, and PROPEP has now been merged into the Department, it is possible that the conditions may have been corrected.

Current Status

Uncorrected. Refer to Items no. **2019-008** for a similar finding, and **2017-003E** and **2016-006E** in the *Summary of Prior Year Audit Findings*.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2018-004E	Reimbursement Requests Late Submission
Compliance Requirement	Cash Management
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
	Weatherization Assistance for Low-Income Persons Program
CFDA Numbers	81.041 and 81.042
Federal Agency	US Department of Health and Human Services
Federal Program	Low-Income Home Energy Assistance Program
CFDA Number	93.568

Condition

State Energy Program and Weatherization Assistance for Low-Income Persons Program

We were unable to determine the time PROPEP took to request the reimbursements of the expenditures incurred during the fiscal year ended June 30, 2018. This issue could limit PROPEP's capacity to provide benefits.

Low-Income Home Energy Assistance Program

On January 5, 2018, PROPEP presented the first invoice to the pass-through entity, three months after its due date. In addition, the second invoice was never presented as established in the collaborative agreement between the pass-through entity and PROPEP.

Recommendation

To comply with the cash management requirements, PROPEP should implement controls to correct the timeliness of submitting the reimbursements requests by establishing due dates and alerts. However, since this report relates to fiscal year 2018, almost three years ago, and PROPEP has now been merged into the Department, it is possible that these conditions may have been corrected.

Current Status

Uncorrected.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2018-005E	Procurement Documents and Provisions
Compliance Requirement	Procurement, Suspension, and Debarment
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
	Weatherization Assistance for Low-Income Persons Program
CFDA Numbers	81.041 and 81.042
Federal Agency	US Department of Health and Human Services
Federal Program	Low-Income Home Energy Assistance Program
CFDA Number	93.568

Conditions

(a) From a sample of twenty-four contracts selected to test the supplier selection process, we identified the following:

1. The supporting documents for the three contracts that exceed the simplified acquisition method threshold (SAM) applicable for the year the contract became effective were not available. (Sealed or Formal Bidding)
2. The supporting documents for the five contracts that exceed the \$10,000 of the micro-purchase threshold but do not exceed the SAM threshold applicable for the year the contract became effective were not available. (Informal Bidding)

(b) From twenty-four contracts selected to test contract provisions for non-federal entity contracts under federal awards, we did not find the following provisions:

1. Contractual or legal remedies for contractors violate or breach. (Four instances)
2. Termination for cause and for convenience by the non-Federal entity. (Four instances)
3. Equal Employment Opportunity (Three instances)
4. Davis-Bacon Act for prime construction contracts in excess of \$2,000. (One instance)
5. Contract Work Hours and Safety Standard Act. (One instance)
6. Clean Air Act (Three instances)
7. Debarment & Suspension (One instance)
8. Byrd Anti-Lobbying Amendment (Two instances)
9. Resources Conservation and Recovery Act (Solid Waste Disposal) (Three instances)
10. Requirement for Drug free work environment – 2 CFR Part 182.200 (Four instances)

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2018-005E	Procurement Documents and Provisions
Compliance Requirement	Procurement, Suspension, and Debarment
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
	Weatherization Assistance for Low-Income Persons Program
CFDA Numbers	81.041 and 81.042
Federal Agency	US Department of Health and Human Services
Federal Program	Low-Income Home Energy Assistance Program
CFDA Number	93.568

Condition (Continued)

(c) From twenty-four contracts selected to test procurement procedures in compliance with state, local, and federal laws and regulations, we could not examine the following documents:

1. Certifications from the Puerto Rico Department of State (Five files)
2. Certifications from the Puerto Rico Department of the Treasury (Five files)
3. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) (Seven files)
1. Certifications from the Department of Labor and Human Resources (Eight files)
2. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) (Four files)
3. Corporate Resolution (Only applies to Corporations) (Six files)
4. Sworn Declaration of No Felonies (Eight Files)

Recommendation

We recommend requesting copies of all procurement documents to PRIFA and ASG in order to provide the required evidence to the auditors.

Current Status

Uncorrected. Refer to items **2019-007** for a similar finding, and **2017-004E** in the *Summary of Prior Year Audit Findings*.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2018-006E	Financial and Performance Reports Late Submission
Compliance Requirement	Reporting
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
	Weatherization Assistance for Low-Income Persons Program
CFDA Numbers	81.041 and 81.042

Condition

Federal Financial Report (SF-425)

Federal Financial Reports for the periods ended December 31, 2017, March 31, 2018, and June 30, 2018, were submitted after the thirty-day requirement (thirty days after the reporting period) with an average of 462 days for SEP and 53 days for WAP after its due date.

WAP Quarterly Performance Report

WAP Quarterly Performance Reports for the periods ended December 31, 2017, March 31, 2018, and June 30, 2018, were submitted after the thirty-day requirement (thirty days after the reporting period) with an average of 53 days after its due date.

Recommendation

We recommend establishing controls over the reporting requirements established by the Federal government by implementing due dates and alerts.

Current Status

Uncorrected, the Federal Financial Reports and the Quarterly Reports are filed over the thirty days permitted by the USDOE.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2018-007E	Late Single Audit Submission
Compliance Requirement	Reporting
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
	Weatherization Assistance for Low-Income Persons Program
CFDA Numbers	81.041 and 81.042
Federal Agency	US Department of Health and Human Services
Federal Program	Low-Income Home Energy Assistance Program
CFDA Number	93.568

Condition

PROPEP has not submitted the Single Audit Reporting Package for the fiscal years ended June 30, 2018, 2019, and 2020.

Recommendation

To comply with the reporting compliance requirement, PROPEP needs to have an audit firm perform and submit the compliance reporting packages in default for the fiscal years June 30, 2018, 2019, and 2020.

Current Status

Uncorrected. Refer to Items No. **2019-012** for a similar finding, and **2017-005E** and **2016-009E** in the *Summary of Prior Year Audit Findings*.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2017-001E	Verification of Identity and Employment Authorization
Finding Type	Significant Deficiency in Internal Control and Noncompliance with Provisions of Federal Statutes, Laws, and Regulations

Condition

From a sample of five employees selected to test PROPEP's compliance with state, local, and federal laws and regulations, contracts, and grant agreements, we identified two files without the required Form I-9, *Employment Eligibility Verification*.

Identification as a Repeated Finding

Refer to Items No. **2019-003** for a similar finding, and **2018-002** and **2016-002E** in the *Summary of Prior Year Audit Findings*.

Recommendation

We also recommend strengthening controls to ascertain the completeness of employee files, including those from transferred employees. However, since this report relates to the fiscal year 2017, almost four years ago, and PROPEP has now been merged into the Department, PROPEP may have corrected these conditions, prospectively.

Current Status

Uncorrected

2017-002E	Matching
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Condition

No audit evidence could be obtained to ascertain compliance with the 20 percent matching requirement.

Recommendation

To comply with the matching requirement, PROPEP should establish a process to validate, substantiate, and recognize in its accounting records the cash or in-kind contributions from non-federal funds as required by the Federal agency. However, since this report relates to the fiscal year 2017, almost four years ago, and PROPEP has now been merged into the Department, PROPEP may have corrected these conditions.

Current Status

Uncorrected. Refer to Items no. **2019-007** for a similar finding, and **2018-002E** and **2016-005E** in the *Summary of Prior Year Audit Findings*.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2017-003E	Employees' Percentage of Time
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Condition

We were unable to examine an activity report or an equivalent document to validate the percentage of time incurred by each employee, as established by the US DOE in the Budget Justification for Formula Grants (the Budget Justification).

Recommendation

To comply with the level of effort (percentage of time), PROPEP should implement the use of timecards or an equivalent document to substantiate the time incurred by each employee to the federal program. However, since this report relates to the fiscal year 2017, almost four years ago, and PROPEP has now been merged into the Department, PROPEP may have corrected these conditions.

Current Status

Uncorrected. Refer to Items No. **2019-008** for a similar finding, and **2018-003E** and **2016-006E** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2017-004E	Procurement Documents
Compliance Requirement	Procurement, Suspension, and Debarment
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Program	Weatherization Assistance for Low-Income Persons Program
CFDA Number	81.042
Federal Agency	US Department of Health and Human Services
Federal Program	Low-Income Home Energy Assistance Program
CFDA Number	93.568

Conditions

(a) From a sample of twenty-nine contracts, two contracts exceed the \$150,000, as per the simplified acquisition method, for which the bidding process could not be verified.

(b) From twenty-nine contracts selected to test procurement procedures in compliance with state, local, and federal laws and regulations, we could not examine the following documents:

1. Certifications from the Puerto Rico Department of State (Two files)
2. Certifications from the Puerto Rico Department of the Treasury (Two files)
3. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) (Three files)
4. Certifications from the Department of Labor and Human Resources (Two files)
5. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) (Two files)
6. Corporate Resolution (Only applies to Corporations) (One file)

(c) From a sample of sixty disbursements selected to test how the supplier was selected, we could not examine the bid process performed by the Puerto Rico General Services Administration (ASG, for its Spanish acronym) (Four disbursements)

Recommendation

We recommend requesting copies of all procurement documents to ASG and PRIFA. However, since this report relates to the fiscal year 2017, almost four years ago, and PROPEP has now been merged into the Department, PROPEP may have corrected these conditions.

Current Status

Uncorrected. Refer to items no. **2019-007** for a similar finding, and **2018-005E** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2017-005E	Late Single Audit Submission
Compliance Requirement	Reporting
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
	Weatherization Assistance for Low-Income Persons Program
CFDA Numbers	84.041 and 84.042
Federal Agency	US Department of Health and Human Services
Federal Program	Low-Income Home Energy Assistance Program
CFDA Number	93.568

Condition

PROPEP has not submitted the Single Audit Reporting Package for the fiscal years ended June 30, 2017, 2018, 2019, and 2020.

Recommendation

To comply with the reporting compliance requirement, PROPEP needs to perform and submit the compliance reporting packages in default for the fiscal years June 30, 2018, 2019, and 2020.

Current Status

Uncorrected. Refer to items no. **2019-012** for a similar finding and **2018-007E** and **2016-009E** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2016-002E Finding Type	Human Resources and Finance Department Recordkeeping and Reporting Significant Deficiency in Internal Control and Noncompliance with Provisions of Federal Statutes, Laws, and Regulations
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Condition

After examining seventeen employees files the following documents could not be examined:

1. Three files did not include the Form I-9, *Employment Eligibility Verification*
2. One file did not include the Birth Certificate
3. Two files did not include the Social Security card
4. One file did not include the driver's license
5. Three files did not include the Resume
6. Two files did not include the Negative Certificate for Penal Record
7. One file did not include the Negative Certificate of CRIM
8. One file did not include evidence of income tax filing or evidence of debt plan agreement.

Within the findings listed above, the first four, all related to the employee's identity verification, were not found for one employee file. However, the transfer report was available. Therefore, we can assume the documents were not included in the file upon the transfer.

Recommendation

We recommend also the strengthening controls to ascertain completeness of employee files, including those from transferred employees. However, since this report relates to fiscal year 2016, almost five years ago, and PROPEP has now been merged into the Department, it is possible that these conditions may have been corrected.

Current Status

Uncorrected. Refer to items no. **2019-003** for a similar finding and **2017-001E** in the *Summary of Prior Year Audit Findings*.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE OF PUERTO RICO
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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2016-005E	Matching
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Condition

No information could be obtained to ascertain compliance with the 20 percent matching requirement.

Recommendation

To comply with the matching requirement, PROPEP should establish a process to validate, substantiate, and recognize in its accounting records the cash or in-kind contributions from non-federal funds as required by the Federal agency. However, since this report relates to fiscal year 2016, almost five years ago, and PROPEP has now been merged into the Department, it is possible that these conditions may have been corrected.

Current Status

Uncorrected. Refer to Items No. **2019-007** for a similar finding, and **2018-002E** and **2017-002E** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2016-006E	Employees' Percentage of Time
Compliance Requirement	Matching, Level of Effort, Earmarking
Finding Type	Material Weaknesses in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
CFDA Number	81.041

Condition

We were unable to examine an activity report or an equivalent document to validate the percentage of time incurred by each employee, as established by the US DOE in the Budget Justification for Formula Grants (the Budget Justification).

Recommendation

To comply with the level of effort (percentage of time), PROPEP should implement the use of timecards or an equivalent document, to substantiate the time dedicated by each employee to the federal program. However, since this report relates to fiscal year 2016, almost five years ago, and PROPEP has now been merged into the Department, it is possible that these conditions may have been corrected.

Current Status

Uncorrected. Refer to items no. **2019-008** for a similar finding, and **2018-003E** and **2017-003E** in the *Summary of Prior Year Audit Findings*.

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Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2019

Section IV PRIOR AUDITS FINDINGS - PUERTO RICO OFFICE PUBLIC ENERGY POLICY (CONTINUED)

2016-009E	Late Single Audit Submission
Compliance Requirement	Reporting
Finding Type	Material Weakness in Internal Control and Material Noncompliance
Federal Agency	US Department of Energy
Federal Programs	State Energy Program
	Weatherization Assistance for Low-Income Persons Program
CFDA Numbers	81.041 and 81.042
Federal Agency	US Department of Health and Human Services
Federal Program	Low-Income Home Energy Assistance Program
CFDA Number	93.568

Condition

PROPEP has not submitted the Single Audit Reporting Package for the years ended June 30, 2016, 2017, 2018, 2019, and 2020.

Recommendation

To comply with the reporting compliance requirement, PROPEP still needs to perform and submit the compliance reporting packages in default for the years ended June 30, 2018, 2019 and 2020.

Current Status

Uncorrected. Refer to items no. **2019-012** for a similar finding, and **2018-007E** and **2017-005E** in the *Summary of Prior Year Audit Findings*.

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2019-001	Material Weaknesses in Internal Control and Material Noncompliance	<p>Condition Noted: The Department took close to three years after the June 30, 2019 year-end to assemble its books and records and be able to prepare financial statements in accordance with GAAP, but even then, the auditor's report qualified the financial statements for significant deficiencies or uncertainties in the amounts recorded. Furthermore, the financial statements reported a significant correction to the prior-year financial statement for information not previously provided to the finance department.</p> <p>Cause: The Department lacks internal controls over accounting processes to ascertain that the books and records are accurate, complete, and are timely kept to prepare financial statements and related disclosures in accordance with GAAP. In May 2021, upon findings reported by the request of the U.S. Department of Labor (DOL), an external consultant issued a Report on Review and Evaluation of Finance Reporting and Operational System related to the Workforce Innovation Opportunity Act (WIOA) Programs, that in general terms, could also apply to other Programs at the Department.</p> <p>Effect: Neither the Federal government nor other financial statement users may rely on the Departments' financial statements. Furthermore, the lack of reliable financial statements may allow for an increased risk that fraud may occur and not be detected.</p>	The external consultant's Report addresses the conditions in this finding, among other conditions; therefore, we recommend the Department implement the recommendations provided in the Report.	DEDC Staff has engaged the services of two consulting firms to address the recommendations noted in the external consultant report. The first of the consulting firms has assisted the Finance Department to perform the reconciliation of the accounting records in order to be able to complete the financial statements. Through the second consulting firm the DEDC has been able to develop the standard operating procedures related to human resources, grant management and finance procedures. The SOP's are currently under review and will be implemented during the month of August 2022.	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	Agust 31, 2022
2019-002	Change in Reporting Entities: Material Weaknesses in Internal Control and Material Noncompliance	<p>Condition Noted: During the fiscal year 2019, the Public Energy Policy Program (Federal programs) was incorporated into the Department. However, the transition was not performed within the established timeframe; the consolidation was completed approximately two years after the established deadline.</p> <p>Cause: The Department lacks sufficient resources to maintain a structured accounting department that could assume the increase in responsibilities.</p> <p>Effect: Noncompliance with laws and regulations such as Act No. 141-2018.</p>	We recommend the Department to establish sufficient controls to ascertain all new applicable laws and regulations are monitored, and upon enactment of new laws and regulations plan ahead to ascertain full compliance with law and regulations, as they are implemented. Checklists should be prepared to ascertain all requirements of applicable laws and regulations are identified and corroborated for compliance.	DEDC's management acknowledges the finding. The Agency will produce procedures to be adopted for future instances on which additional offices, programs or public corporations are incorporated to the DEDC.	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	Agust 31, 2022

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2019-003	Human Resources Documents Significant Deficiency in Internal Control and Noncompliance	<p>Condition Noted: From a sample of fifty employees selected to test the Department's compliance with state, local, and federal laws and regulations, contracts, and grant agreements, we identified the following:</p> <ol style="list-style-type: none"> 1. Job Application not available. (Seventeen instances) 2. Personal History Form not available. (Two instances) 3. Birth Certificate not available. (Three instances) 4. Form I-9, Employment Eligibility Verification Form was not available or incomplete. (Eleven instances) 5. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) not available. (Five instances) 6. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) not available. (Thirteen instances) 7. Certifications from the Puerto Rico Department of the Treasury not available. (Sixteen instances). 8. Certificate of Good Conduct not available. (Two instances) 9. Certificate of Prior Employment not available. (Twelve instances) 10. Certificate of Prior Employment not available. (Two instances) <p>Cause: In 2014 and 2018, the Commonwealth of Puerto Rico (the Commonwealth) issued Act No. 171 on October 2, 2014 (Act No. 171-2014) and Act No. 141 on July 11, 2018 (Act No. 141-2018), respectively. Through Act 171-2014, the Labor Development Program, the Film Industry Development Program, and the Youth Development Program merged with the Department. Then, through Act No. 141-2018, the Public Energy Program, the Office of Permit Management, and the Office of Industrial Tax Exemptions merged with the Department. Both Acts required transferring all employees and relocation of the administrative facilities upon the effectiveness of each one. Due to these transitions, the Department lost important and necessary documentation during the process or remained at the Commonwealth's facilities. Also, upon the transfers, the Department's Human Resources Office opts to leave all employees' files "as is" by understanding that missing documents correspond to laws and regulations applicable over the commencement date of each employee at the previous reporting entity.</p> <p>Effect: The Department could be subject to audits from State, Local, and Federal agencies, resulting in the imposition of penalties. Insufficient or incomplete documentation in the verification of identity and employment authorizations is a violation of section 274A (a)(1)(B) of the Immigration and Nationality Act (INA) (8 CFR Part 274a.2(f)(2).</p>	We recommend strengthening controls to ascertain the completeness of employee files, including those from transferred employees from other governmental agencies	DEDC Human Resources Department will perform a compliance review over the files of the employees of the agency. The review will be performed by personnel of the agency. The compliance review will be performed by Mrs. Glorisa Cordero Cabrera. If findings are noted the department's staff will request the documentation to the employee in order to properly complete the file. The Office will also develop a checklist in order to perform periodic compliance review over the files of the agency's employees.	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov	Checklist of each employee files.	Yes	June 30, 2023

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2019-004	Disbursements Documents and Approvals: Activities Allowed or Unallowed and Allowable Costs/Cost Principles	<p>Condition Noted: From a sample of sixty disbursements to subrecipients examined to test the internal controls over the disbursement process and its compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements of the Uniform Guidance, we were unable to obtain sufficient appropriate audit evidence to ascertain the nature and allowability of one transaction.</p> <p>Cause: An oversight over the management of the files of disbursements, which might have been misplaced. No controls implemented to ensure complete and adequate supporting documentation for federal disbursements, including but not limited to subrecipients.</p> <p>Effect: If the Federal awarding agency determines that the significant deficiency cannot be remedied by imposing additional conditions, the Federal awarding agency may take one or more of the following actions, as appropriate in the circumstances: (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity. (b) (c) (d) (e) Withhold further Federal awards for the project or program.</p>	In May 2021, upon the request of the U.S. Department of Labor (DOL), an external consultant issued a Report on Review and Evaluation of Finance Reporting and Operational System related to the Workforce Innovation Opportunity Act (WIOA) Programs, that in general terms, could also apply to other Programs at the Department.	In response to the report issued by our external consultants, DEDC Management engaged the services of an external consulting firm in order to develop the Standard Operating Procedures SOP's of the agency. In doing so the DEDC has already developed SOP's related to the areas of grant management, reconciliation, reporting, accounts payables, accounts receivables and procurement. The agency also revised and adopted a new financial policy title "Guía Financiera para el Programa WIOA" on which supporting documentation, procurements and cost principles are described. The policy has been submitted to each ALDL, local office with an effective date as of July 1, 2022.	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov	Attachment A: DEDC's Reporting Procedures; Attachment B: DEDC_SOP Budget Procedures; Attachment C: DEDC_SOP Grant Management. Attachment D: Guías Financieras	Yes	July 31, 2022
2019-005	Reporting/Significant Deficiency in Internal Control and Noncompliance	<p>Condition Noted: From a sample of twenty-four Forms ETA-9130, Financial Reports (OMB No. 12050461), submitted during the fiscal year ended June 30, 2019, two forms could not be validated as to the date they were submitted to the U.S. Department of Labor.</p> <p>Cause: The Department does not maintain adequate monitoring controls to ensure retention of adequate documentation evidencing the submission of federal financial reports.</p> <p>Effect: Form ETA-9130 is used by ETA to confirm that grant recipients have satisfied the obligations established in the grant program and/or in the Specific Grant Agreement. If the closeout examination reveals any unmet match obligation, the grantee can end up owing monies to the Federal Government.</p>	We recommend strengthening controls to ensure that the Forms ETA-9130, and the timeliness of filing such forms.	DEDC's management has developed standard operating procedures, that include the timeline and the staff accountable for the completion and submission of the 91-30 Reports. It has also adopted reconciliation procedures and checklist that have been implemented to assures that the information to be included in the report is accurate and properly supported with cost documentation.	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov	DEDC's Reporting Procedures;	Yes	July 31, 2022
2019-006	Reporting/Significant Deficiency in Internal Control and Noncompliance	<p>Condition Noted: None of the required monthly Federal Funding Accountability and Transparency Act (FFATA) reports were filed.</p> <p>Cause: Lack of oversight over the federal reporting requirements.</p>	We recommend the Department to correct the technical issues encountered with the Department's subrecipients' information and work together issue with the local areas to comply with FFATA. In addition, communication of the implications of	DEDC's Finance Department with the assistance of the Human Resources Department will complete the FFATA Reports owed by the agency. The process will be completed by August 31, 2022. In DEDC Reporting SOP the submission deadlines have been established as well the personnel	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov			August 31, 2022

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
		<p>Effect: If the Federal awarding agency or passthrough entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:</p> <p>(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.</p> <p>(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.</p> <p>(c) Wholly or partly suspend or terminate the Federal award.</p> <p>(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).</p> <p>(e) Withhold further Federal awards for the project or program.</p>	<p>noncompliance should be communicated to management and those charged with governance, who are the individuals responsible for ascertaining those processes and controls are kept to meet federal requirements. The Department should implement stricter compliance policies.</p>	<p>responsible for its completion.</p>			No	
2019-007	Matching, Level of Effort, Earmarking/Material Weaknesses in Internal Control and Material Noncompliance	<p>Condition Noted: No audit evidence could be obtained to ascertain compliance with the 20 percent matching requirement.</p> <p>Cause: In 2018, the Commonwealth issued Act No. 141-2018, Reorganization Plan Execution Act of Economic Development and Commerce. Through this Act, Puerto Rico Office of Public Energy Policy (PROPEP) was merged into the Department resulting in a period of management reorganization, which may have prevented the full compliance with federal requirements. However, we could not determine if these or other reasons, including lack of internal controls, have caused this finding.</p>	<p>To comply with the matching requirement, the Department should establish a process to validate, substantiate, and recognize in its accounting records the cash or in-kind contributions from non-federal funds, as required by the Federal awarding agency through the Standard Form 424A, Budget Information - Non-Construction Programs (OMB Approval No. 0348-0044) and the Federal laws and regulations.</p>	<p>DEDC Finance Department, the PPE Program Management and the Budget Department have established SOP's related to budget, pre award and post award, and reporting procedures, on which the process of formulating the Federal Programs budget is established. The formulation of the budget includes the determination, based on the grants, of federal funds to be allocated to the program and state matching requirements. In the development of the budget, PPE's Management will submit the grants to the Budget Division in order to assist them in the development of the budget for the program allocating the resources to be dedicated to the program and establishing the needs of acquiring goods and services during the performance period of the grant. The formulation of the budget will be performed based the type of cost as follows:</p> <ul style="list-style-type: none"> •PPE's Management will identify the staff which will provide services under the program, by including the estimate hours and the associated fringe benefit of each employee. The list of employees will be allocated among the federal and cost 	<p>Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov</p>	<p>Attachment A: DEDC's Reporting Procedures; Attachment B: DEDC_SOP Budget Procedures; Attachment C: DEDC_SOP Grant Management.</p>		July 31, 2022

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
		Effect: The grantor can suspend future reimbursements until proof of the 20 percent matching contribution is provided.		<p>Employees will be allocated among the federal and state share based in matching requirements.</p> <p>•Materials and Supplies: PPE's Management will identify the needs of procuring services and supplies for the office during the period and allocate among federal and state share requirements.</p> <p>•Contracts: PPE's Management will identify the need for procuring professional and non-professional services that require contracts to be issued during the performance period of the grant and allocate among federal and state share requirements.</p> <p>•In Kind Contributions: PPE's Management will identify in-kind contributions to be performed by the state to the federal program. Once identify the market value of the contribution will be assessed and calculated. In the case of rent or utilities payments performed by the DEDC or PPE's that benefit state and federal programs, management will reasonably determine the space use in benefit of the federal grant to which they will be allocated.</p>			Yes	
2019-008	Matching, Level of Effort, Earmarking/Material Weaknesses in Internal Control and Material Noncompliance.	<p>Condition Noted: We were unable to examine an activity report or equivalent to determine the time and effort incurred by each employee on the federal program, as established by the DOE in the Budget Justification for Formula Grants (the Budget Justification).</p> <p>Cause: In 2018, the Commonwealth issued Act No. 141-2018, Reorganization Plan Execution Act of Economic Development and Commerce. Through this Act, PROPEP was merged into the Department, resulting in a period of management reorganization, which may have prevented the full compliance with federal requirements. However, we could not determine if these or other reasons, including lack of internal controls, have caused this finding.</p> <p>Effect: The Federal awarding agency can suspend future grant funding until proof of the level of effort has been met.</p>	To comply with the level of effort, PROPEP should implement the use of time sheets or an equivalent document to support the time incurred by each employee in the federal program.	Referred to Finding 2019-007	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	July 31, 2022
2019-009	Cash Management/Material Weakness in Internal Control and Noncompliance.	<p>Condition Noted: From a sample of eighteen payments, in two instances totaling \$23,990, the payments to the vendor were made on an advance basis (payment to vendor made after the reimbursement request date). As stipulated on the grant awards, cash requests must be based on reimbursements and not as advances. Delays in the requests for reimbursements of the expenditures incurred during the fiscal year ended June 30, 2019. This issue limits the Department's capacity to provide benefits.</p>	The Department must implement sufficient internal controls to ascertain request of reimbursement for expenses incurred under federal programs be done only after the actual disbursement is made. To comply with the cash management requirements, the Department should implement controls to correct the timeliness of submitting the reimbursements requests by establishing due dates and alerts.	In response to the report issued by our external consultants, DEDC Management engaged the services of an external consulting firm in order to develop the Standard Operating Procedures SOP's of the agency. In doing so the DEDC has already developed SOP's related to the areas of grant management, reconciliation, reporting, accounts payables, accounts receivables and procurement. The agency also revised and adopted a new financial policy title "Guía Financiera para el Programa WIOA" on which supporting documentation, procurements and cost principles are	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	July 31, 2022

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
		<p>Cause: The Department lacks developed grant management SOP's related to the process of requesting reimbursement for expenses incurred under federal programs. In 2018, the Commonwealth issued Act No. 141-2018, Reorganization Plan Execution Act of Economic Development and Commerce. Through this Act, PROPEP was merged into the Department, resulting in a period of management reorganization, which may have prevented the full compliance with federal requirements. However, we could not determine if these or other reasons, including lack of internal controls, have caused this finding.</p> <p>Effect: If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:</p> <p>(a) Temporarily withhold cash payments pending correction of the deficiency by the nonFederal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.</p> <p>(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.</p> <p>(c)</p> <p>(d)</p> <p>(e) Withhold further Federal awards for the project or program.</p>		described. The policy has been submitted to each ALDL, local office with an effective date as of July 2022. The SOP for reporting establishes the specific deadlines to process the request for reimbursements and the accountable staff.			No	
2019-010	Procurement, Suspension, and Debarment/Material Weakness in Internal Control and Material Noncompliance.	<p>Condition Noted: We requested the documentation for the procurement process for nine transactions, of which seven, with contract costs totaling \$602,260, were carried out by the General Services Administration (ASG), an agency of the Commonwealth of Puerto Rico. Since these procedures were not performed by the Department, we could not determine whether procurements under federal awards were made in compliance with applicable federal regulations and other procurement requirements specific to the award. Therefore, the audit team was not able to obtain and verify the entity's procurement policies and the procedures performed to select the most beneficial offer.</p>	The Department's management must ascertain to obtain and maintain records sufficient to detail the history of procurement, to include the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price, among other, to accomplish this control objective, the Department must request the bidding information from ASG.	The procurement legal framework that applies to agencies in Puerto Rico was modified in 2019 with the amendments to the General Service Administration of Puerto Rico who is now the sole responsible of managing the purchases of goods and non-professional services required by the agencies. In that capacity the agency which procures goods and non-professional services will submit a requisition to the PRGSA who in turn, through their purchasing agents will perform informal or formal bids based on the estimate thresholds of the purchase. Once they receive and evaluate the quotes, they are responsible of issuing a purchase order. As part of the process, there is no mechanism put in place by PRGSA	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov			July 31, 2022

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		<p>Cause: The Department lacks internal controls to oversee the procurement process carried out by ASG. The Department is an agency of the Commonwealth and the procurement process for the acquisition of certain work and for the supply of products, for several dependencies of the Commonwealth, has been delegated to Administration of General Services (ASG, as its Spanish acronym). The auditor requested access to the contract file to verify the existence and to ascertain if the appropriate cost analysis was performed in connection with procurement actions, including contract modification and the analysis performed that supports the procurement standards but the contract and procurement information was not available for our review, because it is under control and custody of ASG.</p> <p>Effect: If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:</p> <p>(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.</p> <p>(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.</p> <p>(c) Wholly or partly suspend or terminate the Federal award.</p> <p>(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).</p> <p>(e) Withhold further Federal awards for the project or program.</p>		<p>through which they provide a copy to DEDC of the procurement process followed. Nonetheless DEDC's Management will request assistance to PRGSA to properly document the purchases performed by the agency and establish a process of requesting a copy of each procurement file.</p>			No	
2019-011	Procurement, Suspension, and Debarment/ Material Weakness in Internal Control and Material Noncompliance	<p>Condition Noted: From a sample of nine contracts selected to test the contract provisions required by 2 CFR §327, we identified the following:</p> <ol style="list-style-type: none"> 1. The Davis-Bacon Act, as amended clause was not included in the contract. (Seven instances) 2. The Debarment and suspension clause was not included in the contract. (Seven instances) 3. All applicable clauses required by 2 CFR §327 were not included. (Two instances) 	<p>The Department's Legal Division should implement sufficient controls to ascertain provisions of laws and regulations are considered in the drafting of contracts. The preparation of a review checklist and the approval of the contract draft by a person other than the preparer, are steps that could be considered.</p>	<p>The Legal department has created templates and operational checklists to ensure that flow down provisions are properly identified and included in contracts.</p> <p>-An evaluation of applicable provisions will be performed on an ongoing basis to ascertain compliance. This evaluation should be included in written procedures, including roles and responsibilities, reference to source materials, and revision process.</p> <p>-Develop a plan to address missing provisions on existing and active agreements.</p> <p>-Perform a detail evaluation of the Contract Management</p>	<p>Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov</p>			July 31, 2022

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		<p>Cause: The Department lacks internal controls to properly manage and revise contracts under federal programs to ensure that federal clauses are included. The Program was previously managed by another agency. The Legal Division of the Department has the responsibility to manage and maintain the contracts under federal grants and ensure that they include the require clauses under 2 CFR 200.327.</p> <p>Effect: If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:</p> <p>(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.</p> <p>(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.</p> <p>(c) Wholly or partly suspend or terminate the Federal award.</p> <p>(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).</p> <p>(e) Withhold further Federal awards for the project or program.</p> <p>(f) Take other remedial actions that may be legally available.</p>		process and propose best practices and documentation controls to ascertain that contract provisions are in accordance with federal and state requirements			No	
2019-012	Late Single Audit Submission/Reporting	<p>Condition Noted: The Department has not submitted the Single Audit Reporting Packages for the years ended June 30, 2018, 2019, and 2020.</p> <p>Cause: The Single Audit Reporting Packages late submission results from the operational changes generated by Act No. 171 of October 2, 2014 (Act No. 171) enactment. Act No. 171 integrated the Labor Development Program and the WIOA Cluster Programs with the Department. This merge, in conjunction with other difficulties, has been delaying the Department's efforts to bring up to date all federal filings.</p>	To comply with the reporting compliance requirement, the Department needs to perform and submit the compliance reporting packages in default for the fiscal years ended June 30, 2019, 2020, and 2021. Moving forward, the Department needs to establish controls to ascertain all Federal reports are filed on time.	<p>1. Update timetable and ensure audit contracts are in place to ensure timely submission. Auditors contract status for FY 2019 to 2022 are as followed: FY 2020: Audit is in progress. Expected date to issue is: November 2022. FY 2021: Audit was contracted. The audit will start as soon as 2020 audit results and statements are issued. FY 2022: Not contracted. The contracting process will start once 2023 budget is approved.</p> <p>2. Management enhancements to Finance function, such</p>	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov			

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		<p>Effect: If the Federal awarding agency or passthrough entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or passthrough entity may take one or more of the following actions, as appropriate in the circumstances:</p> <p>(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or passthrough entity.</p> <p>(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.</p> <p>(c) Wholly or partly suspend or terminate the Federal award.</p> <p>(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a passthrough entity, recommend such a proceeding be initiated by a Federal awarding agency).</p> <p>(e) Withhold further Federal awards for the project or program.</p>		<p>as: accounting closing checklists, accounting closing meetings and reconciliation process, among other actions, should improve timing of audit results.</p> <p>3. Additional resources (consultants) were hired to assist in the audit process to ensure external auditors have information on a timely basis.</p> <p>Please be aware that financial statement audit and single audits before FY 2020 were dependent on other Puerto Rico Government dependencies, such as Treasury Department, which may affect the expected audit results timing.</p>			No	AF2018 submitted on 8/2021, AF2019 will be submitted on 7/31/2022, and AF2020 will be submitted 3/2023
2018-001	Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB)	<p>Condition Noted: Excluding pension and other postemployment accruals, which data availability is beyond the control of the Department, the Department had to record adjusting entries amounting to approximately \$96 million. Within this adjusted amount, the following were adjusted:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Accounts receivable related to the Workforce Innovation Opportunity Act (WIOA) program were not adjusted until year-end. The adjustment amounted to \$2,773,754. <input type="checkbox"/> Management fees transactions with related parties such as the Puerto Rico Industrial Development Company (PRIDCO) and Puerto Rico Commerce and Export Company (CEC) not previously recorded which resulted in a restatement of the beginning 2018 balance of \$7,159,182 and \$348,000, respectively. <input type="checkbox"/> No allowances for doubtful accounts analyses were made for account receivables. <input type="checkbox"/> Account receivable balances amounting to \$1,125,000 were not recognized until the audit. <input type="checkbox"/> Adjustment from prior year audit were not timely posted. <input type="checkbox"/> Lack of understanding of Act No. 26-2017, Compliance with the Fiscal Plan Act (Act No. 26-2017 resulted in non- 	<p>The Department shall develop written accounting policies and procedures following GAAP and GASB or updating existing manuals, covering the following areas:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Internal Controls/Segregation of Duties <input type="checkbox"/> Management needs to hire staff to assign tasks and segregate duties. <input type="checkbox"/> Revenue Recognition <input type="checkbox"/> Management shall ensure all reimbursable costs or contract costs are billed and periodically reviewed by the appropriate level of management or another appropriate person. <input type="checkbox"/> Revenue by revenue source and/or governmental activities shall be reviewed regularly by management. <input type="checkbox"/> Aging of Accounts Receivable <input type="checkbox"/> Accounts receivable shall be reviewed and reconciled to general ledger periodically. <input type="checkbox"/> An analysis shall be prepared for estimating the allowance for uncollectible accounts and bad debt expense periodically. 	Referred to Finding 2019-001	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov			

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		<p>the Fiscal Plan Act (Act No. 20-2017) resulted in the recognition of the impairment loss due to the lack of control of cash balances by the Department.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Interfund activities were not adequately recorded nor identified as reciprocal or nonreciprocal transactions. In addition, the Department does not use interfund accounts when expenditures are paid in advance by the Administration Fund until federal funds are deposited in the WIOA Fund, resulting in cash balance differences. <input type="checkbox"/> Interfund transactions are not evaluated periodically. <input type="checkbox"/> Cash accounts are not reconciled periodically. Furthermore, the concentration cash account is reconciled at the bank account level but not individually at each fund. Therefore, it is impracticable to determine the cash reported at individual fund level is correct. <input type="checkbox"/> Certain rent expense accounts had negative balances (credit balance). <input type="checkbox"/> Compensated absences amounting to \$119,054 related to the business-type activities (the Administration Fund), were fully recognized under governmental activities in the government-wide financial statements. <input type="checkbox"/> Significant accounts with different purposes were accounted for as one fund, and not per fund as required by GASB. <input type="checkbox"/> Accounts, subsidiaries, and the general ledger are not reconciled on a recurring basis. 	<p>expenses, periodically.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Interfund transactions <input type="checkbox"/> Interfund receivables and payables shall be balanced monthly and reconciled to the general ledger. <input type="checkbox"/> Budget Control <input type="checkbox"/> Management shall review the Department's financial statements on periodic basis and investigates significant variances from budgets and expected results. <input type="checkbox"/> Financial Closing and Reporting Process <input type="checkbox"/> Management shall establish a well-defined process for financial reporting including the timely posting of prior year audit adjustments. <input type="checkbox"/> Authoritative guidance and regulations <input type="checkbox"/> Knowledgeable personnel shall monitor changes in authoritative guidance and regulations affecting accounting policies and procedures on a timely basis. <input type="checkbox"/> Cash <input type="checkbox"/> Bank reconciliations shall be prepared and reviewed in a timely fashion. <input type="checkbox"/> Bank reconciliations for the concentration account shall be prepared as a whole and by each fund it is accounted for. However, the latter may be simplified if cash balances are kept at the fund holding control of the account and cash transfers recorded through interfund accounts. <input type="checkbox"/> Significant estimates <input type="checkbox"/> Knowledgeable personnel shall review significant judgments and estimates included in the financial records at the end of every accounting period. <p>All changes in or implementation of new policies and/or procedures must be accompanied by staff training. Policies and procedures must have adequate internal controls to provide reasonable assurance of compliance with applicable state, local and federal laws and regulations and administrative requirements.</p>				No	31-Jul-22

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2018-002	Human Resources Documents/Significant Deficiency in Internal Control and Noncompliance.	<p>Condition Noted: From a sample of twenty-five employees selected to test the Department's compliance with state, local, and federal laws and regulations, contracts, and grant agreements, we identified the following:</p> <p>17. Form I-9, Employment Eligibility Verification Form was not available or incomplete (Two instances)</p> <p>18. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) not available (Five instances)</p> <p>19. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) not available (Seven instances)</p> <p>20. Certifications from the Puerto Rico Department of the Treasury not available (Eight instances)</p> <p>21. Certificate of Prior Employment not available (Six instances)</p> <p>22. Resumes not available (Two instances)</p> <p>23. Diplomas and/or college transcripts not available (One instance)</p> <p>24. Employees Association of the Commonwealth of Puerto Rico (AEELA, for its Spanish acronym) Authorization for Entry and Discount Form (Twelve instances)</p> <p>25. Incomplete Retirement System's required documents (Four instances)</p> <p>26. Incomplete medical documents (Four instances)</p>	We recommend strengthening controls to ascertain the completeness of employee files, including those from transferred employees from other governmental agencies.	Referred to Finding 2019-003	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	31-Aug-22
2018-003	Disbursements Documents and Approvals/Allowable Costs/Cost Principles	<p>Condition Noted: From a sample of twenty-five professional services disbursements and a second sample of ninety-eight disbursements to subrecipients examined to test the internal controls over the disbursement process and its compliance with the Allowable Costs/Cost Principles requirements of the Uniform Guidance, we identified the following:</p> <p>1. One file was not available for examination.</p> <p>2. Invoices were not stamped as paid (Three transactions)</p> <p>3. Evidence not available for examination. (Three transactions)</p> <p>4. Inconsistency in the approval of disbursements</p>	We recommend developing, implementing, and monitoring specific internal controls through written policies following the Uniform Guidance's allowable costs/cost principles compliance requirements. Also, the Department needs to train the personnel managing federal funds.	DEDC Finance Department has develop and implement a policy related to the management of federal funds as well as a Post Award SOP. The procedures describe process related to cost documentation, payment requirements and request for reimbursement procedures to be follow. The agency is also in the process of developing training sessions for their employees as well as to create a Federal Affair Office which will be in charge of the Grant Management activities of the agency.	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Jul-22

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2018-005	Procurement Documents/Procurement, Suspension, and Debarment	<p>Condition Noted: From sixteen contract files examined to test the compliance with state, local, and federal laws and regulations, we identified the following:</p> <ol style="list-style-type: none"> 1. Certifications from the Puerto Rico Department of State were missing (Seven instances) 2. Certifications from the Puerto Rico Department of the Treasury were missing (Six instances) 3. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) were missing (Four instances) 4. Certifications from the Department of Labor and Human Resources were missing (Six instances) 5. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) was missing (Six instances) 6. Corporate Resolution (Only applies to Corporations) was missing (Five instances) 7. One contract did not contain the provision of the Byrd Anti-Lobbying Amendment. 	We recommend strengthening the procurement oversight process and ascertain the completeness of each contract file to comply with state, local, and federal laws and regulations.	<p>To address general procurement process and acquisition method documentation:</p> <ol style="list-style-type: none"> 1. Enhance documentation related to Procurement process by updating procedures to comply with applicable acquisition methods and documentation requirements. 2. Assess the Procure to Pay cycle to evaluate compliance with applicable regulations. Propose design process transformation to ensure people, systems and process are align to manage efficiently and ensure compliance. <p>To address missing required contract provisions (flow down provisions):</p> <ol style="list-style-type: none"> 3. The Legal department will create templates and operational checklists to ensure that flow down provisions are properly identified and included in contracts. 4. An evaluation of applicable provisions will be performed on an ongoing basis to ascertain compliance. This evaluation should be included in written procedures, including roles and 	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	31-Jul-22
2018-006	Form ETA-9130 Late Submission/Reporting	<p>Condition Noted: From a sample of forty Forms ETA-9130, Financial Reports (OMB No. 1205-0461), submitted during the fiscal year ended June 30, 2018, thirty forms were not submitted during the 45-day calendar day requirement, and five forms could not be validated as to the date they were submitted to the U.S. Department of Labor.</p>	The Department's management should review its oversight process to ascertain the timely submission of the required federal financial reports. In addition, management should keep a calendar with filing due dates to ascertain compliance with filing deadlines.	Referred to Finding 2019-005	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Jul-22
2018-007	Federal Accountability and Transparency Act/ Reporting	<p>Condition Noted: None of the required monthly Federal Funding Accountability and Transparency Act (FFATA) reports were filed.</p>	We recommend the Department to correct the technical issues encountered with the Department's subrecipients' information and assign personnel to work the issue with the local areas to comply with FFATA. In addition, communication of the implications of noncompliance should be communicated to management and those charged with governance, who are the individuals responsible for ascertaining that processes and controls are kept to meet federal requirements. The Department should implement stricter compliance policies.	Referred to Finding 2019-006	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Aug-22

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2018-008	Late Single Audit Submission/Reporting	Condition Noted: The Department has not submitted the Single Audit Reporting Packages for the years ended June 30, 2018, 2019, and 2020.	To comply with the reporting compliance requirement, the Department needs to perform and submit the compliance reporting packages in default for the fiscal years ended June 30, 2018, 2019, and 2020.	Referred to Finding 2019-012	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	AF2018 submitted on 8/2021, AF2019 will be submitted on 7/31/2022, and AF2020 will be submitted 3/2023
2017-001	Financial Reporting System	Condition Noted: The Department's net position/fund balance of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information have been restated as of July 1, 2016 to correct certain oversights in the presentation of the 2017 financial statements. The restatements are related to an oversight in the methodology used to determine the federal funds receivable, interfund transactions, the reconciliation of the capital asset ledger, and the accrual of the System's payable, which resulted in the restatement of the beginning net position of the Department's government-wide financial statements.	The Department needs to reinforce the processes and controls over its accounting operations.	Referred to Finding 2019-001	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	31-Jul-22
2017-002	Late Filing of Form ETA-9130/Reporting	Condition Noted: Twenty-three of the ninety sampled Form ETA-9130, Financial Reports (OMB No. 1205-0461) were not submitted during the 45-day calendar day requirement.	The Department management should review its oversight process to ascertain the timely submission of the required federal financial reports. In addition, management should keep a calendar with filing due dates to ascertain compliance with filing deadlines.	Referred to Finding 2019-005	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Jul-22
2017-003	Federal Funding Accountability and Transparency Act (FFATA)	Condition Noted: None of the required monthly Federal Funding Accountability and Transparency Act (FFATA) reports were filed.	We recommend the Department to correct the technical issues encountered with the information required by the Department's subrecipients, and to assigned personnel to work the issue with the local areas to comply with FFATA. Communication of the implications of noncompliance should be communicated to management and those charged with governance, who are the persons responsible for ascertaining that processes and controls are kept to meet federal requirements. And, stricter compliance policies should be implemented.	Referred to Finding 2019-006	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Aug-22

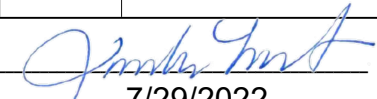
FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2016-001	Accounting Records	Condition Noted: Management methodology for reviewing the accounts receivable recognition in the Workforce Innovation Opportunity Act (WIOA) Fund was not correct.	The Department needs to establish a methodology for reviewing the accounts receivable recognition in accordance with GASB Statement No. 33. It is important to understand when the eligibility requirements are met in order to recognize a receivable of a non-exchange transaction.	Referred to Finding 2019-009	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	31-Jul-22
2016-002	Late Filing of Form ETA-9130/Reporting	Condition Noted: Three of the twenty-four sampled Form ETA-9130, Financial Reports (OMB No. 1205-0461) were not submitted during the 45-calendar day requirement.	The Department's management should review its oversight process to ascertain the timely submission of the required federal financial reports. In addition, management should keep a calendar with filing due dates to ascertain compliance with filing deadlines.	Referred to Finding 2019-005	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Jul-22
2016-003	Federal Funding Accountability and Transparency Act (FFATA)	Condition Noted: None of the required monthly Federal Funding Accountability and Transparency Act (FFATA) reports were filed. The Department needs to submit their reports through the FFATA Sub-award Reporting System (FRSS) by the end of each month following the month in which the Department subgrants funds in excess of \$25,000 to subrecipients.	We recommend the Department to correct the technical issues encountered with the information required by the Department's subrecipients, to assign personnel to work the issue with the local areas in order to comply with FFATA. Communication of the implications of noncompliance should be communicated to management, and those charged with governance and stricter compliance policies should be implemented.	Referred to Finding 2019-006	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Aug-22
2018-001E	Cost Sharing Accounting	Condition Noted: The Puerto Rico Office of Public Energy Policy (PROPEP) did not recognize the cash and/or in-kind	PROPEP needs to adopt accounting policies to recognize cash and/or in-kind contributions in	Referred to Finding 2019-007	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer	Attachment A: DEDC's Reporting Procedures;	Yes	31-Jul-22
2018-002E	Matching	Condition Noted: No audit evidence could be obtained to ascertain compliance with the 20 percent matching requirement. Refer to item no. 2018-001E.	To comply with the matching requirement, PROPEP should establish a process to validate, substantiate, and recognize in its accounting records the cash or in-kind contributions from non-federal funds, as required by the Federal awarding agency through the Standard Form 424A, Budget Information - Non Construction Programs (OMB Approval No. 0348-0044) and Compliance Supplement 2017 and 2018.	Referred to Finding 2019-007	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	31-Jul-22

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2018-003E	Employees' Level of Effort/Matching, Level of Effort, Earmaking	Condition Noted: We were unable to examine an activity report or equivalent to determine the time incurred by each employee on the federal program, as established by the US DOE in the Budget Justification for Formula Grants (the Budget Justification).	To comply with the level of effort, the Department should implement the use of time sheets or an equivalent document to support the time incurred by each employee in the federal program. However, this report is for the fiscal year 2018, almost three years ago, and PROPEP has now been merged into the Department, it is possible that the conditions may have been corrected.	Based on DOE's comments related to the form submitted to document the tasks performed by DEDC and PPE employees under the different grants, management has consulted with the company that provides employee timecard services to the agency. The company which provides these services to the DEDC is called Interboro. They are the providers of the KRONOS system, through which the DEDC's employees register their attendance, certify their attendance and their supervisors approve them in order to process its payroll. Through the system employees assign to each federal program will be allowed to select the program to which they are providing services. It will also allow employees to select if they are providing services under state programs, including state matching requirements as establish in the federal grant. The registered hours as previously stated, will be certified by the employee and approved by the supervisor. Based on the timecard DEDC Finance Department will perform the required adjustments to the payroll cost for each federal program. The specs of the program have been included as supporting document attached to this CAP. DEDC management expects to be able to implement the use of the application by	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov	Attachment E - Kronos Grant Activities Level of Effort	Yes	30-Sep-22
2018-004E	Reimbursement Requests Late Submission/Cash Management	Condition Noted: State Energy Program and Weatherization Assistance for Low Income Persons Program We were unable to determine the time PROPEP took to request the reimbursements of the expenditures incurred during the fiscal year ended June 30, 2018. This issue could limit PROPEP's capacity to provide benefits. Low-Income Home Energy Assistance Program On January 5, 2018, PROPEP presented the first invoice to the pass-through entity, three months after its due date. In addition, the second invoice was never presented as established in the collaborative agreement between the pass-through entity and PROPEP.	To comply with the cash management requirements, PROPEP should implement controls to correct the timeliness of submitting the reimbursements requests by establishing due dates and alerts. However, since this report relates to fiscal year 2018, almost three years ago, and PROPEP has now been merged into the Department, it is possible that these conditions may have been corrected.	The DEDC has updated the Grant Management SOP to include a table establishing the expected timeframe on which the Finance Department will submit their request for reimbursement. DEDC's Finance Department which provides services to the PEPP has establish a monthly process to request the reimbursement of the costs incurred through the programs managed by the PEPP.	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov	Attachment C: DEDC_SOP Grant Management.	Yes	31-Jul-22
2018-005E	Procurement Documents and	Condition Noted: (a) From a sample of twenty-four contracts selected to test the	We recommend requesting copies of all procurement documents to PRIFA and ASG in order	To address general procurement process and acquisition method documentation:	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer		No	31-Jul-22
2018-006E	Financial and Performance Reports Late Submission	Condition Noted: Federal Financial Report (SF-425) Federal Financial Reports for the periods ended December 31, 2017, March 31, 2018, and June 30, 2018, were submitted after the thirty-day requirement (thirty days after the reporting period) with an average of 462 days for SEP and 53 days for WAP after its due date. WAP Quarterly Performance Report WAP Quarterly Performance Reports for the periods ended December 31, 2017, March 31, 2018, and June 30, 2018, were submitted after the thirty-day requirement (thirty days after the reporting period) with an average of 53 days after its due date.	We recommend establishing controls over the reporting requirements established by the Federal government by implementing due dates and alerts.	Referred to Finding 2019-007	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Jul-22

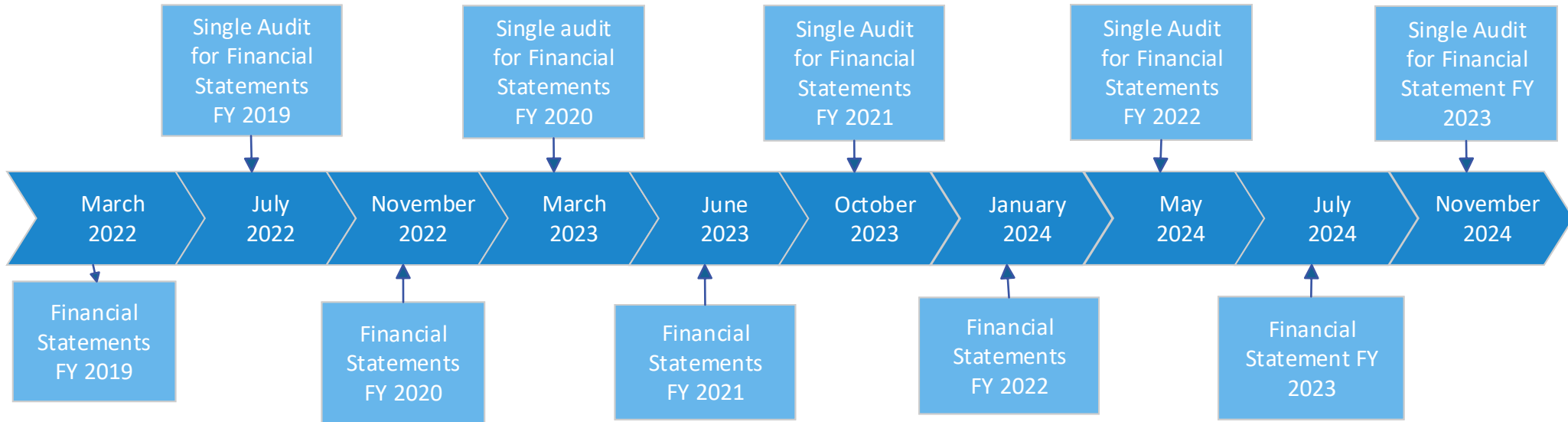
FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2018-007E	Late Single Audit Submission	Condition Noted: PROPEP has not submitted the Single Audit Reporting Package for the fiscal years ended June 30, 2018, 2019, and 2020.	To comply with the reporting compliance requirement, PROPEP needs to have an audit firm perform and submit the compliance reporting packages in default for the fiscal years June 30, 2018, 2019, and 2020.	Referred to Finding 2019-012	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	AF2018 submitted on 8/2021, AF2019 will be submitted on 7/31/2022, and AF2020 will be submitted 3/2023
2017-001E	Verification of Identity and Employment Authorization	Condition Noted: From a sample of five employees selected to test PROPEP's compliance with state, local, and federal laws and regulations, contracts, and grant agreements, we identified two files without the required Form I-9, Employment Eligibility Verification.	We also recommend strengthening controls to ascertain the completeness of employee files, including those from transferred employees. However, since this report relates to the fiscal year 2017, almost four years ago, and PROPEP has now been merged into the Department, PROPEP may have corrected these conditions, prospectively.	Referred to Finding 2019-003	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Aug-22
2017-002E	Matching/Matching, Level of Effort, Earmarking	Condition Noted: No audit evidence could be obtained to ascertain compliance with the 20 percent matching requirement.	To comply with the matching requirement, PROPEP should establish a process to validate, substantiate, and recognize in its accounting records the cash or in-kind contributions from non-federal funds as required by the Federal agency. However, since this report relates to the fiscal year 2017, almost four years ago, and PROPEP has now been merged into the Department, PROPEP may have corrected these conditions.	Referred to Finding 2019-007	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	31-Jul-22
2017-003E	Employees' Percentage of Time	Condition Noted: We were unable to examine an activity report or an equivalent document to validate the percentage of time incurred by each employee, as established by the US DOE in the Budget Justification for Formula Grants (the Budget Justification).	To comply with the level of effort (percentage of time), PROPEP should implement the use of timecards or an equivalent document to substantiate the time incurred by each employee to the federal program. However, since this report relates to the fiscal year 2017, almost four years ago, and PROPEP has now been merged into the Department, PROPEP may have corrected these conditions.	Referred to Finding 2019-007	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	30-Sep-22


FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2017-004E	Procurement Doc	<p>Condition Noted:</p> <p>(a) From a sample of twenty-nine contracts, two contracts exceed the \$150,000, as per the simplified acquisition method, for which the bidding process could not be verified.</p> <p>(b) From twenty-nine contracts selected to test procurement procedures in compliance with state, local, and federal laws and regulations, we could not examine the following documents:</p> <ol style="list-style-type: none"> 1. Certifications from the Puerto Rico Department of State (Two files) 2. Certifications from the Puerto Rico Department of the Treasury (Two files) 3. Certifications from the Municipal Revenue Collection Center (CRIM, for its Spanish acronym) (Three files) 4. Certifications from the Department of Labor and Human Resources (Two files) 5. Certification from the Puerto Rico Child Support Administration (ASUME, for its Spanish acronym) (Two files) 6. Corporate Resolution (Only applies to Corporations) (One file) 	We recommend requesting copies of all procurement documents to ASG and PRIFA. However, since this report relates to the fiscal year 2017, almost four years ago, and PROPEP has now been merged into the Department, PROPEP may have corrected these conditions.	Referred to Finding 2018-005E	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	31-Jul-22
2017-005E	Late Single Audit Submission	<p>Condition Noted: PROPEP has not submitted the Single Audit Reporting Package for the fiscal years ended June 30, 2017, 2018, 2019, and 2020.</p>	To comply with the reporting compliance requirement, PROPEP needs to perform and submit the compliance reporting packages in default for the fiscal years June 30, 2018, 2019, and 2020.	Referred to Finding 2019-012	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	AF2018 submitted on 8/2021, AF2019 will be submitted on 7/31/2022, and AF2020 will be submitted 3/2023
2016-002E	Human Resources and Finance Department Recordkeeping and Reporting	<p>Condition Noted: After examining seventeen employees files the following documents could not be examined:</p> <ol style="list-style-type: none"> 1. Three files did not include the Form I-9, Employment Eligibility Verification 2. One file did not include the Birth Certificate 3. Two files did not include the Social Security card 4. One file did not include the driver's license 5. Three files did not include the Resume 6. Two files did not include the Negative Certificate for Penal Record 7. One file did not include the Negative Certificate of CRIM 8. One file did not include evidence of income tax filing or evidence of debt plan agreement. <p>Within the findings listed above, the first four, all related to the employee's identity verification, were not found for one employee file. However, the transfer report was available. Therefore, we can assume the documents were not included in the file upon the transfer.</p>	We recommend also the strengthening controls to ascertain completeness of employee files, including those from transferred employees. However, since this report relates to fiscal year 2016, almost five years ago, and PROPEP has now been merged into the Department, it is possible that these conditions may have been corrected.	Referred to Finding 2019-003	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	31-Aug-22

FINDING NUMBER	COMPLIANCE SECT	AUDITOR'S DESCRIPTION	AUDITOR'S RECOMMENDATION	CORRECTIVE ACTION	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM COMPLETION	DELIVERABLE	EVIDENCE INCLUDED YES/NO	TARGET COMPLETION DATE
2016-005E	Matching	Condition Noted: No information could be obtained to ascertain compliance with the 20 percent matching requirement.	To comply with the matching requirement, PROPEP should establish a process to validate, substantiate, and recognize in its accounting records the cash or in-kind contributions from non-federal funds as required by the Federal agency. However, since this report relates to fiscal year 2016, almost five years ago, and PROPEP has now been merged into the Department, it is possible that these conditions may have been corrected.	Referred to Finding 2019-007	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	31-Jul-22
2016-006E	Employees' Percentage of Time	Condition Noted: We were unable to examine an activity report or an equivalent document to validate the percentage of time incurred by each employee, as established by the US DOE in the Budget Justification for Formula Grants (the Budget Justification).	To comply with the level of effort (percentage of time), PROPEP should implement the use of timecards or an equivalent document, to substantiate the time dedicated by each employee to the federal program. However, since this report relates to fiscal year 2016, almost five years ago, and PROPEP has now been merged into the Department, it is possible that these conditions may have been corrected.	Referred to Finding 2019-007	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		Yes	30-Sep-22
2016-009E	Late Single Audit Submission	Condition Noted: PROPEP has not submitted the Single Audit Reporting Package for the years ended June 30, 2016, 2017, 2018, 2019, and 2020.	To comply with the reporting compliance requirement, PROPEP still needs to perform and submit the compliance reporting packages in default for the years ended June 30, 2018, 2019 and 2020.	Referred to Finding 2019-012	Contact Person: Jamille E. Muriente Diaz Position: Chief Financial Officer Telephone: 758-4747 Email: Jamille.muriente@ddec.pr.gov		No	AF2018 submitted on 8/2021, AF2019 will be submitted on 7/31/2022, and AF2020 will be submitted 3/2023

Approved by: 
Date: 7/29/2022

Audit Timetable 2019 – 2023



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Puerto Rico Department of Economic Development and Commerce		
Title: Reporting Procedures		Version: 1
Department / Area: DEDC's Finance Department		
Reviewed by Ángel Agosto		Date: June 23, 2022
Reviewed by Julio Torres		Date: June 23, 2022

I. Purpose:

This document is adopted with the purpose of establishing the procedures to be followed for the preparation of State and Federal Required Reports.

II. Scope:

This procedure applies to all Departments within the Puerto Rico Department of Economic Development and Commerce (DEDC) that participate in the reporting process. Any Official or employee of the DEDC's to whom the reporting functions have been delegated, or who has been appointed as Official or Assistant, shall also have to comply with the provisions of this procedure.

III. Responsibility:

The units and staff that participate in the execution of this procedure are:

- a. DEDC's Finance Department:
 - 1. Comptroller
 - Review and approve federal grant and payroll related reports
 - 2. Budget Division Director
 - Develops, reviews, and submits budget related reports to the pertinent state or federal agency.
 - Present the Closing Report to the Departments Directors and/or CFO
 - 3. Finance and Accounting Manager
 - Develops, reviews, and submits federal program related financial. reports
 - 4. Payroll Accounting Official
 - Develops, reviews, and submits payroll related reports to the pertinent state or federal agency.
 - 5. Accountant
 - Assists in the development of the reports.

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6. Program Manager
 - Assists/Develops the federal program Financial Report
7. Property officer
 - Generates Fixed Asset related report.
 - Reviews and approves the reports prepared by the employee/equipment custodian.
8. Employee/Equipment Custodian
 - Prepares reports related to transfer o loss of equipment.

IV. Abbreviations:

Abbreviation	Term
FAS	Financial Application System
MIP	Micro-Information Products
DEDC	Department of Economic Development and Commerce
PROMB	Puerto Rico Office of Management and Budget
AAFAF	Puerto Rico Financial Advisory Authority and Fiscal Agency (“Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico” in Spanish)
FeCC	Federal Contracting Center
COR3	Central Office of Recovery, Reconstruction and Resiliency
USDOE	United States Department of Energy
USDOL	United State Department of Labor
FEMA	Federal Emergency Management Administration
PEPP	Public Energy Policy Program
WIOA	Workforce Innovation and Opportunities Act
FFATA	Federal Funding Accountability and Transparency Act
SINOT	Temporary Non-Occupational Disability Insurance (“Seguro por Incapacidad No Ocupacional Temporal”)
EDA	Economic Development Administration
STEP	State Trade Expansion Program
SEP	Special Enrollment Program
WAP	Weatherization Assistance Program

V. Reference Documents:

- 2 CFR § 200.328 - Financial reporting

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VI. Forms

The forms used by all personnel related/involved in this procedure are:

- 9130 – DOL ETA Financial Report
- SF-425 – Federal Financial Report
- 941 Form – Employer’s Quarterly Federal Tax Return
- Employer's Quarterly Return of Income Tax Withheld and Instructions
- SC-787 – Disposal Report
- 795.1 – Physical Inventory Certification
- OC-DE-133 – Annual Certification on Loss Notification of Irregularities in the Management of Funds or Public Goods

VII. Systems / Applications:

- FAS
- MIP
- ETA DOL Report Webpage
- PROMB Platform

VIII. Frequency:

This standard operating procedure must be performed as established on the state and/or federal regulation, depending on the state/federal agency to which the report is submitted to.

IX. Procedure

9.1. Grant Management Reports

1. WIOA
 - a. On a quarterly basis, the Accountant generates the 9130 Financial Report
 - b. The Accounting and Finance Manger reviews and approves the Financial Report.
 - c. The Accounting and Finance Manager submits the 9130 Financial through the ETA DOL Reporting webpage.

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2. Trade and Export Company

- a. Economic Development Administration (EDA) Financial Report
 - i. On a biannual basis, the accountant generates the SF-425 Federal Financial Report
 - ii. The Accounting and Finance Manager reviews and approves the Federal Financial Report.
 - iii. The Comptroller submits the Financial Report to the US Department of Commerce and the Economic Development Administration.
- b. State Trade Expansion (STEP) Program
 - i. On a quarterly basis, the accountant generates the SF-425 Federal Financial Report
 - ii. The Accounting and Finance Manager reviews and approves the Federal Financial Report.
 - iii. The Accounting and Finance Manager submits the Financial Report to the US Small Business Administration.

3. Puerto Rico Office of Public Energy Policy

- a. Special Enrollment Period (SEP)
 - i. On a quarterly basis, the Program Manager generates the SF-425 Federal Financial Report
 - ii. The Comptroller reviews and approves the Federal Financial Report.
 - iii. The Comptroller submits the Financial Report to the US Department of Energy (USDOE).
- b. Weatherization Assistance Program (WAP)
 - i. On a quarterly basis, the Program Manager generates the SF-425 Federal Financial Report
 - ii. The Comptroller reviews and approves the Federal Financial Report.
 - iii. The Comptroller submits the Financial Report to the US Department of Energy (USDOE).

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9.2. Payroll Reports

1. Employer's Quarterly Federal Tax Return (Form 941)
 - i. On a quarterly basis, the Payroll Accounting Officer will fill out the Form 941 – Employer’s Quarterly Federal Tax Return
 - ii. The Payroll Accounting Officer sends the report to the comptroller for review and approval
 - iii. The Comptroller reviews and signs the Employer’s Quarterly Federal Tax Return Form.
 - iv. The Payroll accounting Officer submits the approved form to the Internal Revenue Services.

2. Quarterly Puerto Rico's Department of Labor Report
 - i. On a quarterly basis, the accountant assists on the development of the Quarterly Puerto Rico's Department of Labor Report
 - ii. The Payroll Accounting Officer reviews the quarterly report.
 - iii. Once reviewed, the Payroll Accounting Officer will submit on Internal Revenue Services’ Platform

3. Insurance for Temporary Non-Occupational Disability (SINOT)
 - i. On a quarterly basis, the Payroll Accounting Officer will prepare the Insurance for Temporary Non-Occupational Disability.
 - ii. The Payroll Accounting Officer sends the report to the comptroller for review and approval
 - iii. The Comptroller will review and sign the report.
 - iv. The Payroll Accounting Officer will submit the report to the Puerto Rico’s Department of Labor.

4. Employer's Quarterly Return of Income Tax Withheld
 - i. On a quarterly basis, the Accountant will prepare the Employer's Quarterly Return of Income Tax Withheld Report.
 - ii. The Payroll Accounting Officer will review the report generated by the Accountant.

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- iii. Once reviewed, the Payroll Accounting Officer will submit the report on the Puerto Rico's Treasury Department's Platform.

5. Retirement Quarterly Report

- i. On a quarterly basis, the Accountant will generate the Retirement Quarterly Report.
- ii. The Payroll Accounting Officer will review the generated report.
- iii. Once the Retirement Quarterly Report is reviewed, the Payroll Accounting Officer will submit the report on Retirement Administration System's Platform.

6. State Insurance Fund Report

- i. On a quarterly basis, the Accountant will generate the State Insurance Fund Report.
- ii. The Payroll Accounting Officer will review the generated report.
- iii. Once the State Insurance Fund Report is reviewed, the Payroll Accounting Officer will submit the report on the State Insurance Fund Corporation's Platform.

9.3. Fixed Asset Management and Control Reports

1. Equipment or Program Movement Control Report

- i. When movement of equipment is needed or required, the Employee (Custodian of Equipment) will fill out an Equipment or Program Movement Control Report.
- ii. The Department Director/Manager will review the report.
- iii. Once reviewed, the report is submitted to the Property Officer for approval.

2. Property Loss or Disappearance Report

- i. When equipment is lost or disappeared, the Employee (Custodian of Equipment) will fill out a Property Loss or Disappearance Report.
- ii. The Department Director/Manager will review the report.
- iii. Once reviewed, the report is submitted to the Property Officer for approval.

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3. Disposal Report (SC-787)
 - i. When equipment is lost or disappeared, the Property Officer will generate and review the Disposal Report (SC-787)
 - ii. The General Service Director will approve and sign the Report.
 - iii. The Property Officer will submit the Disposal Report to the Puerto Rico's General Service Administration.

4. Certification on Loss Notification of Irregularities in the Management of Funds or Public Goods (OC-DA-133)
 - i. Annually the Property Officer will generate the Certification on Loss Notification of Irregularities in the Management of Funds or Public Goods.
 - ii. The Property Officer will send the form to the DEDC's Secretary or Authorized Representative to be approved and signed.
 - iii. Once approved and sign, the Property Officer will send the form to the Legal Department to be notarized.
 - iv. The Property Officer will submit the notarized form to the Puerto Rico's Comptroller's Office

5. Physical Inventory Certification (Form - 795.1)
 - i. Annually, after physical inventory is taken, the Property Officer will fill out the form Physical Inventory Certification form.
 - ii. The General Service Director will review the form.
 - iii. Once reviewed, the General Service Director will send the form to the DEDC's Secretary or Authorized Representative to be approved and signed.
 - iv. The general Service Director will submit the form to the Puerto Rico Treasury Department.

9.4. Budget Reports

1. Projections and Expenses Report
 - i. On a monthly basis, the Budget Specialist assists the Budget Director in the development of the Projections and Expenses Report.

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- ii. The Budget Director reviews the Projections and Expenses Report.
- iii. The Projection and Expenses Report is approved by the Budget Director, Human Resources Director & Agency's Secretary
- iv. The Budget Director submits the Projection and Expenses Report to the PROMB.

2. CAPex Projects

- i. On a monthly basis, the Budget Specialist assists the Budget Director in the development of the CAPex Report.
- ii. The Budget Director reviews the CAPex Report.
- iii. The Agency's Secretary is approved by the Agency's Secretary.
- iv. The Budget Director submits the CAPex Report to the PROMB.

3. Budget vs. Actual Report

- i. On a monthly basis, the Budget Specialist assists the Budget Director in the development of the Budget vs. Actual Report.
- ii. The Budget Director the reviews and approves the Budget vs. Actual Report
- iii. The Budget Director submits the Report to the Financial Advisory Authority and Fiscal Agency of Puerto Rico (AAFAF in Spanish)

4. CAPex Projects

- i. The Budget Specialist assists the Budget Director in the development of the Report.
- ii. The Budget Director reviews and approves the CAPex Projects Report
- iii. The Budget Director submits the Report to the Financial Advisory Authority and Fiscal Agency of Puerto Rico (AAFAF in Spanish)

5. Closing Presentation (Budget vs. Expenses)

- i. On a monthly basis, the Budget Specialist assists the Budget Director in the development of the Report.

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- ii. The Budget Director reviews the Closing Presentation Report.
- iii. The budget Director presents the Closing Report to the CFO of the agency.

6. Closing Presentation

- i. On a monthly basis, the Budget Specialist assists the Budget Director in the development of the Report.
- ii. The Budget Director reviews the Closing Presentation Report.
- iii. The Budget Director presents the Closing Report to the

7. Act 3 - 2017 Reports

- i. The Budget Specialist assists the Budget Director in the development of the Report.
- ii. The Budget Director validates the reviews the Report.
- iii. The Budget Director signs the report and send it to the DEDC's Secretary for approval.
- iv. Once approved, the Budget Director submits the report on the PROMB platform.

8. Act 103 - 2006

- i. Once a year, the Budget Specialist assists the Budget Director in the development of the Report.
- ii. The Budget Director validates the reviews the Report.
- iii. The Budget Director signs the report and gets the report notarized.
- iv. Once notarized, the budget Director submits the report on the PROMB platform.

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Attachments



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Grant Management (WIOA) Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
9130 Financial Report	Department of Labor (DOL)	Accountant	Accounting and Finance Manager	Submitted on ETA DOL Reporting (Webpage)	Quarterly
Grant Management (Trade and Export Company) Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
Economic Development Administration (EDA)	U.S Department of Commerce, Economic Development Administration	Accountant	Accounting and Finance Manager	Comptroller	Biannual
State Trade Expansion Program (STEP)	U.S Small Business Administration	Accountant	Accounting and Finance Manager	Comptroller	Quarterly
Grant Management (PEPP) Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
SF-425 - Federal Financial Report (Special Enrollment Period [SEP])	Department of Energy (DOE)	Accountant	Accounting and Finance Manager	Comptroller	Quarterly



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Grant Management (PEPP) Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
SF - 425 - Federal Financial Report (Weatherization Assistance Program [WAP])	Department of Energy (DOE)	Accountant	Accounting and Finance Manager	Comptroller	Quarterly
Grant Management (Federal Contracting Center [FeCC]) Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
SF-425 - Federal Financial Report	Defense Logistics Agency, Office of Small Business Program	Accountant	Accounting and Finance Manager	Chief Financial Officer	Monthly
Payroll Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
Employer's Quarterly Federal Tax Return (Form 941)	Internal Revenue Services (IRS)	Payroll Accounting Officer	-	Comptroller	Quarterly



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Payroll Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
Quarterly Puerto Rico's Department of Labor Report	Puerto Rico's Department of Labor	Accountant	Payroll Accounting Officer	Submitted on Agency's Platform	Quarterly
Insurance for Temporary Non-Occupational Disability (SINOT in Spanish)	Puerto Rico's Department of Labor	Payroll Accounting Officer	-	Comptroller	No later than the end of the month following in which the month the obligation was made / Quarterly
Employer's Return of Income Tax Withheld and Instructions	Treasury Department of Puerto Rico	Accountant	Payroll Accounting Officer	Submitted on Agency's Platform	Quarterly
Payroll Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
Retirement Quarterly Report	Retirement Administration System	Accountant	Payroll Accounting Officer	Submitted on Agency's Platform	Quarterly
State Insurance Fund Report	State Insurance Fund Corporation	Accountant	Payroll Accounting Officer	Submitted on Agency's Platform	Annually



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Fixed Asset Management and Control Report

Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
Equipment or Program Movement Control Report	DEDC	Employee (Custodian of Equipment)	Department Director/Manager	Property Officer	When movement or equipment is needed or required
Property Loss or Disappearance Report	DEDC	Employee (Custodian of Equipment)	Department Director/Manager	Property Officer	When equipment is lost or disappeared
Disposal Report (SC-787)	General Service Administration (ASG in Spanish)	Property Officer	Property Officer	General Service Director	When equipment is lost or disappeared
Certification on Loss Notification of Irregularities in the Management of Funds or Public Goods (OC-DA-133)	Puerto Rico's Comptroller's Office	Property Officer	DEDC's Secretary or Authorized Representative	Notarized	Annually

Payroll Reports

Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
Physical Inventory Certification (795.1)	Treasury Department of Puerto Rico	Property Officer	General Service Director	DEDC's Secretary or Authorized Representative	Annually



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Budget Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
Projections and Expenses Report	Puerto Rico Office of Management and Budget (PROMB)	Budget Specialist/Budget Director	Budget Director	Budget Director, Human Resources & Agency's Executive Secretary	Monthly
CAPex Projects	Puerto Rico Office of Management and Budget (PROMB)	Budget Specialist/Budget Director	Budget Director	Agency's Executive Secretary	Monthly
Budget vs. Actual Report	Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico (AAFAF)	Budget Specialist/Budget Director	Budget Director	-	Monthly
Budget Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
CAPex Projects	Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico (AAFAF)	Budget Specialist/Budget Director	Budget Director	-	Monthly



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Budget Reports					
Reports	Agency for which it is Submitted	Generates Report	Validates Report	Approves Report	Deadline/Frequency
Closing Presentation (Budget vs. Expenses)	DEDC - Directors	Budget Specialist/Budget Director	-	Presented to DEC's Directors	Monthly
Closing Presentation	DEDC - CFO	Budget Director	-	Presented to Chief Financial Officer	Monthly
Act 3 - 2017 Reports	Puerto Rico Office of Management and Budget (PROMB)	Budget Specialist/Budget Director	Budget Director	Budget Director & Agency's Executive Secretary	Quarterly
Act 103 - 2006	Puerto Rico's Comptroller's Office	Budget Specialist/Budget Director	Budget Director	Notarized	Annual



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9130 – DOL ETA Financial Report

U.S. DOL ETA FINANCIAL REPORT

(Follow instructions on the back.)

1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned by DOL		OMB Approval No. 1205-0461 Expires 10/31/2022			
3. Recipient Organization (Name and complete address including Zip code)							
4a. Unique Entity Identifier	4b. EIN	5. Recipient Account Number or Identifying Number		6. Final Report <input type="checkbox"/> Yes <input type="checkbox"/> No	7. Basis of Reporting <input type="checkbox"/> Accrual		
8. Project/Grant Period From: (MMDD/YYYY)		To: (MMDD/YYYY)		9. Reporting Period End Date: (MMDD/YYYY)			
10. Transactions							
Cumulative							
Federal Cash:							
a. Cash Receipts							
b. Cash Disbursements							
c. Cash on Hand (line a minus b)							
\$ -							
Federal Expenditures and Unobligated Balance:							
d. Total Federal Funds Authorized							
e. Federal Share of Expenditures							
f. Total Administrative Expenditures							
g. Federal Share of Unliquidated Obligations							
h. Total Federal Obligations (sum of lines e and g)							
\$ -							
i. Unobligated Balance of Federal Funds (line d minus h)							
\$ -							
Recipient Share:							
j. Total Recipient Share Required							
k. Recipient Share of Expenditures							
l. Remaining Recipient Share to Be Provided (line j minus k)							
\$ -							
Program Income:							
m. Total Program Income Earned							
n. Program Income Expended in Accordance with the Addition Method							
o. Unexpended Program Income (line m minus line n)							
\$ -							
11. Additional Expenditure Data Required							
a. Other Federal Funds Expended							
b. Real Property Proceeds Expended							
c. Recaptured Funds Expended							
d. Training Expenditures							
12. Remarks: (Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.)							
13. Indirect Expenditures							
a. Type of Rate	b. Rate	c. Rate Approval Date	d. Period From (MMDD/YYYY)	e. Period To (MMDD/YYYY)	f. Base	g. Amount Charged	h. Federal Share
h. Totals						\$ -	\$ -
14. Certification: By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).							
a. Typed or Printed Name and Title of Authorized Certifying Official				c. Telephone (Area code, number, and extension)			
				d. Email Address			
b. Signature of Authorized Certifying Official				e. Date Report Submitted (MMDD/YYYY)			
				f. Agency Use Only:			

Prescribed by OMB Uniform Guidance 2 CFR 200.

Persons are not required to respond to this collection of information unless it displays a currently valid OMB number. Public reporting burden for this collection of information, which is required to obtain or retain benefits (2 CFR 200.327 and WIOA Section 1854(2)), is estimated to average 45 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The reason for the collection of information is general program oversight, evaluation and performance assessment. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to ETA Office of Management and Administrative Services, Rm N-4653, U.S. Department of Labor, Washington DC 20210.



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SF-425 – Federal Financial Report

View Burden Statement		Federal Financial Report (Follow form Instructions)		OMB Number: 4040-0014 Expiration Date: 02/28/2022	
1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)			
[Redacted]		[Redacted]			
3. Recipient Organization (Name and complete address including Zip code)					
Recipient Organization Name: [Redacted]					
Street1: [Redacted]					
Street2: [Redacted]					
City: [Redacted]		County: [Redacted]		Province: [Redacted]	
State: [Redacted]				ZIP / Postal Code: [Redacted]	
Country: [Redacted]					
4a. DUNS Number		4b. EIN		5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)	
[Redacted]		[Redacted]		[Redacted]	
6. Report Type		7. Basis of Accounting		8. Project/Grant Period	
<input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final		<input type="checkbox"/> Cash <input type="checkbox"/> Accrual		From: [Redacted] To: [Redacted]	
				9. Reporting Period End Date	
				[Redacted]	
10. Transactions					Cumulative
(Use lines a-c for single or multiple grant reporting)					
Federal Cash (To report multiple grants, also use FFR attachment):					
a. Cash Receipts					
b. Cash Disbursements					
c. Cash on Hand (line a minus b)					0.00
(Use lines d-o for single grant reporting)					
Federal Expenditures and Unobligated Balance:					
d. Total Federal funds authorized					
e. Federal share of expenditures					
f. Federal share of unliquidated obligations					
g. Total Federal share (sum of lines e and f)					0.00
h. Unobligated balance of Federal Funds (line d minus g)					0.00
Recipient Share:					
i. Total recipient share required					
j. Recipient share of expenditures					
k. Remaining recipient share to be provided (line i minus j)					0.00
Program Income:					
l. Total Federal program income earned					
m. Program Income expended in accordance with the deduction alternative					
n. Program Income expended in accordance with the addition alternative					
o. Unexpended program income (line l minus line m or line n)					



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11. Indirect Expense						
a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
g. Totals:				<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>

12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:

13. Certification: By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).

a. Name and Title of Authorized Certifying Official

Prefix: First Name: Middle Name:
 Last Name: Suffix:
 Title:

b. Signature of Authorized Certifying Official

c. Telephone (Area code, number and extension)

d. Email Address

e. Date Report Submitted

14. Agency use only:

Standard Form 425



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941 Form – Employer’s Quarterly Federal Tax Return

Form 941 for 2022: Employer’s QUARTERLY Federal Tax Return 950122
(Rev. March 2022) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Report for this Quarter of 2022
(Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to www.irs.gov/Form941 for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1)	1	<input type="text"/>	
2 Wages, tips, and other compensation	2	<input type="text"/>	.
3 Federal income tax withheld from wages, tips, and other compensation	3	<input type="text"/>	.
4 If no wages, tips, and other compensation are subject to social security or Medicare tax <input type="checkbox"/> Check and go to line 6.			
	Column 1	Column 2	
5a Taxable social security wages*	<input type="text"/>	× 0.124 = <input type="text"/>	*Include taxable qualified sick and family leave wages paid in 2022 for leave taken after March 31, 2021, and before October 1, 2021, on line 5a. Use lines 5a(i) and 5a(j) only for taxable qualified sick and family leave wages paid in 2022 for leave taken after March 31, 2020, and before April 1, 2021.
5a (i) Qualified sick leave wages*	<input type="text"/>	× 0.062 = <input type="text"/>	
5a (j) Qualified family leave wages*	<input type="text"/>	× 0.062 = <input type="text"/>	
5b Taxable social security tips	<input type="text"/>	× 0.124 = <input type="text"/>	
5c Taxable Medicare wages & tips	<input type="text"/>	× 0.029 = <input type="text"/>	
5d Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text"/>		× 0.009 = <input type="text"/>	
5e Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(j), 5b, 5c, and 5d		<input type="text"/>	.
5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)		<input type="text"/>	.
6 Total taxes before adjustments. Add lines 3, 5e, and 5f		<input type="text"/>	.
7 Current quarter’s adjustment for fractions of cents		<input type="text"/>	.
8 Current quarter’s adjustment for sick pay		<input type="text"/>	.
9 Current quarter’s adjustments for tips and group-term life insurance		<input type="text"/>	.
10 Total taxes after adjustments. Combine lines 6 through 9		<input type="text"/>	.
11a Qualified small business payroll tax credit for increasing research activities. Attach Form 8974		<input type="text"/>	.
11b Nonrefundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021		<input type="text"/>	.
11c Reserved for future use		<input type="text"/>	.

▶ You MUST complete all three pages of Form 941 and SIGN it. **Next ▶▶▶**

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 170012Z Form **941** (Rev. 3-2022)



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Name (not your trade name)	Employer identification number (EIN)
950222	
Part 1: Answer these questions for this quarter. (continued)	
11d Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021, and before October 1, 2021	11d <input type="text"/>
11e Nonrefundable portion of COBRA premium assistance credit (see instructions for applicable quarter)	11e <input type="text"/>
11f Number of individuals provided COBRA premium assistance <input type="text"/>	
11g Total nonrefundable credits. Add lines 11a, 11b, 11d, and 11e	11g <input type="text"/>
12 Total taxes after adjustments and nonrefundable credits. Subtract line 11g from line 10	12 <input type="text"/>
13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter	13a <input type="text"/>
13b Reserved for future use	13b <input type="text"/>
13c Refundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021	13c <input type="text"/>
13d Reserved for future use	13d <input type="text"/>
13e Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021, and before October 1, 2021	13e <input type="text"/>
13f Refundable portion of COBRA premium assistance credit (see instructions for applicable quarter)	13f <input type="text"/>
13g Total deposits and refundable credits. Add lines 13a, 13c, 13e, and 13f	13g <input type="text"/>
13h Reserved for future use	13h <input type="text"/>
13i Reserved for future use	13i <input type="text"/>
14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions	14 <input type="text"/>
15 Overpayment. If line 13g is more than line 12, enter the difference <input type="text"/>	15 <input type="text"/>
Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.	
Part 2: Tell us about your deposit schedule and tax liability for this quarter.	
If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.	
16 Check one: <input type="checkbox"/> Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.	
<input type="checkbox"/> You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.	
Tax liability: Month 1 <input type="text"/>	
Month 2 <input type="text"/>	
Month 3 <input type="text"/>	
Total liability for quarter <input type="text"/>	Total must equal line 12.
<input type="checkbox"/> You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941. Go to Part 3.	
▶ You MUST complete all three pages of Form 941 and SIGN it.	
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950922	
Name (not your trade name) <input style="width: 90%;" type="text"/>	
Employer identification number (EIN) <input style="width: 90%;" type="text"/>	
Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.	
17 If your business has closed or you stopped paying wages	<input type="checkbox"/> Check here, and enter the final date you paid wages <input style="width: 100px;" type="text"/> ; also attach a statement to your return. See instructions.
18 If you're a seasonal employer and you don't have to file a return for every quarter of the year	<input type="checkbox"/> Check here.
19 Qualified health plan expenses allocable to qualified sick leave wages for leave taken before April 1, 2021	19 <input style="width: 100px;" type="text"/>
20 Qualified health plan expenses allocable to qualified family leave wages for leave taken before April 1, 2021	20 <input style="width: 100px;" type="text"/>
21 Reserved for future use	21 <input style="width: 100px;" type="text"/>
22 Reserved for future use	22 <input style="width: 100px;" type="text"/>
23 Qualified sick leave wages for leave taken after March 31, 2021, and before October 1, 2021	23 <input style="width: 100px;" type="text"/>
24 Qualified health plan expenses allocable to qualified sick leave wages reported on line 23	24 <input style="width: 100px;" type="text"/>
25 Amounts under certain collectively bargained agreements allocable to qualified sick leave wages reported on line 23	25 <input style="width: 100px;" type="text"/>
26 Qualified family leave wages for leave taken after March 31, 2021, and before October 1, 2021	26 <input style="width: 100px;" type="text"/>
27 Qualified health plan expenses allocable to qualified family leave wages reported on line 26	27 <input style="width: 100px;" type="text"/>
28 Amounts under certain collectively bargained agreements allocable to qualified family leave wages reported on line 26	28 <input style="width: 100px;" type="text"/>
Part 4: May we speak with your third-party designee?	
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.	
<input type="checkbox"/> Yes. Designee's name and phone number <input style="width: 200px;" type="text"/> <input style="width: 100px;" type="text"/>	
Select a 5-digit personal identification number (PIN) to use when talking to the IRS. <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
<input type="checkbox"/> No.	
Part 5: Sign here. You MUST complete all three pages of Form 941 and SIGN it.	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
	Sign your name here <input style="width: 200px;" type="text"/>
	Date <input style="width: 100px;" type="text"/>
	Print your name here <input style="width: 150px;" type="text"/>
	Print your title here <input style="width: 150px;" type="text"/>
Best daytime phone <input style="width: 150px;" type="text"/>	
Paid Preparer Use Only	
Preparer's name <input style="width: 200px;" type="text"/>	Check if you're self-employed <input type="checkbox"/>
Preparer's signature <input style="width: 200px;" type="text"/>	PTIN <input style="width: 100px;" type="text"/>
Firm's name (or yours if self-employed) <input style="width: 200px;" type="text"/>	Date <input style="width: 100px;" type="text"/>
Address <input style="width: 200px;" type="text"/>	EIN <input style="width: 100px;" type="text"/>
City <input style="width: 150px;" type="text"/> State <input style="width: 50px;" type="text"/>	Phone <input style="width: 100px;" type="text"/>
	ZIP code <input style="width: 100px;" type="text"/>



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Parte II - Part II		Detalle Retención Mensual - Monthly Withholding Detail		[Barcode]	
1. Deuda del mes - Month liability (a) Primer mes - First month [Grid] (b) Segundo mes - Second month [Grid] (c) Tercer mes - Third month [Grid] (d) Total trimestre - Total quarter [Grid]		2. Contribución depositada - Tax deposited (a) Primer mes - First month [Grid] (b) Segundo mes - Second month [Grid] (c) Tercer mes - Third month [Grid] (d) Total trimestre - Total quarter [Grid]		3. Diferencia - Difference (a) Primer mes - First month [Grid] (b) Segundo mes - Second month [Grid] (c) Tercer mes - Third month [Grid] (d) Total trimestre - Total quarter [Grid]	
Parte III - Part III Detalle de la contribución retenida durante cada mes del trimestre (Toda contribución retenida debe completarse en esta parte, ya que de lo contrario no se procesará la planilla). Detail of the tax withheld during each month of the quarter (Every tax liability deposited must complete this part. Otherwise, the return will not be processed).					
Primer mes del trimestre - First month of the quarter					
1	[Grid]	11	[Grid]	21	[Grid]
2	[Grid]	12	[Grid]	22	[Grid]
3	[Grid]	13	[Grid]	23	[Grid]
4	[Grid]	14	[Grid]	24	[Grid]
5	[Grid]	15	[Grid]	25	[Grid]
6	[Grid]	16	[Grid]	26	[Grid]
7	[Grid]	17	[Grid]	27	[Grid]
8	[Grid]	18	[Grid]	28	[Grid]
9	[Grid]	19	[Grid]	29	[Grid]
10	[Grid]	20	[Grid]	30	[Grid]
1. Deuda del mes - Month liability (1) [Grid]		2. Depósito total primer mes del trimestre - Total deposit first month of the quarter (2) [Grid]		31 [Grid]	
Segundo mes del trimestre - Second month of the quarter					
1	[Grid]	11	[Grid]	21	[Grid]
2	[Grid]	12	[Grid]	22	[Grid]
3	[Grid]	13	[Grid]	23	[Grid]
4	[Grid]	14	[Grid]	24	[Grid]
5	[Grid]	15	[Grid]	25	[Grid]
6	[Grid]	16	[Grid]	26	[Grid]
7	[Grid]	17	[Grid]	27	[Grid]
8	[Grid]	18	[Grid]	28	[Grid]
9	[Grid]	19	[Grid]	29	[Grid]
10	[Grid]	20	[Grid]	30	[Grid]
3. Deuda del mes - Month liability (3) [Grid]		4. Depósito total segundo mes del trimestre - Total deposit second month of the quarter (4) [Grid]		31 [Grid]	
Período de Conservación: Diez (10) años - Retention Period: Ten (10) years					

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Tercer mes del trimestre - Third month of the quarter

1		11	
2		12	
3		13	
4		14	
5		15	
6		16	
7		17	
8		18	
9		19	
10		20	
		21	
		22	
		23	
		24	
		25	
		26	
		27	
		28	
		29	
		30	
		31	

5. Deuda del mes - Month liability (15)

6. Depósito total tercer mes del trimestre -
Total deposit third month of the quarter (8)

7. Total deuda del trimestre (Sum a líneas 1, 3 y 5.
Igual que la Parte I, línea 4) - Total liability for the
quarter (Add lines 1, 3 and 5. Same as Part I, line 4) (7)

8. Total depósitos del trimestre (Sum a líneas 2, 4 y 6.
Esta cantidad debe ser igual que la Parte I, línea 7) -
Total deposit for the quarter (Add lines 2, 4 and 6.
Same as Part I, line 7) (8)

JURAMENTO - OATH

Juro (o afirmo) como agente retenedor, representante legal u oficial autorizado, que esta planilla es cierta, correcta y completa y que la retención de impuestos ha sido de acuerdo con el Código de Rentas Internas de Puerto Rico de 2011, según se enmendó, y sus regulaciones.

I swear (or affirm) as withholding agent, legal representative or authorized official that this return is true, correct and complete and that the tax withholding was made pursuant to the Puerto Rico Internal Revenue Code of 2011, as amended, and its regulations.

Fecha - Date: _____ Título - Title: _____ Firma del Agente Retenedor, Representante o Oficial Autorizado
Signature of Withholding Agent, Representative or Authorized Official

PARA USO DEL ESPECIALISTA SOLAMENTE - SPECIALISTS USE ONLY

Nombre del Especialista - Specialist's Name	Número de la placa Registration Number	Fecha - Date	Especialista por cuenta propia (solo para uso) Self-employed Specialist (for info)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Firma del Especialista - Specialist's Signature		Nombre de la Firma - Firm's Name	
<input type="text"/>		<input type="text"/>	

Dirección - Address: _____

Código Postal - Zip Code: _____

NOTA AL CONTRIBUYENTE - NOTE TO TAXPAYER

Indique si hizo pagos por la preparación de su planilla: Sí No. Si contestó "Sí", esta la firma y el número de registro del Especialista.
Indicate if you made payments for the preparation of your return: Yes No. If you answered "Yes", require the Specialist's signature and registration number.

Período de Conservación: Diez (10) años - Retention Period: Ten (10) years

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OC-DE-133 – Annual Certification on Loss Notification of Irregularities in the Management of Funds or Public Goods

OC-DA-133



jul. 15 (Rev.)
OC-16-04

Estado Libre Asociado de Puerto Rico
OFICINA DEL CONTRALOR
San Juan, Puerto Rico

CERTIFICACIÓN ANUAL DE NOTIFICACIÓN DE PÉRDIDAS O IRREGULARIDADES EN EL MANEJO DE FONDOS O BIENES PÚBLICOS

Yo, _____, Funcionario Principal de _____
(nombre) (número de entidad)

(nombre de entidad)

Certifico a la Oficina del Contralor que:

- Durante el año fiscal 2014-15, se notificaron todas aquellas pérdidas o irregularidades relacionadas con el manejo de los fondos o de los bienes públicos, de las cuales tuvimos conocimiento, en cumplimiento de la *Ley Núm. 96 del 26 de junio de 1964*, según enmendada, y del *Reglamento 41*.
- No tuvimos pérdidas o irregularidades relacionadas con el manejo de los fondos o de los bienes públicos durante el año fiscal 2014-15.

En _____, Puerto Rico, _____ de _____ de _____.

Declarante

Afidevit Núm. _____


Jurado y suscrito ante mí por _____, mayor de edad, en calidad de _____ y vecino/a de _____, a quien doy fe de conocer personalmente o haber identificado mediante _____.

En _____, Puerto Rico, hoy _____ de _____ de _____.

Notario Público

Nota: Esta *Certificación* vence el 31 de agosto de 2015 y debe ser enviada a través de la aplicación de *Certificaciones Anuales de la Oficina del Contralor*. La misma está disponible en nuestra página en Internet: www.ocpr.gov.pr, bajo la sección *Contraloría Digital*. En la *Carta Circular OC-14-11, Certificaciones Anuales de la Oficina del Contralor* se encuentran las instrucciones a seguir para la utilización de la aplicación. La entidad deberá retener el original de esta *Certificación* para mostrarlo cuando sea solicitado por nuestros auditores.

OC-DA-133

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Puerto Rico Department of Economic Development and Commerce		
Title: Budget		Version: 3
Department / Area: DEDC's Finance Department, Budget Division		
Reviewed by Ángel Agosto		Date: June 1, 2022
Reviewed by Julio Torres		Date: June 1, 2022

I. Purpose:

The purpose of this Standard Operating Procedure is to provide guidance to the Finance Department employees regarding the budget preparation process.

II. Scope:

This procedure must be adhered by the Department of Economic Development and Commerce's Finance Department to manage the agencies and its subsidiaries budget process. The agencies and subsidiaries that compose the Department of Economic Development and Commerce are the Puerto Rico Trade and Export Company, the Office of Industrial Tax Exemptions, the State Office of Energy Policy, the Commonwealth of Puerto Rico Regional Center Corporation, the Permits Management Office, the Planning Board, the Puerto Rico Industrial Development Company, Film Industry Development Program, Youth Development Program, Workforce Development Program and the Local Redevelopment Authority for Roosevelt Roads.

III. Responsibility:

The units and staff that participate in the execution of this procedure are:

- a. DEDC's Finance Department, Budget Division
 - 1. Budget Division Director
 - Enter expenses into the PROMB's Platform EPBSC (Planning).
 - Meet with the directors of the DEDC's Offices/Departments to discuss their submitted Strategic Plan.
 - Meet with Secretary and Sub-Secretary to review the preliminary budget.
 - Submit the Preliminary Budget to the Office of Management and Budget
 - Registers the certified Budget into the accounting system (FAS)
 - Provide Budget Certification for Purchases, Contract and Special Payments.
 - Request necessary PROMB authorization (PP) for changes on State Budget.
 - Register changes in Budgets into the accounting system (FAS)
 - 2. Budget Specialist
 - Enter expenses into the PROMB's Platform EPBSC (Planning).

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Title: Budget Preparation	Version: 3

- Submit the Preliminary Budget to the Office of Management and Budget
- Assess Budget Certification Form
- Obligate the released fund, linking the obligation to the DEDC's Purchase Order.
- Registers the budget on the accounting system (FAS).
- Perform budget changes in the accounting system.

3. Administrative Assistant

- Receives the correspondence directed to the Budget Division Director.
- Registers Forms received in the system to assign control number

4. CFO

- Meet with Budget Division Director to review the preliminary budget.

b. DEDC

1. Secretary

- Meet with Budget Division Director to review the preliminary budget.

2. Sub-Secretary

- Meet with Budget Division Director to review the preliminary budget.

c. FOMB

1. Point of Contact

- Approves the Fiscal Plan – Certified Budget

d. PROMB

1. Point of Contact

- Establish dates of compliant submission

IV. Abbreviations:

Abbreviations	Term
DEDC	Department of Economic Development and Commerce
FAS	Financial Accounting System
MIP	Micro-Information
PROMB	Puerto Rico Office of Management and Budget
FOMB	Federal Oversight and Management Board

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Abbreviations	Term
GSA	General Service Administration (“Administración de Servicios Generales” in Spanish)
PP	“Procesamiento de Planteamiento”
PO	Purchase Order
PCo	“Procesamiento de Contrato”
AAFAF	Puerto Rico Financial Advisory Authority and Fiscal Agency (in English)
PEP	“Plataforma Electronica de procesamiento”
CAPex	Capital Expenditures

V. Reference Documents:

The following laws and regulations, and any other applicable laws, regulations, directives, policies, procedures, or guidance’s that may be issued after the effective date of this SOP should be observed for the execution of this procedure:

1. General Memorandum – “Guía – Proceso Presupuestario para el Año Fiscal”¹
2. Special Memo Number 011-2021 – “Procedimiento para radicar los nombramientos de personal a través del Sistema de Procesamiento de Planteamientos ("PP") en cumplimiento con la Ley 120-2018, según enmendada, y el Memorando Especial Núm. 13-2021 de la Oficina de Administración y Transformación de los Recursos Humanos del Gobierno de Puerto Rico”

VI. Forms:

The forms used by all personnel involved in this procedure are:

1. Data Request Template (Budgetary Reprograming Request [PP])
2. PRE-011 – Budget Certification Form

VII. Systems / Applications:

1. Microsoft Excel
2. Microsoft Word
3. Microsoft Power Point
4. FAS

¹ PROMB issues every year a General Memorandum which includes the requirements to be followed by each agency in the process of development and submission of the agency’s Budget.

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Title: Budget Preparation	Version: 3

5. Outlook
6. Planning
7. PEP
8. OGP360
9. ERP Portal (Sterling)

VIII. Frequency:

This budget development process must be performed yearly, and the budget certification process as required.

IX. Procedure:

9.1. Budget Preparation and Approval (State)

The Puerto Rico Office of Management and Budget establishes the submission dates of each budget preparation phase.

9.1.1. Phase I - End of Fiscal Year Expense Report

1. The Budget Division Manager will access the PROMB platform Planning.
2. The Budget Division Manager or the Budget Specialist will manually enter the expenses in the platform linking the expenses to the approved budget for the closing fiscal year.

9.1.2. Phase II – Development and Submission of Preliminary Budget

1. The director of every office/department will submit a Strategic Plan for its area. This Strategic Plan will include:
 - a. Initiatives
 - b. Priorities
 - c. Population to be served
 - d. Worksheet
 - e. Funding
 - f. Staffing Needs or Personnel Reclassification
 - i. A discussion between the Budget Division Director, Human Resources, and CFO will take place, in which

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they will determine the viability of the job creation or employee reclassification.

2. A kickoff meeting takes place between the Budget Division Director, the CFO and, the Office/Departments Director for discussion of the Strategic Plan.
3. Once all meetings have been performed, the Budget Division Director and the CFO will meet with the DEDC’s Secretary and Sub-Secretary to review the Preliminary Budget.
 - a. Any modification proposed by the Secretary or Sub-Secretary will be performed to the Preliminary Budget.
4. The Secretary and Sub-Secretary will approve the Preliminary Budget.
5. The Budget Division Director or the Budget Specialist submits the Preliminary Budget to the PROMB through their platform.

9.1.3. Phase III – Budget Revision and Approval

1. Once the DEDC’s Budget Division Director submits the Preliminary Budget, a series of meeting between the DEDC and the following stakeholders will take place:
 - a. PROMB
 - b. Puerto Rico House of Representatives
 - c. Puerto Rico Senate
 - d. Federal Oversight and Management Board (FOMB)
2. The FOMB approves the Budget on June 30.
3. The FOMB sends the Fiscal Plan – Certified Budget.

9.1.4. Registry of Approved Budget

1. Once the Budget is approved, the Budget Division Director or the Budget Specialist manually registers the budget on the accounting system (FAS).

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9.2. Budget Certification

9.2.1. Budget Certification for Purchases² and Contracts³

1. The Purchase Division Liaison sends the PRE-011 – Budget Certification Form to the Administrative Assistant in the Finance Department.
2. The Administrative Assistant receives and delivers the PRE-011 – Budget Certification Form to the Budget Division Director.
3. The Administrative Assistant registers the Budget Certification Form and assigns a control number.
4. The Administrative Assistant refers the form to the Budget Specialist.
5. The Budget Specialist will review the Budget Certification Forms and performs a temporary obligation of funds in the system, to ensure fund availability once the PO amount is approved by the GSA and sends the Budget Certification Form to the Purchase Division Liaison.
6. The Budget Specialist refers the Fund Certification request to the Budget Director.
7. The Budget Division Director reviews the job performed by the Budget Specialist, review of the budget account(s) and signs the Budget Certification Forms.
8. The Budget Division Director refers temporary obligation documentation to the Purchase Liaison.
9. The GSA staff generates a PO and submits it to the Purchasing Division Liaison.
10. The Purchasing Division Liaison sends the purchase requisition to the Budget Specialist through FAS for the official obligation of funds
11. The Budget Division Director will release fund obligation.

² See “DEDC_SOP_Procurement”

³ See “DEDC_SOP_Professional Service”

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- a. If the GSA purchase order amount is more than the budgeted amount (certified by the DEDC’s budget division), a new PRE – 011 – Budget Certification Form is sent to the Administrative Assistant to register the form, referred to the Budget Specialist to make the fund obligation. The Budget Specialist will refer the form to the Budget Division Director for review and approval.
 - b. The Budget Division Director or the Budget Specialist will adjust the temporary obligation by searching the Budget Certification Control Number in the accounting system.
12. The Budget Division Director or the Budget Specialist obligate the released fund, linking the obligation to the DEDC’s Purchase Order.
 13. The GSA PO is duplicated on the DEDC system to generate a DEDC Purchase Order.
 - a. If worked through MIP, the temporary obligation is canceled when the PO is received in the Finance Department for Payment. Then, the funds are obligated with the PO number assigned.

9.2.2. Budget Certification for Special Payment

1. The Requesting Department sends the CTB-011 Request for Special Disbursement/Purchase Orders through FAS and an exact copy for MIP to the Administrative Assistant in the Finance Department and a breakdown of the expenses.
2. The Administrative Assistant receives a Disbursement Request Form generated by FAS and a replica of the form in MIP.
3. The Administrative Assistant registers the Special Payment Disbursement Request and refers to the Budget Specialist/Analyst.
4. Once the Budget Specialist has assigned the budget account to the disbursement request, it is reviewed by the Budget Division Director and referred to the Comptroller's Administrative Assistant.
5. The Comptroller’s Administrative Assistant will register the Disbursement Request and refer it to the Accounts Payable personnel.

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- a. For Request for Disbursement of Purchase of Flight Tickets, a cost estimate is included. The procurement process take place.
- b. Per diems are paid in advance. The employee must provide supporting documents (invoices, receipts, etc.). If the advance disbursed to the employee was not used completely, the funds obligation is adjusted in FAS. If the expenses exceed the advance provided, the excess is obligated, and the funds reimbursed to the employee.

9.3.Budget Adjustments (State)

9.2.1. Change does not affect the Fiscal Plan – Certified Budget

1. If the change to be perform is a change within the same concept, that does not affect the Certified Budget, the Budget Division Director or Budget Specialist will perform the change in the accounting system.

9.2.2. Change does affect the Fiscal Plan – Certified Budget

1. If the change to be performed is a change between different concept, that affects the Certified Budget, the Budget Division Director must request authorization to FOMB through PEP.
 - a. Authorization from the PROMB are made for, but are not limited to:
 - i. increase in the approved budget for Special Revenue Funds (Own Income and Special State Funds),
 - ii. transfer between agencies,
 - iii. recognize cash in hand to increase the approved budget,
 - iv. extensions of validity of private funds such as CAPex,
 - v. budget redistributions,
 - vi. release funds from previous years that are classified as surplus,
 - vii. creation of a new object of expenditure and other budget requests that do not have a specific definition.

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2. The Budget Division Director will submit a request of authorization for a Budget Change through the PROMB Platform (PP).
 - a. The request for authorization for Budget Change (PP) must include:
 - i. Data Request Template
 - ii. Justification Memo
 - iii. Applicable Laws
 - iv. Supporting Documentation
3. Once the FOMB approves the Budget Change, the Budget Division Director will perform the budget adjustment in the accounting system (FAS)

9.4. Budget Adjustments (Federal)

1. The Budget Adjustments process varies depending on the Grants restriction.
 - a. If the Grant has a percentage restriction, the Budget Division Director or Budget Specialist can make budget changes in the accounting system within the percentage restriction stated in the grant agreement. For any budget changes above the percentage restriction, the program director/grant manager must request authorization to the Grantor (Federal Government).
 - b. If the grant has no restriction for budget change, the Budget Division Director or the Budget Specialist can make any budget changes in the accounting system (FAS), as requested.
 - c. If the Grant has a restriction of budget change for any amount, the program director/grant manager must request authorization to the Grantor (Federal Government). Once approved, the Budget Division Director or the Budget Specialist will make the budget change in the accounting system.

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9.5.State Cost Share Requirements

1. The Program Manager or Director in charge of the Grant Management Activities will review the Notice of Award (NOA) to determine possible State Matching Funds requirements.
2. The Program Manager/Director will develop the budget to be presented to the Federal Agencies⁴.
3. If the State Matching Amount has not been budgeted, the Budget Director will request the funds through the PROMB Platform (PP).
4. Once determined the amount of State Cost Share applicable to the grant, the Budget Director will register any journal entry, if necessary.

⁴ See DEDC_SOP_Grant Management and DEDC_SOP_Grant Management (FEMA)

<p style="text-align: center;"><small>DEPARTAMENTO DE DESARROLLO ECONÓMICO Y COMERCIO</small> DDEC</p>  <p style="text-align: center;">Puerto Rico Department of Economic Development and Commerce</p>	<p style="text-align: right;">page 11 of 12</p>
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Attachment

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Budgetary Reprograming Request (PP)


Version:

English **All requests must be submitted for only one type of fund**

Spanish **Please fill all required cells (in blue) of the document.**

Additional information may be required to complete any request

Please complete the Reconciliation Tab if the Budgetary Reprograming Request (BRR) is for resources to cover expenses related to prior years debts, materials, englobadas, ect



The Financial Oversight
and Management Board
for Puerto Rico

Budgetary Reprograming Request (PP)

Fiscal Year - 2022

Sign-off			
Document Owners	Name	Email and contact number	Date submitted (mm/dd/yyyy)
Agency Representative			
Agency Director			
OMB Representative			

CONFIDENTIAL DRAFT
PREPARED FOR GOVERNMENTAL POLICY DELIBERATION
SUBJECT TO MATERIAL CHANGE

Fiscal Year: 2022

Agency number:

PP#:

Fund type:

BRR Related to Time & Attendance

Request type: choose with an "x" all requests that apply

Reapportionment	<input type="checkbox"/>
Interagency transfer	<input type="checkbox"/>
Fund extension	<input type="checkbox"/>
Prior Year Fund release	<input type="checkbox"/>
Fund recognition	<input type="checkbox"/>
New object allocation	<input type="checkbox"/>
Budget increase	<input type="checkbox"/>
Other budget request	<input type="checkbox"/>

[Click here for types of request descriptions](#)

Does the Budgetary Reprograming Request include documents attached?

Before submitting the budgetary request, please complete the followings tabs:



PUERTO RICO'S DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE

Title: Grant Management Activities during and after the Performance Period of the Federal Award		Version: 1
Department / Area: DEDC's Federal Programs		
Reviewed by: Julio Torres		Date:

1. Purpose

Establish the standard operating procedures regarding assistance agreements (here in after referred to as grants or cooperative agreements) to cover pre-award and post-award management activities occurring during and after the performance period of the award for approved grants from the Grantor.

2. Legal Authority

To the execution of this procedure, it should observe the following laws and regulations and any other applicable laws, regulations, directives, policies, procedures, or guidance issued after the effective date of this SOP:

- Applicable Code of Federal Regulations (CFR):
 - 2 CFR Part 200 (Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards)
 - 2 CFR Chapter I Parts 2-199, Chapter II Parts 200 and 225, Chapter XI Part 1103, Chapter XII Part 1201, and Chapter 15 Part 1500 - Policy issued by the federal Office of Management and Budget titled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”
 - 2 CFR Part 1500 (Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards)

3. Applicability

This procedure needs to be adhered by all the units that participate in the management of the Cooperative Agreements. It covers from the arrival of new or initial agreement, additions, and amendments to existing agreements, continuation of Federal Program agreements, application to spend remaining balances over a longer period to fulfill or complete the activities or deliverables of the work plan (i.e., no-cost time extensions) and the closeout process. All of the programs managed at the Department of Economic Development and Commerce (DEDC) are projects within the agency, it's offices and programs that are based on reimbursement and/or advance.



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4. Organizational Roles and Responsibilities

The units that participate in the management of this procedure are:

- DEDC Programs – Identify opportunities to develop projects or programs through grant funds using the website www.grants.gov, prepare the proposal and its work plan. Implements the approved work plans and meet the terms and conditions. Prepare certifications and progress report that are part of the conditions in the cooperative agreement. As the authorized representative of the Secretary, signs the Request for Reimbursements (SF 270), the Federal Financial Reports (SF-425) and any other financial and administrative forms and reports.
- DEDC CFO's Office – Reviews the grant application package, ensures it's complete and recommend its endorsement and submission by DEDC. Develop with the assistance of the DEDC Programs Directors forms SF-424 – Application for Federal Assistance, and SF-424-A - Budget Information - Non-Construction Programs. Responsible for the indirect cost rate negotiation process. Receive Cooperative Agreement and distribute to different Programs, discuss and review the financial information, terms, and conditions of the award , and recommends the acceptance and submits the financial information to the grantor. In the closeout process, retain records. Monitor reporting due dates to assure timeliness submission.
- Budget Division – Receives the approved Cooperative Grant along with forms SF-424, and SF-424-A, register the budget in FAS – Financial Accounting System by object class categories, segregating them between state and federal share. Review and endorse calculations of financial information. Create the corresponding account(s) and confirm matching funds.
- Secretary's Office – Review and approve the application and related documents.
- Finance Division – Gather and analyze data for the grant, reconcile transactions recorded in FAS. Prepare adjustments related to payroll expenses incurred under the federal programs, in order to document and reflect the level of effort under the program. Prepares the Request for Reimbursements (SF 270) and the Federal Financial Reports (SF-425). Prepare different financial reports to support the drawdown of funds. In the closeout process retain records.
- Human Resources Office – Review all subjects regarding human resources administration including recruitment, compensation, and enhancement of the capital asset.

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5. Definitions and Abbreviations

5.1. Definitions

Term	Definition
Amendment	A written modification of an assistance agreement signed by the Grantor and the authorized representative of the DEDC.
Federal Award	Federal award has the meaning, depending on the context, in either paragraph (a) or (b) of this section: (a)(1) The Federal financial assistance that a non-Federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity, as described in §200.101 Applicability; or (2) The cost-reimbursement contract under the Federal Acquisition Regulations that a non-Federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity, as described in §200.101 Applicability. (b) The instrument setting forth the terms and conditions. The instrument is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph (b) of §200.40 Federal financial assistance, or the cost-reimbursement contract awarded under the Federal Acquisition Regulations.
Budget Period	The length of time the Federal awarding agency specifies in an assistance agreement during which the recipient may expend or obligate Federal funds.
Closeout	The process by which DEDC determines that all applicable administrative actions and all required work of the award have been completed by DEDC and the federal awarding agency. The closeout process involves the submission of acceptable required final reports; financial settlement; the resolution of any outstanding issues under an assistance agreement, and the notification of the Federal awarding agency. <i>Closeout</i> means the process by which the Federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the Federal award have been completed and takes actions as described in §200.343 Closeout.



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Term	Definition
Cooperative Agreement	<p>Means a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that, consistent with 31 U.S.C. 6302-6305:</p> <p>(a) Is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the Federal Government or pass-through entity's direct benefit or use.</p> <p>(b) Is distinguished from a grant in that it provides for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award.</p>
Federal Register	A federal government publication that includes proposed regulations, responses to public comments received regarding proposed regulations, and final regulations.
Federal Financial Report	A standard, government wide report recipients must submit to the Federal funding agency that identifies the status of funds for a specific grant or cooperative agreement.
Project Period	<p>The period established in the award document during which Federal sponsorship begins and ends.</p> <p>The length of time the federal awarding agency specifies in the assistance agreement for completion of all project work. It may be composed of more than one budget period.</p>
Retention Period	<p>The timeline for determining the retention period is detailed in the Record Management Administrative Order and the Standard Operating Procedure. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due. However, some programs have somewhat different records retention rules in some cases require to maintain records for 10 years after submittal of the final financial report.</p>



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5.2. Abbreviations

Abbreviation	Term
CA	Cooperative Agreement
FFR	Federal Financial Report
OMB	Puerto Rico Office of Management and Budget
DEDC	Department of Economic Development and Commerce

6. Procedure Description

The Department of Economic Development and Commerce (DEDC) is the responsible entity of fund management procedures.

For the proper management of the process related to Cooperative Agreements, the following procedures should be performed:

6.1. Pre-Award Process:

6.1.1. Grant Proposal Presentation:

1. The grant application process begins when the grantor issues a public notice or notification indicating the availability of grant funds for projects and programs for the upcoming fiscal year. If the announcement includes an opportunity of grant, that an DEDC Programs have identified that endorses the mission and goals of the agency, a grant application package is requested to develop a proposal.
2. Once the applicant (Program) receives the application package, its Director will send a copy to the DEDC CFO, to make a preliminary joint assessment of the grant requirements.
 - a. The Program Director prepares the work plan and the proposal budget to support the established work plan to be included in the application.
 - b. The staff at the CFO revises the proposal budget with the Program Manager.
 - c. This assessment helps to determine the convenience and feasibility (in fiscal, technical, and administrative terms) to prepare a grant proposal. If the assessment concludes unfavorable to the agency, the procedure courses finishes.
3. If the preliminary assessment is favorable for the grant development, the DEDC Program prepares a proposal draft in accordance with the grantor requirements. As a part of this assessment, the Director of the Program verifies with the Budget



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Director the availability of matching funds before the proposal is prepared. While the Program Director develops the proposal text, work plan and work schedule the CFO and the Comptroller take charge of the managerial aspects of the grant.

4. During the proposal preparation the DEDC Program coordinates the corresponding review by the Human Resources Office and the Budget Director. These reviews are used to verify compliance with all the norms, guidelines, and regulations regarding this area, and to correct or improve the administrative content of the proposal and its grant application. Also, the application is reviewed to verify all aspects related to Human Resources such as quantity of positions requested, salaries to be paid, classification of positions, etc. Additionally, all aspects related to budget are also reviewed such as calculations and the availability of matching funds by the Budget Director. This is a parallel process between the two offices and once this process is complete, the application is delivered to the Program.
5. With a complete draft of the proposal and grant application, the Program Director, the Comptroller, and the CFO perform a final review and prepare the final document, approves, and refers the complete documentation to the Secretary of the DEDC.
6. The Secretary of the Department or authorized representatives reviews the proposal and grant application. Once the Secretary provides the approval, the documents are sent to the Program Offices to complete the grant registration and submission.

6.1.2. Grant Registration and Submission

1. After receiving the approved package from the Secretary, the Program Director submits the grant application package to the grantor using grants.gov.
 - a. The Reporting Package will include the following documentation:
 - i. Work Plan.
 - ii. SF 424 Form, Application for Federal Assistance.
 - iii. SF 424 A Form, Budget Information Non-Construction Programs.
 - iv. Budget Back-up information.
 - v. Assurances: SF-LLL-A (Disclosure Lobbying Activities),
 - vi. SF-424 B (Assurances Non-Construction Programs); and
 - vii. Key Contact Form
 - viii. Detail Financial Plan.
 - ix. Lobbying Certification.
 - x. Disclosure of Lobbying Activities.

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2. The grant application with the related documentation is submitted through the www.grants.gov website. It will be also sent by email or mail if requested by the grantor.

6.1.3. Process to register in Grants.gov

This process only needs to be performed once.

1. DEDC needs to register and ensure they have a valid DUNS on <http://fedgov.dnb.com/webform>. Response from DUNS will take three to five working days.
2. Once received the DUNS number access SAM.gov and register. Response from SAM.gov will take three to four working days.
3. The **CFO will create a user account in Grants.gov.**
 - a. To create a user profile access, *Get Registered* at grants.gov webpage.
 - b. Select the section *Organization Applicant*
4. The E-Business contact person at DEDC needs to respond to the email giving access to the new user at grants.gov.

6.2. Award Process:

6.2.1. Grant Application Evaluation and Award

1. The grantor receives the application and initiates its assessment to verify compliance with the grant requirements and, subject to its discretion, negotiate with the DEDC the terms and condition for the grant approval.
 - a. If any changes occurred during the negotiation process or are requested by the grantor, the application will be sent back to DEDC Program offices, for amendments.
 - b. In this case, the Program Director will restart the process of the grant application with all the required tasks and revisions.
2. If there are no changes in the application, the grantor completes its evaluation to determine the approval of the application as submitted, approve it with modifications or reject the proposal.
 - a. If the grantor approves the grant application, the Post Award Process begins.

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- b. If the grantor does not approve the application, the process ends, unless an appeal or reconsideration request is allowed by the grantor and asked by DEDC.

6.2.2. Receipt and Review of Cooperative Agreement

1. The grantor prepares and submits to the Secretary DEDC the contract, grant or Cooperative Agreement (CA) by email or other means used by the grantor agency. This agreement should include all the terms and conditions that each partaker has to follow for the proper administration.
2. The Secretary Office refers the award documents to the CFO and the corresponding Program Director, to review the documents in terms of:
 - a. Amount Awarded,
 - b. State Share Requirements,
 - c. Project and Budget Period,
 - d. Budget Information,
 - e. Work Plan and work schedule, and
 - f. Terms and conditions,
3. The Program Director and the CFO will have no more than two weeks to complete the review.
4. After the final review, if there are any comments about the award terms and conditions, the Program Director will submit them to the CFO.
5. The CFO will prepare a notice of agreement with the award and conditions for the DEDC Secretary's signature to be sent to the Grantor.
6. The CFO will distribute the original and copies in the following manner:
 - a. One original for his files.
 - b. The Program's Director.
 - c. The Finance Department.
 - d. Budget Office.

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6.2.3. Acknowledgement and Registration of the Awards on FAS

1. When the award is received by DEDC, the Budget Director prepares and acceptance letter for the Secretary's approval. This document needs to at least disclose the award amount, grantor information, purpose, and justification for the funding.
2. Once approved, the Budget Director proceeds to register the amount received in FAS making the corresponding allocation entries.

6.2.4. Amendments or Re-budgets Process (Post-award Process)

Grant Awards are subject to changes, which may occur in the middle of the Grant life. These adjustments are recorded on the period in which they occur.

(a) *Changes requiring prior approval.* DEDC may make significant changes in work plan commitments only after obtaining the prior written approval of the federal program Grantor. The Federal Agency in consultation with the recipient, will document these revisions including budgeted amounts associated with the revisions.

(b) *Changes requiring approval.* DEDC must request, in writing, grant amendments for changes requiring increases in program grant amounts and extensions of the funding period. DEDC may begin implementing a change before the amendment has been approved by the agency but do so at their own risk. If the Grantor approves the change, they will issue a grant amendment. The Grantor will notify the recipient in writing if the change is not approved.

(c) *Changes not requiring approval.* Other than those situations described in paragraphs (a) and (b) of this section, recipients do not need to obtain approval for changes, including changes in grant work plans, budgets, or other components of grant agreements, unless the grantor determines approval requirements should be imposed on a specific recipient for a specified period of time.

1. The CFO prepares an expense projection of each Cooperative Agreement in order to know of predict the remaining balance be category at the end of the budget period.
2. After this exercise, if a budget category is expected to show surplus, the CFO has to coordinate a meeting with the applicable Program Director to evaluate their needs and the possible uses of that surplus to handle the identified needs related to the Cooperative Agreement (CA) implementation.

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3. Depending on the needs, a determined amount has to be decreased from any surplus category and increase (for the same amount) the needed category of the same CA. The resulting changes have to be conveyed by completing the Form 424A.
4. Once the Form 424A is completed, it has to be sent to the Grantor with a justification letter, which includes an explanation of all changes.
5. Once the amendment to the Cooperative Agreement notifying that grant amounts are adjusted, the Budget Director will analyze the impact of the required adjustments. This adjustment can reflect an increase or decrease in amounts.
6. The Budget Director recalculates the budget figures based on adjustment amounts and corresponding budget journals are entered in the current period.
7. A copy of the amended budget will be sent to the Program Direct, Comptroller and to the CFO.

6.2.5. Award Extensions

1. CFO prepares a Letter requesting a Non-Cost Time Extension to the grantor, which is submitted to DEDC Secretary for approval.
2. Once the letter is approved by the Secretary, the document is submitted to the authorized representative of the grantor for approval.
3. If the request for time extension is granted, the grantor will send to DEDC a letter of acceptance. If the extension is not approved, then the grant is not available for additional transactions.
4. Budget Director amends the budget period in FAS according to period extension approved by the grantor.

6.2.6. Review of the Grant Reimbursement Request

1. The accounting official assigned to the federal program verifies in FAS that the award information that the Budget Director registered is accurate.
2. The accounting official generates the Claim Supporting Reports. These reports are used as supporting documentation for the OMB Standard Form 270.



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- a. Budget & Expenditures Reports – This report can be printed by project id, activity, period, and share (Federal, State and Total).
 - b. Payroll Cost Supporting Documentation:
 - i. DEDC Payroll Summary Record.
 - ii. DEDC Grantee Benefit Calculation.
 - iii. DEDC Federal Programs Labor Allocation.
 - iv. Payroll Registered.
 - v. Timecards
 - c. Procured good and services.
 - i. Proof of payment.
 - ii. Payment Voucher.
 - iii. Invoice.
 - iv. Receiving Report.
 - v. Purchase Order/Contract.
 - vi. Quotes/RFP or Bid Documentation
3. Once the Request for Reimbursement has been completed, all corresponding documentation is submitted to the CFO for evaluation and grantor submission.
 4. Based on the DEDC's Payroll Summary Record, the accountant will make the corresponding adjustments, taking into consideration employees that will be charged to the federal and state share.
 5. The Comptroller receives all the required RFR documentation from the Finance Division and registers the Reimbursement Request Form SF-270.
 6. The Comptroller verifies and complies the RFR documentation in the following order:
 - a. Standard Form 270.
 - b. Budget & Expenditures Reports– Federal, State and Total
 - c. Personnel Summary Report.
 - d. Payroll Register.
 - e. Pay Period Time Card.
 - f. Payment Vouchers.
 - g. Indirect Cost Report
 - h. Other documents, where applicable
 7. Once the RFR documentation is complete, the Finance Department accountants proceeds to verify if claimed expenses and supporting documents comply with regulatory requirements. The following items are validated:

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- a. Activities claimed are allowable.
 - b. Individual transactions are properly classified and accumulated into the activity total.
 - c. Amounts charged are for actual costs, not for budgeted or projected amounts.
 - d. Amounts charged conform to the allowability of cost provisions of applicable costs principles or limitations in the program agreement, program regulations, or program statute.
 - e. Amounts charged have been discounted of any kind of credit, reimbursement, rebates, or refunds.
 - f. Amounts charged conform to the allocation provisions of applicable cost principles or Governmental Accounting Standards Board (GASB) Standards (i.e., determined in accordance with generally accepted accounting principles).
 - g. Fringe benefit allocations, charges, or rates, are based on the benefits received by different classes of employees within the organization.
 - h. Costs are given consistent accounting treatment within and between accounting periods.
 - i. Costs are correctly charged as to account, amount and period and are supported by appropriate documentation such as:
 - i. Approved purchase orders.
 - ii. Receiving reports.
 - iii. Vendor invoices.
 - iv. Copy of checks as issued.
 - v. Certification that items or services have been received and placed in service.
 - vi. Contract and subgrant award documents.
8. Once the RFR checklist is completed, the Finance Department staff proceeds to evaluate the period of availability. This is the length of time that the grantor specifies in an assistance agreement during which the recipient may expend or obligate Federal funds. The following items are validated during this evaluation:
- a. Transactions charged against the federal grant after the period of availability were for an obligation that occurred within the period of availability.
 - b. Transactions recorded during the period of availability were for an obligation that occurred within the period of availability.
9. Review costs to ensure that they are legitimate and in compliance with the



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following general guidelines:

- a. Allocable under the provisions of OMB Circular A-87 or applicable 2 CFR 200 section.
- b. Authorized or not prohibited under Commonwealth of Puerto Rico laws and regulations.
- c. Consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities within DEDC.
- d. Not included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal Law or regulation.

10. Costs are also verified to assure they are reasonable.

- a. The validation criteria used is based on expenses that do not exceed in its nature and amount, by taking in consideration the expenses a practical individual would incur under the same situation in which the decision was made.

11. Ensure proper cost allocation by reviewing the following information:

- a. Verify that goods or services involved are chargeable or assignable to such program in accordance with relative benefits received.
- b. Verify that any cost allocable to a particular Federal award has not been charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or Federal awards terms, or for other reasons.

12. Once the RFR review process is completed:

- a. If the CFO identifies any findings and/or observations, the CFO remits to the Finance Department Accountant using the Findings and/or Observations Table for this purpose. Once the Accountant completes the corrections, steps 3 to 11 are repeated as necessary.
- b. If the CFO identifies concludes the RFR review process without any findings and/or observations, a written confirmation is sent to the FD Accountant to notify that the RFR is complete.

13. The RFR documentation (SF 270 and Transmittal Letter) is sent to the DEDC's Secretary or its authorized representative for approval.

14. The Comptroller digitalize the approved documentation (SF 270 and Transmittal



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Letter) and distribute the final RFR to the corresponding stakeholders. (See section 6.2.6 for RFR Submission Deadlines)

6.2.6. Federal Funds Advance Draw Downs Process

1. The Comptroller receives the approved RFR along with the supporting documents and reviews it.
2. Once the amounts are validated, the Comptroller proceeds with the drawdown of the funds.
3. The Drawdown will be performed as follows:

Claim Period	Submission Date Deadline	Drawdown Deadline
FY Jul-22	30-Aug-22	Three days after DOE's approval
FY Aug-22	30-Sep-22	Three days after DOE's approval
FY Sep-22	30-Oct-22	Three days after DOE's approval
FY Oct-22	30-Nov-22	Three days after DOE's approval
FY Nov-22	30-Dec-22	Three days after DOE's approval
FY Dec-22	30-Jan-23	Three days after DOE's approval
FY Jan-23	02-Mar-23	Three days after DOE's approval
FY Feb-23	30-Mar-23	Three days after DOE's approval
FY Mar-23	30-Apr-23	Three days after DOE's approval
FY Apr-23	30-May-23	Three days after DOE's approval
FY May-23	30-Jun-23	Three days after DOE's approval
FY Jun-23	30-Jul-23	Three days after DOE's approval



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SF-424 – Application for Federal Assistance

OBS Number: 4040-0004
Expiration Date: 12/31/2022

Application for Federal Assistance SF-424																			
<table border="0"> <tr> <td colspan="2">* 1. Type of Submission:</td> <td colspan="2">* 2. Type of Application:</td> <td colspan="2">* If Revision, select appropriate letter(s):</td> </tr> <tr> <td><input type="checkbox"/> Preapplication</td> <td><input type="checkbox"/> Application</td> <td><input type="checkbox"/> New</td> <td><input type="checkbox"/> Continuation</td> <td><input type="checkbox"/> Revision</td> <td><input type="text"/></td> </tr> <tr> <td><input type="checkbox"/> Changed/Corrected Application</td> <td></td> <td></td> <td></td> <td></td> <td>* Other (Specify): <input type="text"/></td> </tr> </table>		* 1. Type of Submission:		* 2. Type of Application:		* If Revision, select appropriate letter(s):		<input type="checkbox"/> Preapplication	<input type="checkbox"/> Application	<input type="checkbox"/> New	<input type="checkbox"/> Continuation	<input type="checkbox"/> Revision	<input type="text"/>	<input type="checkbox"/> Changed/Corrected Application					* Other (Specify): <input type="text"/>
* 1. Type of Submission:		* 2. Type of Application:		* If Revision, select appropriate letter(s):															
<input type="checkbox"/> Preapplication	<input type="checkbox"/> Application	<input type="checkbox"/> New	<input type="checkbox"/> Continuation	<input type="checkbox"/> Revision	<input type="text"/>														
<input type="checkbox"/> Changed/Corrected Application					* Other (Specify): <input type="text"/>														
* 3. Date Received: <input type="text"/>		4. Applicant Identifier: <input type="text"/>																	
5a. Federal Entity Identifier: <input type="text"/>			5b. Federal Award Identifier: <input type="text"/>																
State Use Only:																			
6. Date Received by State: <input type="text"/>		7. State Application Identifier: <input type="text"/>																	
8. APPLICANT INFORMATION:																			
* a. Legal Name: <input type="text"/>																			
* b. Employer/Taxpayer Identification Number (EIN/TIN): <input type="text"/>			* c. UEI: <input type="text"/>																
d. Address:																			
* Street1:	<input type="text"/>																		
Street2:	<input type="text"/>																		
* City:	<input type="text"/>																		
County/Parish:	<input type="text"/>																		
* State:	<input type="text"/>																		
Province:	<input type="text"/>																		
* Country:	USA: UNITED STATES																		
* Zip / Postal Code:	<input type="text"/>																		
e. Organizational Unit:																			
Department Name: <input type="text"/>			Division Name: <input type="text"/>																
f. Name and contact information of person to be contacted on matters involving this application:																			
Prefix: <input type="text"/>	* First Name: <input type="text"/>																		
Middle Name: <input type="text"/>																			
* Last Name: <input type="text"/>																			
Suffix: <input type="text"/>																			
Title: <input type="text"/>																			
Organizational Affiliation: <input type="text"/>																			
* Telephone Number: <input type="text"/>	Fix Number: <input type="text"/>																		
* Email: <input type="text"/>																			



STANDARD OPERATING PROCEDURE

Title: Grant Management Activities during and after the Performance Period of the Federal Award

Version: 1

SF-424-A - Budget Information - Non-Construction Programs

BUDGET INFORMATION - Non-Construction Programs

OMB Number: 4945-0005
Expiration Date: 02/28/2022

SECTION A - BUDGET SUMMARY

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.		\$	\$	\$	\$	\$
2.						
3.						
4.						
5. Totals		\$	\$	\$	\$	\$



STANDARD OPERATING PROCEDURE

Title: Grant Management Activities during and after the Performance Period of the Federal Award

Version: 1

SF-424-A - Budget Information - Non-Construction Programs (Page 2)

SECTION B - BUDGET CATEGORIES

6, Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				Total (5)
	(1)	(2)	(3)	(4)	
a. Personnel	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>
b. Fringe Benefits	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
c. Travel	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
d. Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
e. Supplies	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
f. Contractual	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
g. Construction	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
h. Other	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
i. Total Direct Charges (sum of 6a-6h)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>
j. Indirect Charges	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>
k. TOTALS (sum of 6i and 6j)	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>
7, Program Income	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>

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Standard Form 424A (Rev. 7-87)
Prescribed by OMB (Circular A-102) Page 1A



STANDARD OPERATING PROCEDURE

Title: Grant Management Activities during and after the Performance Period of the Federal Award

Version: 1

SF-424-A - Budget Information - Non-Construction Programs (Page 3)

SECTION C - NON-FEDERAL RESOURCES					
(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS	
8.	\$	\$	\$	\$	
9.					
10.					
11.					
12. TOTAL (sum of lines 8-11)	\$	\$	\$	\$	
SECTION D - FORECASTED CASH NEEDS					
	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
13. Federal	\$	\$	\$	\$	\$
14. Non-Federal	\$				
15. TOTAL (sum of lines 13 and 14)	\$	\$	\$	\$	\$
SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT					
(a) Grant Program	FUTURE FUNDING PERIODS (YEARS)				
	(b) First	(c) Second	(d) Third	(e) Fourth	
16.	\$	\$	\$	\$	
17.					
18.					
19.					
20. TOTAL (sum of lines 16 - 19)	\$	\$	\$	\$	
SECTION F - OTHER BUDGET INFORMATION					
21. Direct Charges:			22. Indirect Charges:		
23. Remarks:					

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Standard Form 424A (Rev. 7-97)
Prescribed by OMB (Circular A-102) Page 2



STANDARD OPERATING PROCEDURE

Title: Grant Management Activities during and after the Performance Period of the Federal Award

Version: 1

Reimbursement Request Form SF 270

REQUEST FOR ADVANCE OR REIMBURSEMENT (See instructions on back)		OMB APPROVAL NO. 0348-004		PAGE _____	OF _____	PAGES
		1. TYPE OF PAYMENT REQUESTED a. "X" one or both boxes <input type="checkbox"/> ADVANCE <input type="checkbox"/> REIMBURSEMENT b. "X" the applicable box <input type="checkbox"/> FINAL <input type="checkbox"/> PARTIAL		2. BASIS OF REQUEST <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL		
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED:		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST.		
6. EMPLOYER IDENTIFICATION NUMBER:	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER:	8. PERIOD COVERED BY THIS REQUEST				
		From (month, day, year)		TO (month, day, year)		
9. RECIPIENT ORGANIZATION Name: Number and Street: City, State and ZIP Code:		10. PAYEE (Where check is to be sent if different than item 9) Name: Number and Street: City, State and ZIP Code:				
11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED						
PROGRAMS/FUNCTIONS/ACTIVITIES	(a)	(b)	(c)	TOTAL		
a. Total program _____ (As of date) Outlays to date	\$	\$	\$	\$		
b. Less: Cumulative program income						
c. Net program outlays (Line a minus line b)						
d. Estimated net cash outlays for advance period						
e. Total (Sum of lines c & d)						
f. Non-Federal share of amount on line e						
g. Federal share of amount on line e						
h. Federal payments previously requested						
i. Federal share now requested (Line g minus line h)						
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1 st month					
	2 nd month					
	3 rd month					
12. ALTERNATE COMPUTATION FOR ADVANCES ONLY						
a. Estimated Federal cash outlays that will be made during period covered by the advance				\$		
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period						
c. Amount requested (Line a minus line b)				\$		

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(Continued on Reverse)

STANDARD FORM 270 (Rev. 4-2012)
Prescribed by OMB Circulars A-102 and A-110

**DEPARTAMENTO DE DESARROLLO ECONÓMICO Y COMERCIO
Y SUS ORGANISMOS ADSCRITOS
SAN JUAN, PUERTO RICO**

**GUÍA FINANCIERA DEL PROGRAMA WIOA, LEY DE OPORTUNIDADES
Y DE LA INNOVACIÓN DE LA FUERZA TRABAJADORA
(WORKFORCE INNOVATION AND OPPORTUNITY ACT)**

Oficina de Recursos Humanos y Relaciones Laborales
JUNIO 2022

**DEPARTAMENTO DE DESARROLLO ECONÓMICO Y COMERCIO
Y SUS ORGANISMOS ADSCRITOS
SAN JUAN, PUERTO RICO**

GUÍA FINANCIERA DEL PROGRAMA WIOA, LEY DE OPORTUNIDADES Y DE LA INNOVACIÓN DE LA FUERZA TRABAJADORA (WORKFORCE INNOVATION AND OPPORTUNITY ACT)

I. INTRODUCCIÓN

El Departamento de Desarrollo Económico y Comercio (en adelante "DDEC", "Agencia"), agencia designada por el Gobernador de Puerto Rico como administradora de los fondos del Título I de la Ley de Oportunidades y de la Innovación de la Fuerza Laboral (WIOA, por sus siglas en inglés), tiene la responsabilidad legal de establecer un sistema de información fiscal para facilitar la recopilación uniforme de los datos financieros necesarios que propicien una evaluación adecuada de los programas que operan bajo esta ley.

El Área de Finanzas del DDEC es responsable de establecer los controles fiscales que aseguren la utilización de los fondos en conformidad con todos los requisitos federales y estatales. Además, es responsable de fomentar actividades programáticas más eficientes y efectivas bajo los principios de una sana administración. Es requerido por parte de la Agencia el que las Áreas Locales de Desarrollo Laboral (en adelante "ALDL") utilicen el Sistema de Contabilidad de Micro Information Products (MIP) Fund Accounting de Abila. Mediante esta plataforma se requieren informes financieros por el DDEC para facilitar el proceso de preparación, verificación y validación de la data financiera de los Programas WIOA.

El Área de Finanzas del DDEC ha desarrollado la presente Guía Financiera (en adelante "Guía") para establecer las instrucciones a seguir por el personal del Área de Finanzas de las ALDL para la validación y estandarización de la gestión financiera relacionada con las peticiones de fondos federales bajo los programas WIOA que las ALDL realizan/solicitan al DDEC. El objetivo de esta Guía es que las ALDL cumplan con los reglamentos federales y estatales de manejo de efectivo. En adición, esta Guía Financiera incluye las instrucciones y formularios a ser utilizados para toda delegación de fondos a otro sub-recipientes.

Conforme a la reglamentación federal, todos los recipientes de fondos federales deben establecer procedimientos para minimizar el tiempo que transcurre desde el recibo de los fondos y el desembolso de estos. Son los recipientes de fondos, en este caso el DDEC, los responsables de establecer mecanismos y sistemas de transferencias de fondos a los sub-recipientes.

Tomando en consideración los requisitos y los mecanismos disponibles para establecer el sistema de transferencias de fondos, el Área de Finanzas del DDEC ha revisado los requisitos relacionados con las peticiones de fondos para mantener el cumplimiento de las obligaciones aplicables y atender las necesidades del sistema WIOA en Puerto Rico.

Entre las medidas a implementarse a través de esta Guía se incluyen:

- A. Las ALDL enviarán las peticiones de fondos, al correo electrónico; finanzasdddec@ddec.pr.gov.
- B. Las ALDL mantendrán los documentos de apoyo correspondientes con los gastos incurridos y desembolsados.
- C. Podrán presentar dos (2) solicitudes de fondos adicionales por necesidad ¹ (extraordinaria) de servicios al mes.
- D. Se tramitarán para pago las peticiones sometidas de gastos incurridos reportados en el Econumbrance Budget Report por programa que se encuentre debidamente recibida y documentado. En adición, las ALDL enviaran la Reconciliación Bancaria y el "Aging Report"
- E. Se establecerán fechas límite para la presentación de solicitudes de fondos y presentación de informes financieros mensuales y trimestrales.
- F. Se requiere se minimice y/o se elimine los balances de efectivo en las cuentas bancarias, en cumplimiento con las disposiciones de la ley federal "Cash Management Improvement Act"² de 1990, según enmendada y los reglamentos promulgados bajo dicha ley. ³
 - 1. Con este propósito, todo pago deberá ser realizado por *Automated Clearing House* (ACH). Pagos a través de cheque deben estar debidamente documentados e incluir una carta explicativa que indique la razón por la cual se trabajó esta transacción a través de un cheque.
- G. A estos fines el DDEC fiscalizará el cumplimiento de estos requisitos a través de los informes de conciliaciones bancarias y el requerimiento de presentación de estados bancarios por parte de las ALDL.

II. PROPÓSITO

Proveer a las ALDL participantes de los fondos WIOA una referencia uniforme sobre las fechas de entrega de las peticiones de fondos, comprobantes de pago, informes y otros documentos fiscales al Área de Finanzas del DDEC.

III. TRÁMITE

- A. Cada ALDL enviará desde su correo electrónico oficial, todos los documentos correspondientes a la solicitud de fondos e informes mensuales o trimestrales al correo electrónico del Área de Finanzas del DDEC en o antes de las 4:30 PM de la fecha límite. En la medida que el volumen de la documentación a ser provista no permita el envío por

¹ Definición de Necesidad: Pagos de Emergencias justificados.

² Public Law 101-453.

³ 31 CFR 205 – Rules and procedures for efficient federal-state funds transfers.

correo electrónico, el Área de Finanzas del DDEC requerirá se sometan los documentos que comprueban la acumulación de los gastos incurridos. Será responsabilidad de cada ALDL guardar los originales y documentos relacionados en un expediente disponible para futuras monitorias por parte del DDEC, así como de la Oficina del Contralor de Puerto Rico, Departamento de Trabajo federal o algún otro entre fiscalizador.

- B. Las Entidades Públicas o Privadas que fungen como sub-recipientes de estos fondos, enviarán los documentos correspondientes originales al Área de Finanzas del DDEC, siguiendo el curso ordinario de cuentas por pagar.

IV. PETICIONES DE FONDOS ORDINARIAS

A. Cada ALDL será responsable de:

1. Mantener en custodia los siguientes documentos de las peticiones de fondos de los días 5 y 20 de cada mes, para propósito de auditorías o intervenciones de futuras de entidades fiscalizadora:
 - a. Petición de Fondos
 - b. Documentación de Apoyo:
 - i. Nómina:
 - 1) Las ALDL mantendrá una lista de los empleados que prestaron servicios bajo el programa durante el periodo reclamado, certificado por el Director de la ALDL o su representante autorizado.
 - 2) Mantendrá copia de las hojas de asistencia (time cards) de los empleados que prestan servicios bajo el programa, firmadas por el empleado y su supervisor inmediato.
 - 3) Hoja de distribución de horas trabajadas, donde se detallen las tareas realizadas y para aquellos empleados que trabajan para más de un programa federal o que en adición prestan servicios bajo programas estatales.^{4 5}
 - 4) Resumen de pago de Nómina de MIP.
 - 5) Talonarios de Pagos
 - 6) Copias de cheques cancelados o evidencias de transferencias electrónicas (ACH).
 - 7) Estados bancarios.
 - 8) Reconciliación bancaria
 - ii. Compra de materiales, equipos o suministros, servicios profesionales y no-profesionales.
 - 1) Copia de requisición aprobada.
 - 2) Copia de autorización por parte del Programa de Desarrollo Laboral
 - 3) Copia de cotizaciones.

⁴ DDEC_Federal Labor Allocation Form

⁵ Level of effort Requirement 2 CFR § 200.430 – Compensation - Personal Services.

- 4) Copia de Orden de Compra aprobada o contratos otorgados.
- 5) Copia de informe de Recibo.
- 6) Copia de Factura.
- 7) En el caso de compras de equipo cuyo valor exceda de quinientos dólares (\$500.00) con un periodo de vida útil igual o mayor a dos (2) años, se requerirá capitalización del activo en los libros contables y la identificación del equipo para ser incluidos en el inventario de propiedad federal de la ALDL, en conformidad con regulación federal.⁶
- 8) Copias de cheques cancelados o evidencias de transferencias electrónicas (ACH).
- 9) Estados Bancarios
- 10) Reconciliación Bancaria.

- c. Informe producido a través del sistema MIP, titulado "Encumbrance Budget Report" detallado por programa y por año a la fecha de la radicación de la Petición.
- d. "Trial Balance" producido a través del Sistema MIP a la fecha de la radicación de la petición de fondos.
- e. De quedar algún balance pendiente en la cuenta bancaria, la ALDL proveerá una justificación de dicho balance. Si la transacción no se pudo llevar a cabo por la cancelación de compras o servicios, o cualquier otra razón exista que elimine la necesidad de los fondos solicitados, estos deberán:

- 1) ser devueltos a la cuenta bancaria del DDEC, o
- 2) el balance remante en la cuenta bancaria será descontado de la cantidad solicitada en la próxima solicitud a ser sometida por la ALDL.

2. Métodos de Compras

a. Micro-Compras

- i. Compra de equipo, materiales o servicios, cuyo monto total en dólares no exceda el límite de diez mil dólares (\$10,000.00).

b. Procedimiento de Compras Pequeñas

- i. Compras simples e informales para asegurar servicios, suministros u otra propiedad cuyo costo no exceda los doscientos cincuenta mil dólares (\$250,000.00).
- ii. Con este procedimiento, las cotizaciones de precios o tarifas deberán obtenerse de un número adecuado de fuentes calificadas (mínimo de tres [3]).

c. Compras por Subastas (Seal Bid):

- i. Las ofertas se solicitan públicamente y se adjudicará un contrato con precio fijo al licitador responsable, cuya subasta es la más baja en precio, conforme a los términos y condiciones materiales de la invitación a licitar.

⁶ Equipment; 2 CFR 200.313 – Equipment; Inventory of Federal Equipment 2 CFR § 200.439 - Equipment and other capital expenditures.

- ii. Trámites para compras de más de doscientos cincuenta mil dólares (\$250,000.00).
- d. Adquisición por Propuesta Competitiva
 - i. La solicitud de propuesta debe ser presentada y publicada por la ALDL. Esta deberá incluir, todos los factores de evaluación y su importancia relativa.
 - ii. La entidad no federal puede utilizar procedimientos de propuesta competitiva para la contratación basados en calificaciones de servicios profesionales de arquitectura/ingeniería (A/E) mediante los cuales se evalúan las calificaciones de los competidores y se selecciona al competidor más calificado, sujeto a la negociación de una compensación justa y razonable.
 - iii. El método, en el que el precio no se utiliza como factor de selección, sólo puede utilizarse en la contratación de servicios profesionales de A/E. No se puede utilizar para comprar otros tipos de servicios.
- e. Contratación por propuestas no competitivas
 - i. Contrataciones a través de la solicitud de propuestas de una sola fuente podrán ser utilizadas sólo cuando se aplican una o más de las siguientes circunstancias:
 - 1) El artículo está disponible sólo de una sola fuente.
 - 2) La exigencia pública o emergencia para el requisito no permitirá un retraso resultante de la licitación competitiva.
 - 3) La agencia federal adjudicadora o entidad de traspaso autoriza expresamente propuestas no competitivas en respuesta a una solicitud por escrito de la entidad no federal.
 - 4) Después de la solicitud de una serie de fuentes, la competencia se determina inadecuada.

V. PETICIONES DE FONDOS POR NECESIDAD (EXTRAORDINARIAS)

- A. En aquellos casos en que las ALDL necesiten realizar peticiones adicionales, tendrán hasta un máximo de dos (2) peticiones adicionales por mes. Deberán incluir los siguientes documentos:
 - 1. Petición de Fondos.
 - 2. "Encumbrance Budget Report"
 - a. Detallado con la fecha de la petición.
 - b. Totales por actividad/programa a la fecha de la petición.
 - 3. "Trial Balance" de MIP al momento de la petición.
 - 4. Balance de cuenta de banco.
 - 5. "Accounts Payable Aging Schedule"
 - 6. Carta justificativa, en la que se defina la necesidad de la transacción, suscrita por el Presidente de la Junta de Alcaldes.

VI. REPORTES DE CUMPLIMIENTO FINANCIERO

A. Las peticiones de fondos de las ALDL se presentarán en conjunto con los siguientes informes relacionados al balance de efectivo de las cuentas bancarias del programa:

1. **Informe de transacciones en Efectivo de MIP**

a. "Cash Journal Report" producido a través de la plataforma de MIP a la fecha de la petición de fondos. Este reporte será presentado junto a las peticiones de fondos ordinaria y por necesidad.

2. **Informe de Conciliación Bancaria (Correspondiente al mes anterior)**

a. "Reconcile Cash Account Report" – será incluido junto al Informe de Reconciliación Bancaria y copia del estado de cuenta emitido por la institución bancaria. Estos reportes y copia del estado bancario serán entregados en o antes del día 15 de cada mes.

b. Cualquier balance remanente en la cuenta bancaria, deberá ser justificado por el Oficial Financiero de la ALDL.

3. **Informe de Gastos Trimestrales y "Encumbrance Budget Report" detallado al Cierre del trimestre por año y por programa. Las fechas de entrega serán:**

a. Trimestre 1: julio a septiembre – Será presentado en o antes del día 15 de octubre.

b. Trimestre 2: octubre a diciembre – Será presentado en o antes del día 15 de enero.

c. Trimestre 3: enero a marzo – Será presentado en o antes del día 15 de abril.

d. Trimestre 4: abril a junio – Será presentado en o antes del día 15 de julio.

4. **Entidades Públicas o Privadas que fungen como Sub – Recipientes**

a. En o antes del día 15 de cada mes, las Entidades Públicas o Privadas, deberán incluir los siguientes documentos:

i. Petición de Fondos.

ii. Documentos de soporte.

VII. NOTA:

A. El Área de Finanzas del DDEC no procesará peticiones de fondos que no cumplan con los documentos requeridos o facturas no procesadas para pago luego del cierre de subvención (*grant*). Además, se considerará como pendiente de radicación y el informe y los anejos no incluidos. La entrega luego de la fecha y hora límite establecida constituirá incumplimiento con la reglamentación vigente.

B. Todo documento debe ser completado mediante el sistema electrónico y deberá estar debidamente firmado por el personal autorizado según el Registro de Firmas Autorizadas, para que sea válido ante el Área de Finanzas del DDEC. Cuando en las fechas establecidas se refleje sábado o domingo y/o en días festivos, deberán asegurarse de entregar los mismos el día laborable previo a la fecha establecida.

- C. Los informes requeridos solamente aplican a las ALDL. Otras instituciones públicas y privadas deberán trabajar según las instrucciones en la sección informes requeridos a otros sub-recipientes en esta Guía. Se acompañan los anejos con las instrucciones para llevar a cabo las peticiones e informes requeridos.
- D. Las ALDL se registrarán por los requisitos de elegibilidad de costos establecidos en la Carta Circular DDEC-WIOA-03-2022: Guía sobre Costos Permisibles y no Permisibles con Fondos de WIOA emitida por el Programa de Desarrollo Laboral, al incurrir en gastos bajo los programas WIOA.

VIII. CLÁUSULAS DE SALVEDAD

Nada de lo dispuesto en estas Guías se interpretará de manera inconsistente con las disposiciones de las leyes vigentes respecto a las obligaciones y contratos. Cualquier asunto no contemplado en estas Guías será resuelto por el Secretario, el Director del Programa de Desarrollo Laboral, el Director Ejecutivo de las ALDL de conformidad con las leyes, reglamentos, órdenes ejecutivas, resoluciones aplicables a las normas de sana administración pública y los principios de austeridad.

IX. CLÁUSULA DE SEPARABILIDAD

Si cualquier palabra, inciso, sección, artículo o parte de estas Guía fuese declarado inconstitucional o nulo, tal declaración no afectará, menoscabará o invalidará las restantes disposiciones y partes de este documento y su efecto se limitará a la palabra, inciso, sección, artículo o parte específica y se entenderá que no afecta o perjudica en sentido alguno su aplicación o validez en el remanente de sus disposiciones.

X. EFECTIVIDAD

Esta Guía tendrá efectividad una vez sean firmadas por el Secretario del DDEC y la Directora Ejecutiva del Programa de Desarrollo Laboral. Se utilizarán estrictamente los formularios e instrucciones mencionados en esta Guía y los términos establecidos en la misma serán de estricto cumplimiento. Cualquier otro formulario, instrucción o guía previamente emitida por el Área de Finanzas del DDEC para el Programa WIOA, quedan derogados.

RECOMENDADO:


Cynthia del Mar Rivera Marrero
Directora Designada
Oficina de Recursos Humanos y
Relaciones Laborales

Fecha: 30 de junio de 2022


Jamille Muriente Díaz
Secretaria Auxiliar
Área de Servicios Administrativos

Fecha: 30 de junio de 2022

APROBADO:



Jenny Mar Cañón Feliciano
Secretaria Auxiliar
Secretaría de Fondos Federales

Fecha: 30 de junio de 2022



Iris E. Santos Díaz
Secretaria Interina

Fecha: 30 de junio de 2022

ANEJOS

Anejo 1

PETICIONES DE FONDOS

Propósito

Esta sección establece las instrucciones a seguir para realizar las peticiones de fondos del Programa WIOA por el DDEC. El objetivo de este procedimiento es lograr el cumplimiento por parte de las ALDL con las regulaciones federales de manejo de efectivo. Estas regulaciones establecen que el tiempo entre el recibo o depósito de la petición de fondos en la cuenta de banco y el desembolso correspondiente debe ser mínimos.

Trámite

Las peticiones de fondos se realizarán al Área de Finanzas del DDEC utilizando el Formulario Petición y el "Encumbrance Budget Report". Las mismas se efectuarán dos veces al mes. Las ALDL tendrán dos (2) peticiones de fondos ordinarias y podrán realizar hasta un máximo de dos (2) peticiones adicionales por necesidad (extraordinarias) al mes. Las peticiones de fondos tendrán un máximo de cuatro solicitudes al mes, con el fin de cubrir los gastos de la Entidad. Estas deberán recibirse en el DDEC en las siguientes fechas:

- Primera Petición Ordinaria – en o antes del día 5 del mes;
- Segunda Petición Ordinaria – en o antes del día 20 del mes.

Las ALDL deberán considerar estas fechas y establecer sus días de pago a empleados, suplidores, participantes y otros, dentro de dichos ciclos de peticiones quincenales.

Las Peticiones de Fondo por Necesidad serán enviadas en un período de siete (7) días calendario posterior a la radicación de la Petición Regular (5 y 20 de cada mes). Las justificaciones serán evaluadas y requerirán la aprobación por el Director de Finanzas del DDEC y/o su Representante Autorizado.

Consideraciones Generales

Las siguientes consideraciones deben ser observadas a través de todo el procedimiento:

- El DDEC no desembolsará fondos a las ALDL si no están en cumplimiento con la radicación de los informes requeridos.
- Este procedimiento aplica para todas las peticiones de fondos de los presupuestos aprobados como parte del Programa WIOA.
- Se utilizarán los formularios provistos para realizar las peticiones de fondos de los programas de Jóvenes, Adultos y Trabajadores Desplazados por los gastos incurridos y desembolsados como parte de las actividades del Programa WIOA u otro fondo delegado por el DDEC.
- Las ALDL maximizarán el uso de medios electrónicos en todos sus desembolsos.
- Solamente el personal autorizado en el Registro de Firmas Autorizadas sometido al DDEC podrá firmar las peticiones de fondos.

- La cantidad para transferir a las ALDL estará determinada por el resultado de todas las peticiones en conjunto. Es decir, la suma de los balances positivos y negativos producto del análisis de cada una de las peticiones constituirá la transferencia correspondiente al período radicado.
- El total a ser desembolsado tomará en consideración el "Encumbrance Budget Report", el balance transferido por el DDEC y el Ajuste por Gasto reportado que no requiere desembolso inmediato.

Procedimiento de Peticiones de Fondos en las ALDL

1. El personal encargado de revisar las cuentas de banco de las ALDL accede diariamente a través del sistema electrónico de las cuentas de su banco con el fin de monitorear los balances de las cuentas y garantizar que se mantengan en niveles mínimos.

Notificará, por escrito, al personal encargado de realizar la Petición de Fondos, la razón por la cual existe algún balance en la cuenta, para que este sea considerado al momento de hacer la próxima petición de fondos, de manera que se mantenga un balance de efectivo mínimo.

2. El personal encargado de realizar la Petición de Fondos será responsable de mantener los Libros de Contabilidad al día en el Sistema MIP para reportar el gasto exacto en la fecha de la petición. Obtendrá la documentación necesaria para preparar el Informe de Petición de Fondos del periodo y deberá utilizar los siguientes documentos:
 - a) Formulario de Petición de Fondos.
 - b) "Encumbrance Budget Report" al día de la preparación de la petición.
 - c) "Trial Balance" al día de la preparación de la petición.
 - d) "Accounts Payable Aging Schedule"
 - e) De tener balances en la caja deberá incluir la Justificación.
3. El personal encargado de Realizar la Petición de Fondos preparará el Informe de transacciones de Efectivo del período.
4. El Director de Finanzas de las ALDL o su Representante Autorizado procederá a revisar la Petición de Fondos, el Informe de transacciones en Efectivo, los documentos de soporte y autorizará dicha petición mediante su firma para su envío al DDEC.
5. El personal encargado de realizar la Petición de Fondos enviará a través del correo electrónico oficial de las ALDL al correo electrónico finanzasdddec@ddec.pr.gov del Área de Finanzas del DDEC. Las ALDL conservarán los documentos originales y de soporte debidamente firmados en un archivo, el cual estará disponible para su revisión.
6. Una vez aprobada la petición de fondos y emitido el depósito de fondos en la cuenta bancaria de las ALDL, el personal encargado de realizar la Petición de Fondos

procederá a registrar el depósito del efectivo a través del módulo de recibo de efectivo del sistema MIP.

7. El personal encargado de realizar la Petición de Fondos imprimirá el informe "Unposted General Ledger Transactions" como evidencia del registro en el sistema MIP.
8. Luego de realizar la Petición de Fondos, el personal encargado enviará todos los documentos de apoyo al Director de Finanzas o su Representante Autorizado para su revisión y registro en el sistema MIP.
9. El Director de Finanzas o su Representante Autorizado revisará los documentos y procederá al registro del depósito de los fondos en el sistema MIP. Luego enviará la petición al personal encargado de realizar la Petición de Fondos para archivo.

I. Información General

La información de la entidad que solicita los fondos se incluirá de la siguiente manera:

- a) Nombre – Indique el nombre de la entidad. Correo electrónico oficial.
- b) Número de Contrato – Anote el número del contrato de delegación de fondos para la cual se prepara la petición.
- c) Número de Seguro Social Patronal.
- d) Data Universal Numbering System Number (en adelante "DUNS Number")
- e) Año Programa – Anote el año programa de los fondos para el cual se prepara la petición.
- f) Periodo Informado (Desde / Hasta) – Período cubierto a la fecha de la petición de fondos. Toda petición de fondos se solicitará según el gasto registrado en MIP y el "Encumbrance Budget Report".
- g) Número de Petición de Fondos – se asignará un número consecutivo por cada petición de fondos por programa preparada por la entidad. Este se configura con el año programa, el número secuencial y la letra del título del Programa. Por ejemplo, para la petición del mes de agosto de Jóvenes, Adultos y Trabajadores Desplazados del año programa 2018 2019, sería 2019-001-J, 2019- 001-A, 2019-001-D.

II. Detalles de Petición

Programa

Seleccionar el programa para el cual se está realizando la petición de fondos según corresponda entre Jóvenes, Adultos o Trabajadores Desplazados. Además, identificará si la petición de fondos es para la asignación de fondos regular, segundo año de disponibilidad, Reserva Estatal, Respuesta Rápida y NDWG.

Asignación Total de Fondos

Indique la cantidad de asignación total para el programa para el cual se está haciendo la asignación de fondos, según contrato firmado.

Transferencias de Fondos hasta este Período

Cantidad total que el DDEC le ha transferido a la entidad hasta la fecha de la preparación de la petición para dicho programa. La misma es la suma de las actividades del referido programa

- Administración Local
- In-School – Jóvenes
- Out-School – Jóvenes
- Adultos – Programa
- Programa de Trabajadores Desplazados

Balance Disponible para la Asignación

Esta cantidad refleja el balance que tiene disponible la asignación de fondos a la fecha de la radicación de la petición de fondos. La misma es la diferencia entre la asignación total de fondos y las transferencias hasta la fecha.

III. Petición de Fondo Actual

Esta es la cantidad que la entidad necesita para poder cubrir los gastos del período que solicita. La misma es el resultado de la diferencia entre el gasto acumulado en el "Encumbrance Budget Report" del Período, menos las transferencias realizadas por el DDEC.

Estos son los pasos para seguir por el personal encargado para preparar la Petición de Fondos:

1. Imprime el "Encumbrance Budget Report" con la fecha de la preparación de la petición y revisa que los gastos registrados están dentro del presupuesto (BIS) aprobado por el Programa de Desarrollo Laboral del DDEC.
2. Revisa el total de las transferencias de fondos recibidas del DDEC para el Programa que se está preparando la petición.
3. Solicita información sobre cualquier ajuste por Gasto Acumulado que no requiere Desembolso Inmediato.
 - Total de Petición de Fondo – Representa la suma de la distribución de la petición de fondos realizada para este período.
 - Balance de "Trial Balance" – Representa el balance en el informe de "Trial Balance" en MIP para el periodo.
 - Balance Disponible de la Asignación – Representa la diferencia entre el balance disponible de la asignación anterior a la petición de fondos del período y el total de la petición de fondos para este período. Esta cantidad no puede ser negativa en ninguna circunstancia.

- Firma autorizada (Debe aparecer en el Formulario sometido al Programa de Desarrollo Laboral del DDEC).

El Director(a) de Finanzas y Ejecutivo de las ALDL Director(a) o su Representante Autorizado deberá firmar esta sección. Además, incluirá la fecha en que se prepara la misma.

IV. Análisis de Petición de Fondos

Será completado por los funcionarios autorizados del Área de Finanzas del DDEC que reciben y procesan las peticiones de fondos.

1. Total de Petición de Fondos para este período – Cantidad de la petición de fondos para este período realizada por la entidad.
2. Ajuste – Cambios o cuadros a realizar por parte del personal del DDEC relacionados a la petición como sigue:
 - Exceso de caja según “Trial Balance”
 - Diferencia en Traslado de Fondos
 - Exceso de Petición
 - Otros
3. Total de Ajustes – El total de cambios o cuadros realizados por parte del personal del DDEC.
4. Cantidad Recomendada – Diferencia entre la petición de fondos para este período menos el total de ajustes para este período.
5. Distribución de la Cantidad Recomendada – asignación de la cantidad recomendada por el analista luego de ser evaluada la petición de fondos. Esta se distribuye por actividad (Programa – II. Detalle de Petición)
6. Recomendación de Analista – Esta sección será completada por el analista del DDEC o representante autorizado e incluirá lo siguiente:
 - Recomendación al Pago – Seleccionar SI o NO, dependiendo cual sea la recomendación.
 - Comentarios – Podría incluir comentarios relacionados a la petición, ajuste u otros.
 - Firma – Incluirá la firma del analista.
 - Fecha – Incluirá la fecha en que se está realizando la recomendación de la petición de fondos.
7. Autorización de Pago del Director de Finanzas o su Representante Autorizado - Esta sección será completada por el Director de Finanzas del DDEC o su Representante Autorizado e incluirá lo siguiente:
 - Autorización al Pago – Seleccionar SI o NO, dependiendo cual sea la autorización.
 - Comentarios – Podrá incluir comentarios relacionados a la petición, ajustes u otros.
 - Firma – Incluirá la firma.

- Fecha - Incluirá la fecha en que se está realizando la autorización del pago de la petición de fondos.

Anejo 2

INFORME DE GASTOS ACUMULADOS DE LOS PROGRAMAS WIOA

Reportar al Área de Finanzas del DDEC el total de gastos incurridos, obligaciones y balances disponibles de los presupuestos aprobados por el Programa de Desarrollo Laboral del DDEC para el Programa WIOA. Al determinar los gastos, la Entidad se asegurará que dichos gastos son necesarios e indispensables para llevar a cabo las actividades permisibles realizadas bajo los principios de una sana administración y se encuentran dentro del Resumen de Información Presupuestaria (en adelante "BIS" por sus siglas en inglés) aprobado por el Programa de Desarrollo Laboral del DDEC.

Además, en este informe se reportarán las transacciones relacionadas a los ingresos generados como resultado de las actividades del Programa WIOA y los ingresos y gastos relacionados a fondos estatales y/o municipales, ya sean en efectivo o en especie (In-Kind) utilizados para complementar el Programa WIOA.

Trámite

Las ALDL enviarán trimestralmente al DDEC el Informe de Gastos Acumulados en o antes de los días 15 de enero, 15 de abril, 15 de julio y 15 de octubre de cada año después de haber finalizado el trimestre. En aquellos meses que este día corresponda a un día feriado o a un fin de semana se radicarán los informes el día laborable previo.

Formulario

Se utilizará el Formulario de Informe de Gastos Acumulados (Anejo 2), Sección II (a) (b) (c) (d) (e) (f) para reportar al DDEC los gastos incurridos y las obligaciones de los programas administrados por la ALDL. La Sección III se utilizará para informar las transacciones de los ingresos del Programa. Así mismo, en la Sección IV se reportarán los ingresos y gastos de las aportaciones locales (Estatales y/o Municipales).

Anejo 3
INSTRUCCIONES PARA COMPLETAR
INFORME DE GASTOS ACUMULADOS
DE PROGRAMAS WIOA

I. Información Básica

- A. Nombre y Dirección de la ALDL – Anote el nombre y la dirección de la ALDL.
- B. Numero de Contrato – Anote el Número de Contrato de Delegación de Fondos que autoriza a la ALDL a incurrir en gastos permisibles durante la vigencia de este.
- C. Seguro Social Patronal y DUNS Number – Anote el número de seguro social de la Entidad y el DUNS Number.
- D. Año Programa – Anote el año programa para el cual se somete el Informe de Gastos Acumulados. (Ej. 2018-19, Segundo Año de Disponibilidad 2017-18).
- E. Período Informado – En "Desde", anote la fecha en que comienza el período bajo consideración (Ej. 07/01/20xx), y en "Hasta", anote la fecha en que termina el período reportado (Ej. 07/31/20xx) y así sucesivamente en años siguientes.
- F. Programa – Identifique a qué programa (Adultos / Trabajadores Desplazados, Jóvenes o Reserva Estatal) corresponde el Informe de Gastos Acumulados.

II. Categorías de Gastos

La información de esta sección está basada en las categorías de gastos autorizadas en el Resumen de Información Presupuestaria (BIS) o Modificación (MBIS) aprobado por el DDEC. Se deberán utilizar como base para realizar este reporte los criterios generales del BIS. La gerencia de la ALDL suministrará la siguiente información para cada una de las partidas aprobadas y su respectivo total por las categorías descritas en el BIS.

La información para cada categoría se presentará dentro de cada una de las siguientes columnas:

- **Columna A** – Asignación Aprobada - Se anotará la cantidad aprobada por el DDEC para cada una de las categorías de gastos según consta en el Resumen de Información Presupuestaria (BIS) o su enmienda más reciente.
- **Columna B** – Gastos del Período - Se anotará la cantidad de los gastos incurridos para cada una de las categorías de gastos dentro del mes o período sobre el cual se prepara el informe.
- **Columna C** – Gastos Acumulados - Se anotará la cantidad de los gastos incurridos para cada una de las categorías de gastos desde el comienzo del año fiscal hasta la fecha del informe. El total de esta columna es acumulativo hasta la fecha del informe, lo que implica que el total de esta columna es la suma de los Gastos del Período (columna b) y la columna de Gastos

Acumulados del informe anterior (columna c del informe del mes o período anterior).

- **Columna D** – Obligaciones - Se anotará la cantidad del balance de las obligaciones pendientes para cada una de las categorías de gastos a la fecha del informe. Esta columna incluirá los balances pendientes de contratos de servicios, rentas o proveedores y las órdenes de compra emitidas por la ALDL que no han sido entregadas por los suplidores.
- **Columna E** – Total de Gastos y Obligaciones - Se totalizará la suma de las columnas (c) y (d) para cada una de las categorías de gastos. Este total representa el total de fondos obligados como parte del contrato de delegación de fondos entre el DDEC y la ALDL.
- **Columna F** – Balance de la Asignación - Se totalizará la diferencia entre las columnas (a) y (e) para cada una de las categorías de gastos. Este total representa el total de fondos sin obligar, y que está disponible para períodos futuros. De surgir un balance negativo en esta columna significa que se excedió el balance autorizado para la partida de gastos correspondientes. La ALDL deberá solicitar al DDEC una enmienda al presupuesto aprobado (BIS) utilizando el formulario de MBIS en cumplimiento con el itinerario establecido.

Gastos de la Actividad de Verano para Jóvenes

Anote el total de gastos incurridos para las actividades dirigidas a jóvenes durante el verano. Este renglón es informativo, por lo tanto, no es requisito que concilie con el total de gastos incurridos en las categorías de programa. Pero sí debe incluir la porción de gastos correspondiente a los renglones de salarios, beneficios marginales, renta, servicios profesionales y las demás partidas de gastos que se incurrieran en esta actividad.

III. Ingresos de Programa

1. Gastos de Ingresos del Programa – Anote el gasto incurrido de fondos provenientes de ingresos del programa, incluyendo intereses bancarios. (Con la autorización previa del DDEC, los ingresos del programa pueden ser sumados a la asignación del sub – recipientes).
2. Ingresos del Programa sin Desembolsar – Anote los ingresos de los programas que no se han utilizado.
3. Total de Ingresos del Programa – Anote la suma de las Líneas 1 y 2.

IV. Aportación de Aprobaciones Locales

1. Ingresos de Aprobación Locales - Anote los ingresos recibidos provenientes de fuentes locales (Estatales y/o Municipales). Estos ingresos pueden ser en aportaciones en efectivo o especie (In-kind). Para registrar estas aportaciones la Entidad deberá ingresarlas en los registros de contabilidad (MIP) y contar con la

evidencia y documentación correspondientes – para validar las cantidades incluidas en el Informe.

2. Gastos de Aportaciones Locales – Anote los gastos incurridos con las aportaciones locales recibidas.
3. Balance sin Gastar – Aportaciones Locales - Anote la diferencia entre las líneas 1 y 2.

Certificación

El DDEC aceptará solamente los Informes de Gastos Acumulados y Proyecciones de Gastos que hayan sido certificados y firmados por el Director Ejecutivo de la ALDL y/o aquellas personas cuyos nombres aparecen en el Registro de Firmas Autorizadas enviado al DDEC.

Anejo 4

INFORME DE CONCILIACIÓN BANCARIA

Propósito

Informar al DDEC el balance de efectivo de las cuentas bancarias utilizadas para los Programas WIOA. Se utilizará este formulario para determinar la corrección de los balances de efectivo a la fecha del informe.

Trámite

La entidad enviará al DDEC el original del Informe de Conciliación Bancaria en o antes del décimo (10) día laborable después de finalizado el mes para el cual se prepara el informe. Se preparará un informe por cada cuenta bancaria activa.

Formulario

Se utilizará el Formulario de Informe de Reconciliación, Sección II, III, y IV para informar al DDEC el resultado de los balances de la Entidad. De tener más de una cuenta bancaria se deberá preparar un informe por cada cuenta.

Informe Requerido – Sistema MIP

El Informe de Conciliación Bancaria será acompañado por el Informe "Reconcile Cash Account", el cual deberá estar resumido por cuenta bancaria y con el detalle de los cheques en tránsito.

Anejo 5
INSTRUCCIONES PARA COMPLETAR
INFORME DE CONCILIACIÓN BANCARIA

Las ALDL deberá presentar un Informe de Conciliación Bancaria por cada cuenta bancaria utilizada para los fondos delegados por el DDEC.

I. Información Básica

- A. Nombre y Dirección de la ALDL – Anote el nombre oficial y la dirección postal de la ALDL, solamente.
- B. Número de Seguro Social – Anote el número de seguro social de la Entidad.
- C. Período Informado – anotar la fecha para la cual se prepara la conciliación, utilizando el siguiente formato: mes/día/año. (Ej. 06/30/xx).

II. Información de la entidad

La ALDL utilizará esta sección para identificar la cuenta para la cual se está preparando el Informe de Conciliación Bancaria.

- ✓ Número de cuenta bancaria – Se anotará el número de la cuenta bancaria que se está reconciliando.
- ✓ Balance de efectivo – Se anotará el balance al cierre del mes reportado, según los registros de contabilidad de la entidad, usando como base el informe de “Reconcile Cash Account” del sistema MIP.
- ✓ Ajustes – Se deberán anotar las transacciones pendientes producto de ajustes al libro de contabilidad y que tengan relación con la información de la cuenta bancaria. No se considerarán como ajuste los cargos para procesar cheques o transferencias debido a que éstos corresponden ser incluidos en las transacciones producto del balance de efectivo.
- ✓ Balance ajustado de efectivo – Verificarán que el total presentado sea la diferencia de las líneas anteriores.

III. Información bancaria

Esta sección presenta la actividad bancaria de la ALDL. La ALDL deberá suministrar la siguiente información:

- ✓ Balance Estado Bancario – En ésta se anotará el balance al cierre del mes reportado según el informe bancario.
- ✓ Ajustes – Se presentarán las transacciones que afectan el balance ajustado de efectivo tales como:
 - Depósitos en Tránsito – Se anotará el balance de las transacciones pendientes de depositar por el DDEC al cierre del mes. Debe ser cero. Se

debe corroborar la información con el informe de "Reconcile Cash Account".

- Cheques en tránsito – Se anotará el balance de las transacciones pendientes de pagar por el banco. Debe excluirse todo documento procesado por la institución financiera correcta o incorrectamente pagado. Se debe corroborar la información con el informe de "Reconcile Cash Account".
 - Otros – En ésta se anotará el balance de las transacciones contabilizadas incorrectamente por el banco, debidamente reclamadas.
- ✓ Balance ajustado de efectivo – El total presentado será la diferencia de las líneas anteriores y debe ser verificado con el informe de "Reconcile Cash Account".

IV. Anejos

Incluir los documentos de apoyo necesarios para justificar las cantidades reportadas en los reglones descritos anteriormente. Las ALDL será responsable de presentar documentación específica. Se incluye lista de documentos en el modelo. Se prohíbe el envío o utilización de registros de transacciones o ajustes simulados incluidos o no en la conciliación que permitan un resultado de conciliación diferente a la real.

V. Certificación

El DDEC aceptará solamente los informes que hayan sido certificados y firmados, por el (la) Director(a) de Finanzas de la Entidad y el (la) Director(a) Ejecutivo(a) de la ALDL o sus representantes autorizados incluidos en el Registro de Firmas Autorizadas vigente.

Anejo 6

INFORMES REQUERIDOS A OTROS SUB-RECIPIENTES

Propósito

Esta sección establece las instrucciones a seguir para realizar las peticiones de fondos del Programa WIOA u otro fondo delegado, por el DDEC. El objetivo de este procedimiento es lograr el cumplimiento por parte de las entidades públicas o privadas con las regulaciones federales de manejo de efectivo. Las entidades públicas o privadas deberán presentar los informes requeridos. Se utilizarán los informes y formularios incluidos en cada sección de esta Guía.

Trámite

Se incluirán los informes requeridos, según se detalla en esta sección y las siguientes. Los inconvenientes que pueda causar la implementación de esta Guía no constituyen una prórroga o justificación para que sea ignorada en parte o en su totalidad sin autorización del DDEC.

Formularios

Se utilizarán los formularios provistos por el DDEC, sin alteraciones ni excepciones. Los formularios que se presentan en esta sección son:

- Petición de Fondos WIOA – Anejo 1
- Informe de Gastos Acumulados – Jóvenes / Adultos-Desplazados Anejo 2



GOBIERNO DE PUERTO RICO
DEPARTAMENTO DE DESARROLLO ECONÓMICO Y COMERCIO

24 de junio de 2022

**A TODO EL PERSONAL Y
JEFES DE AGENCIA**

Manuel Cidre Miranda
Secretario

INTERINATO SECRETARIO

Desde el lunes 27 de junio hasta el domingo 10 de julio 2022, estaré fuera de la oficina por lo cual he designado a Iris E. Santos Díaz como Secretaria Interina del DDEC. Esta designación conlleva todas las funciones inherentes a dicho cargo.

Agradeceré le brinden toda su cooperación a la señora Santos Diaz en el desempeño de dichas funciones.