

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY**

**INDEPENDENT AUDITOR'S REPORT AND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
(WITH THE ADDITIONAL REPORTS AND INFORMATION
REQUIRED UNDER TITLE 2 U.S CODE OF FEDERAL REGULATIONS PART 200)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
FISCAL YEAR ENDED JUNE 30, 2019
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PART I - FINANCIAL SECTION

Independent Auditor's Report

Honorable Carmen Ana González Magaz
Secretary of the Department of the Family
San Juan, Puerto Rico

Report on the Financial Statement

We have audited the accompanying Statement of Cash Receipts and Disbursements (the Statement) of the Department of the Family of the Commonwealth of Puerto Rico (the PRDF) for the year ended June 30, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

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

Opinions

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Department of the Family of the Commonwealth of Puerto Rico for the year ended June 30, 2019, in accordance with the cash basis of accounting described in Note A.

Basis of Accounting

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

Other information

Our audit was conducted for the purpose of forming an opinion on the PRDF's Statement as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards*, and is not a required part of the Statement of the PRDF.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the PRFF's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PRDF's internal control over financial reporting and compliance.

Carolina, Puerto Rico

November 23, 2021



Stamp number E475279
of Puerto Rico CPA Society
has been affixed to the original report

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Receipts			
Grants and contributions	\$ -	\$ 2,978,959,690	\$ 2,978,959,690
Legislative appropriations and other assignments	256,576,549	-	256,576,549
	<u>256,576,549</u>	<u>2,978,959,690</u>	<u>3,235,536,239</u>
Disbursements			
Personnel:			
Salaries and fringe benefits:			
Regular employees	96,371,140	53,104,713	149,475,853
Transitory employees	7,477,278	350,548	7,827,826
Irregular employees	83,053	287	83,340
	<u>103,931,471</u>	<u>53,455,548</u>	<u>157,387,019</u>
Non-personnel:			
Advertising	17,383	537,457	554,840
Capital outlays	237,728	2,143,741	2,381,469
Donations, grants and other distributions	98,692,005	2,843,878,460	2,942,570,465
Facilities and utilities	7,282,930	1,938,340	9,221,270
Materials	1,063,226	1,228,483	2,291,709
Miscellaneous services	25,010,291	17,823,210	42,833,501
Operating transfers	2,444,633	4,218,031	6,662,664
Other	1,613,144	3,997,107	5,610,251
Professional services	5,907,233	14,776,440	20,683,673
Transportation and subsistence	1,877,209	1,225,355	3,102,564
	<u>144,145,782</u>	<u>2,891,766,624</u>	<u>3,035,912,406</u>
	<u>248,077,253</u>	<u>2,945,222,172</u>	<u>3,193,299,425</u>
Excess of receipts over disbursements	<u>\$ 8,499,296</u>	<u>\$ 33,737,518</u>	<u>\$ 42,236,814</u>

See accompanying notes to the Statement of Cash Receipts and Disbursements.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Department of the Family (the PRDF) is an executive agency of the Commonwealth of Puerto Rico (the Commonwealth) created by Act No. 171 of June 30, 1968 and amended by the Reorganization Plan Number 1 of July 28, 1995. The PRDF is responsible for carrying out the programs directed towards the solution or mitigation of social problems in Puerto Rico, including social services programs with emphasis on the rehabilitation of individuals and on the interrelationships between individuals, families and the community.

Through its own actions or in coordination with other government or private organizations, the PRDF carries out programs of direct economic aid to needy persons, service for the welfare of children, youths and disabled persons, rehabilitation and training programs, community improvement projects, programs for providing employment to unemployed persons, guidance programs for individuals and families, and any other activity which leads to the social improvement of individuals as well as of families and communities. The Secretary of the PRDF is appointed by the Governor of the Commonwealth.

The PRDF, which has ten regional offices and at least one service office in each municipality of Puerto Rico, is organized as follows:

1. Secretariat, which is responsible for the fiscal control, general administration, planning, coordination, supervision, and evaluation of the operations of the PRDF and its components. The Secretariat is responsible for documenting, evaluating and adjudicating all disability claims made to the Social Security - Disability Insurance by insured workers, their widows (if between 50 and 59 years old) and disabled dependents that are at least 18 years old. Additionally, the Secretariat facilitates the procedures to obtain information and provides counseling to the claimants.
2. The Families and Children Administration, which is responsible for promoting and supporting the efforts of individuals, families and communities contributing to its own development and that of the society. Accordingly, it facilitates social, educational, remedial and preventive services directed to achieving a better and more effective participation, equality and social justice.
3. The Child Support Enforcement Administration, which is responsible for procuring the compliance of the: i) non custodial parents of minors under 21 years; ii) the descendent of people older than 60 years; and iii) the people legally responsible for contributing to the support and welfare of the children of elderly parents, safeguarding their rights to receive alimony and increasing the auto-sufficiency of the families by applying the legal mechanisms available.

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NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. The Socioeconomic Development Administration, which is responsible for facilitating: i) the development of opportunities to socially and economically disadvantaged people to let them achieve self-sufficiency and integration to the social system in a productive way; and ii) the familiar and community common living.
5. The Integral Care and Development of the Children Administration, which is responsible for ensuring the care and development of the minors that, participate in the Head Start Program and in the Child Care and Development Program.

The Secretary of the PRDF has oversight responsibilities over the Corporation of Industries of the Blind, Mentally Retarded, and Other Disabled People (the CIB), which is responsible for contributing to the social and economic rehabilitation of the blind and disabled people. Although the PRDF has oversight responsibilities over the CIB, it is not included in the accompanying Statement since its operations are subject to a separate financial or single audit, as applicable.

Basis of presentation

The accounts of the PRDF are organized in two fund types: A General Fund and a Special Revenue Fund. The PRDF maintains appropriation for several individual state and federal funds within each fund type. The General Fund is the general operating fund used to account for the funds appropriated by the Legislature of the Commonwealth of Puerto Rico and is the fund through which most functions are typically financed. The Special Revenue Fund accounts for federal financial assistance programs funded by the Federal Government which are legally restricted to expenditures for specific purposes.

Basis of accounting

The Statement of Cash Receipts and Disbursements has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, cash receipts and disbursements are recorded when cash is received or disbursed, respectively. Noncash transactions are not recognized in the Statement. Because the PRDF participates in a pooled cash arrangement as further discussed herein, cash receipts from Commonwealth appropriations are considered received when the related disbursement is made, except for cash receipts related to indirect cost and special accounts, which are recognized when cash is received. The timing of cash receipts from the Federal Government may differ from the date federally-funded payments are made. PRDF draws amounts from the pooled cash account when federal funds have not yet been received and the same is replenished once the federal funds are received. All of these factors in cash receipts recognition result in excess of cash receipts over (under) disbursements at year -end.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories

The PRDF purchases office and printing supplies and other items. The cost of purchases is recorded as a cash disbursement in the financial statement.

Property and equipment

Property and equipment acquired are recorded as cash disbursement in the financial statement.

Risk management

The Puerto Rico Department of Treasury purchases commercial insurance covering casualty, theft, tort, claims, and other losses of the PRDF. The PRDF reimburses the Commonwealth for premium payments made on its behalf. The PRDF's current insurance policies have not been cancelled or terminated. The State Insurance Fund Corporation, a component unit of the Commonwealth, provides the workers compensation insurance to the PRDF's employees.

Claims and judgments

The estimated amount of the liability for claim and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded when paid.

**NOTE B - CASH WITH FINANCIAL INSTITUTIONS AND WITH FISCAL AGENT
(DEPARTMENT OF THE TREASURY OF THE COMMONWEALTH OF PUERTO
RICO)**

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

NOTE C - LEASE COMMITMENTS

The PRDF is obligated under certain leases accounted for as operating leases. Operational leases do not give rise to property rights or lease obligations and, therefore, neither the assets nor the liabilities of the lease agreements are reflected in the accounting records. Most leased property is from the Puerto Rico Public Buildings Authority (the Authority), a component unit of the Commonwealth of Puerto Rico. The Office of Management and Budget, along with the Department of the Treasury of Puerto Rico are responsible of making these payments to the Authority on behalf of the PRDF. Rental expense is recognized as disbursements when paid. Total approximately rental payments made during the year ended June 30, 2019 amounted to \$7,074,817.

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

NOTE D – PENSION REFORM AND PLAN DESCRIPTION

(i) Pension Reform

On June 27, 2017, the Treasury Department issued Circular Letter No. 1300 4617 in order to convey to the Primary Government's agencies, public corporations and municipalities the new implementation procedures to adopt, effective, July 1, 2017, the new PayGo mechanism for all of the Commonwealth's Retirement Systems. With the start of the fiscal year 2018, employers' contributions, contributions ordered by special laws and the Additional Uniform Contribution were all eliminated and replaced by a monthly PayGo charge that will be collected from the aforementioned government entities to pay retirees. The Commonwealth Retirement Systems will determine and administer the payment amount per retiree that will be charged to each agency, public corporation and municipality. The PayGo charge must be submitted to the Treasury Department before the 15th day of each month along with the individual contributions withheld from active employees. As liquid retirement funds become depleted, the PayGo charge is expected to increase.

On June 23, 2017, the Legislative Assembly approved certain other assignments for fiscal year 2018 under Joint Resolution 188, which among other things, ordered the Commonwealth's Retirement Systems to liquidate their assets and pass the net proceeds to the Treasury Department.

Act 106-2017, enacted on August 23, 2017, approved a substantial pension reform for all of the Commonwealth's Retirement Systems, including ERS. This reform modified most of ERS's activities and effectively restructured ERS's operations. Effective on July 1, 2017, ERS's previously existing pension programs administered by ERS under Act No. 447 of 1951 (as amended) were terminated and transitioned to a PayGo system, in which ERS stopped receiving contributions from employers or plan participants and is no longer managing contributions on behalf of participants. Act 106-2017 created the legal framework so that the Commonwealth can make benefit payments to current pensioners. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the applicable employers (including the Authority). Approximately \$2 billion was allocated for these purposes in each of the Commonwealth's budgets for fiscal year 2018 and fiscal year 2019.

Act 106-2017 also terminated the previously existing pension programs for ERS participants as of June 30, 2017, and created the New Defined Contribution Plan for existing active members and new employees hired on or after July 1, 2017. This plan is similar to a 401(k) and is managed by a private entity. Future benefits will not be paid by ERS. Under the New Defined Contribution Plan, members of the prior programs and new governmental employees hired on and after July 1, 2017, will be enrolled in the New Defined Contributions Program that will be selected by the Retirement Board. As of June 22, 2020, the accumulated balance on the accounts of

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NOTE D – PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

the prior pension programs were transferred to the individual member accounts in the New Defined Contribution Plan.

Act 106-2017, among other things, amended Act No. 447 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 all of the Commonwealth's Retirement Systems.

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 managed by a third-party service provider. 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, known as the *Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico* (Act No. 8 of 2017).

In addition, Act 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating an incentives, opportunities and retraining program for public workers.

(ii) Pension Benefits Transferred

Before July 1, 2017, ERS administered different benefit structures pursuant to Act No. 447, as amended, including a cost-sharing, multi-employer, defined benefit program (the Defined Benefit Program), a defined contribution program (the System 2000 Program) and a contributory hybrid program (the Contributory Hybrid Program). Benefit provisions varied depending on member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (73 Commonwealth agencies, 78 municipalities, and 55 public corporations, including the Authority) are covered by ERS. Effective July 1, 2017, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payment by the applicable employers (including the Authority). As of July 1, 2017, ERS stopped making pension payments to retirees. However, all government employers (including the Authority) are required to reimburse the Commonwealth for benefits paid on account of their employees through the PayGo fee. Since July 1, 2017, ERS continues to help manage the administrative matters of the pension benefits that are being paid by the Commonwealth. The aforementioned defined benefits had been paid by ERS until June 30, 2017.

Before August 23, 2017, membership was mandatory for all regular, appointed, and temporary employees of the Commonwealth at the date of employment in ERS's

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NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

prior programs. After that date, membership continues to be mandatory in the New Defined Contribution Plan created by Act 106-2017.

Membership continues to be optional for the Governor of the Commonwealth, Commonwealth secretaries, heads of public agencies and instrumentalities, among others.

The benefits provided to members of ERS are established by Commonwealth law and may be amended only by law. Act No. 3, in conjunction with other recent funding and design changes, provided for a comprehensive reform of ERS.

This summary of ERS's pension plan provisions is intended to describe the essential features of the plan before the enactment of Act 106-2017. Please note that all eligibility requirements and benefit amounts shall be determined in strict accordance with applicable law and regulations; these benefits were not changed or amended with the enactment of Act 106-2017.

Certain benefit provisions are different for the three groups of members who entered ERS prior to July 1, 2013, as described below:

- Members of Act No. 447 are generally those members hired before April 1, 1990.
- Members of Act No. 1 are generally those members hired on or after April 1, 1990, and on or before December 31, 1999 (together with Act No. 447 participants, the Defined Benefit Program).
- Members of Act No. 305 (or System 2000) are generally those members hired on or after January 1, 2000, and on or before June 30, 2013 (the System 2000 Program).

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013.

Before July 1, 2017, the assets of the Defined Benefit Program, the System 2000 Program, and the Contributory Hybrid Program were pooled and invested by ERS. Each member has a nonforfeitable right to the value of his/her account. Members have three options to invest their contributions. Investment income is credited to the member's account semiannually. The Commonwealth does not guarantee benefits at retirement age.

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NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

After July 1, 2017, future benefit payments will be made by the Commonwealth and the New Defined Contribution Program is being administered by a private third party.

Defined Benefit Program

Pursuant to Act No. 447 of May 15, 1951, as amended, all regular employees of the Authority hired before January 1, 2000, and less than 55 years of age at the date of employment became members of ERS, under the Defined Benefit Program, as a condition of their employment. No benefits are payable if the participant receives a refund of their accumulated contributions.

The Defined Benefit Program provides retirement, death, and disability benefits pursuant to legislation enacted by the Legislature. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after 10 years of plan participation. Disability benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least 10 years of service to receive non-occupational disability benefits.

Prior to July 1, 2017, members who attained 55 years of age and completed at least 25 years of creditable service, or members who have attained 58 years of age and have completed 10 years of creditable service, were entitled to an annual benefit payable monthly for life. The amount of the annuity was 1.5% of the average compensation, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. The annuity for which the participant was eligible, was limited to a minimum of \$500 per month and a maximum of 75% of the average compensation, as defined.

Participants who completed 30 years of creditable service were entitled to receive the Merit Annuity. Under the Merit Annuity, participants who had not attained 55 years of age received 65% of the average compensation, as defined; otherwise, they received 75% of the average compensation, as defined.

Prior to July 1, 2017, Commonwealth legislation required employees to contribute 10% of their monthly gross salary to the Defined Benefit Program.

Act No. 1 of February 16, 1990, made certain amendments applicable to new participating employees joining the Retirement System effective April 1, 1990. These changes consisted principally of an increase in the retirement date from 55 to 65, a decrease in the benefit percentage of the average compensation in the occupational disability and occupational death benefits annuities from 50% to 40%, and the elimination of the Merit Annuity for participating employees who have completed 30 years of creditable service.

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NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

System 2000 Program

On September 24, 1999, the Legislature enacted Act No. 305, which amended Act No. 447, to establish the System 2000 Program. In addition, on April 4, 2013, the Legislature enacted Act No. 3, which amended the provisions of the different ERS benefit structures, including the Defined Benefit Program.

The Legislature enacted Act No. 305 on September 24, 1999, which amended Act No. 447 to create, among other things, the System 2000 Program, a new benefit structure, similar to a cash balance plan (such as a defined contribution plan). All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the Defined Benefit Program, received a refund of their contributions, and were rehired on or after January 1, 2000, became members of the System 2000 Program as a condition to their employment. In addition, employees who at December 31, 1999, were participants of the Defined Benefit Program had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the Defined Benefit Program plus interest thereon to the System 2000 Program.

Prior to July 1, 2017, Commonwealth legislation required employees to contribute 10% of their monthly gross salary to the System 2000 Program. Employee contributions were credited to individual accounts established under the System 2000 Program. Participants had three options to invest their contributions to the System 2000 Program. Investment income was credited to the participant's account semiannually.

Under the System 2000 Program prior to July 1, 2017, contributions received from participants were pooled and invested by ERS, together with the assets corresponding to the Defined Benefit Program. Future benefit payments under the Defined Benefit Program and the System 2000 Program were paid from the same pool of assets. As a different benefit structure, the System 2000 Program was not a separate plan, and the Commonwealth does not guarantee benefits at retirement age.

Corresponding employers' contributions were used by ERS to reduce the unfunded status of the Defined Benefit Program.

The System 2000 Program reduced the retirement age from 65 years to 60 years for those employees who joined the plan on or after January 1, 2000.

Upon retirement, the balance in each participant's account was used to purchase an annuity contract, which provided for a monthly benefit during the participant's life and 50% of such benefit to the participant's spouse in case of the participant's death. Participants with a balance of \$10,000 or less at retirement received a

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NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

lump-sum payment. In case of death, the balance in each participant's account was paid in a lump sum to the participant's beneficiaries. Participants had the option of receiving a lump sum or purchasing an annuity contract in case of permanent disability.

Contributory Hybrid Program

On April 4, 2013, the Legislature enacted Act No. 3, which amended Act No. 447, Act No. 1 and Act No. 305, to establish, among other things, a defined contribution program similar to the Contributory Hybrid Program to be administered by the ERS. All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous plans will become part of the Contributory Hybrid Program. Act No. 3 froze all retirement benefits accrued through June 30, 2013, under the Defined Benefit Program, and thereafter, all future benefits accrued under the defined contribution formula used for the 2000 System Program participants.

Participants in the Defined Benefit Program who as of June 30, 2013, were entitled to retire and receive some type of pension, could have retired on any later date and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program. Participants who as of June 30, 2013, did not reach the age of 58 and completed 10 years of service or did not reach the age of 55 and completed 25 years of service could have retired depending on the new age limits defined by the Contributory Hybrid Program and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program.

Participants in the System 2000 Program who as of June 30, 2013, were entitled to retire because they were 60 years of age could have retired on any later date and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program. Participants in the System 2000 Program who as of June 30, 2013, did not reach the age of 60 could have retired depending on the new age limits defined by the Contributory Hybrid Program and received the annuity corresponding to their retirement program, as well as the annuity accrued under the Contributory Hybrid Program.

In addition, Act No. 3 amended the provisions of the different benefit structures under the Retirement System, including, but not limited to, the following:

1. Increased the minimum pension for current retirees from \$400 to \$500 per month.

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NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

2. The retirement age for the Act No. 447 participants was gradually increased from age 58 to age 61.
3. The retirement age for the active System 2000 Program participants was gradually increased from age 60 to age 65.
4. Eliminated the "Merit Annuity" available to participants who joined the Retirement System prior to April 1, 1990.
5. The retirement age for new employees was increased to age 67.
6. The employee contribution rate was increased from 8.275% to 10%.
7. For the System 2000 Program participants, the retirement benefits were no longer paid as a lump sum distribution; instead, they were paid through a lifetime annuity.
8. Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from \$600 to \$200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings were contributed to ERS.
9. Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
10. Survivor benefits were modified.

Prior to July 1, 2017, employee contributions were credited to individual accounts established under the Contributory Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty five percent (0.25%) was required for the purchase of disability insurance.

Upon retirement prior to July 1, 2017, the balance in each participant's account was used to purchase an annuity contract, which provided for a monthly benefit during the participant's life. In case of the pensioner's death the designated beneficiaries continued receiving the monthly benefit until the contributions of the participant were completely consumed. In case of the participants in active service a death benefit was paid in one lump sum in cash to the participant's beneficiaries. Participants with a balance of less than \$10,000 or less than five years of computed services at retirement received a lump-sum payment. In case of permanent disability, the participants had the option of receiving a lump sum or purchasing an annuity contract.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE D - PENSION REFORM AND PLAN DESCRIPTION (CONTINUED)

For the fiscal year ended June 30, 2014, the Authority was required to contribute 12.275% of each participant's gross salary under the different benefit structures. ERS used these contributions to increase its level of assets and to reduce the actuarial deficit. Beginning on July 1, 2014, and up until June 30, 2016, the employer's contribution rate was annually increased by one percent (1%). Beginning July 1, 2016, and up until June 30, 2017, the employer's contribution rate that is in effect on June 30 of every year was annually increased on every successive July 1st by one point twenty-five percent (1.25%). Beginning July 1, 2017, the employer's contribution is established through the PayGo fee as determined by AAFAF under Act 106-2017.

Additional information of ERS is provided in its financial statements for the year ended June 30, 2019 a copy of which can be obtained from the administrator of the Retirement System: P.O. Box 42004, San Juan, Puerto Rico 00940-2004.

NOTE E - COMPENSATED ABSENCES

Regular employees accrue vacation and sick leave of 2.5 days and 1.5 days per calendar month, respectively. The allowed maximum number of accumulated days of regular vacation and sick leave is 60 days and 90 days, respectively. The expense of regular vacations and sick leave is recorded when paid.

NOTE F - INDIRECT COST ALLOCATION PLAN

The United States Department of Health and Human Services (the "HHS"), the Audit Cognizant Agency, approves the rates used by the PRDF to allocate qualified types of expenditures from state funds to federal financial assistance programs. For the year ended June 30, 2019, rates in the indirect cost allocation plan approved by HHS ranged from 7.5% to 19.5%.

NOTE G - CONTINGENCIES

Litigation

The PRDF is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. According to the laws of the Commonwealth, the PRDF is fully represented by the Puerto Rico Department of Justice in defense of all legal cases against it. Any claims with negative financial impact would be paid from the General Fund of the Commonwealth, with no effect on the budget or resources of the PRDF.

Federal awards

The PRDF participates in a number of federal financial assistance programs funded by the Federal Government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantors. If expenditures are disallowed due to

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

noncompliance with grant program regulations, the PRDF may be required to reimburse the grantors.

The Independent Auditor's Reports in the accompanying compliance section on pages 17 through 22 disclose several material weaknesses and significant deficiencies over both financial reporting and programmatic controls including instances of noncompliance with applicable laws and regulations. The PRDF is also audited by the Office of the Comptroller for Puerto Rico (the "Comptroller") and the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS). The Comptroller and the OIG have issued several reports on audits over the operations and management of several federal programs of the PRDF.

Date of management's review

The PRDF's management has evaluated subsequent events through November 23, 2021, the date the statement was available to be issued.

NOTE H - SUBSEQUENT EVENTS

Earthquakes and Coronavirus (COVID-19)

As of December 2019, the island was hit by several earthquakes. During March 2020, due to the Coronavirus pandemic the government declared a lock down. These events caused the interruption of services and business activities which resulted in economic hardship. As a result of natural disaster many assets may be destroyed, damaged or impaired. These disasters affected the operations of the Department and the services provided. Natural disasters can result in additional obligations in order to reconstitute the order and normal business environment.

PART II- SINGLE AUDIT SECTION

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Disbursement	Federal Disbursements
<u>U.S Department of Agriculture</u>				
Pass-through PR Department of Education				
Child and Adult Care Food Program	10.558	NAV	-	\$ 446,211
Direct Programs				
Nutrition Assistance Program for Puerto Rico	10.566		-	2,748,679,327
Food Distribution Cluster:				
Emergency Food Assistance Program (Administrative Costs)	10.568		-	2,491,981
Emergency Food Assistance Program (Food Commodities)	10.569		-	11,329,753
			-	13,821,734
Sub-total U.S Department of Agriculture				2,762,947,272
<u>U.S. Department of Housing and Urban Development</u>				
Pass-through PR Housing Department:				
Continuum of Care Program	14.267	NAV	-	49,094
Direct Program:				
Emergency Shelter Grants Program	14.231		3,721,751	3,950,529
Sub-total U.S Department of Housing and Urban Development				3,999,623
Sub-total carried forward			\$ 3,721,751	\$ 2,766,946,895

(Continues)

See accompanying notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Disbursement	Federal Disbursements
Sub-total brought forward			\$ 3,721,751	\$ 2,766,946,895
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Promoting Safe and Stable Families	93.556		1,380,458	4,316,483
Temporary Assistance for Needy Families	93.558		-	18,229,974
Family Support Payments to States Assistance Payments	93.560		-	25,367,322
Child Support Enforcement	93.563		-	18,786,384
Low-Income Home Energy Assistance	93.568		-	16,737,574
Community Services Block Grant	93.569		-	-
Child Care and Development Block Grant	93.575		20,858,506	31,278,583
Community-Based Child Abuse Prevention Grants	93.590		-	84,762
Access and Visitation Program Grant	93.597		-	77,102
Chafee Education and Training Vouchers Program	93.599		-	558,858
Children Justice Grants to States	93.643		-	134,382
Child Welfare Services- State Grants	93.645		-	3,545,191
Foster Care_ Title IV-E	93.658		-	5,036,870
Adoption Assistance	93.659		-	1,430,289
Social Services Block Grant	93.667		-	6,960,057
Child Abuse and Neglect-State Grants	93.669		-	125,558
Domestic Violence	93.671		1,561,184	1,472,651
Chafee Foster Care Independence Program	93.674		-	852,262
Head Start	93.600		40,013,021	43,353,023
Sub-total U.S. Department of Health and Human Services			63,813,169	178,347,325
<u>U.S. Social Security Administration</u>				
Direct Program:				
Social Security-Disability Insurance	96.001		-	10,679,103
<u>Department of Homeland Security</u>				
Direct Program:				
Disaster Grants-Public Assistance (Presidentially Declared Disaster)	97.036		-	588,138
Total Cash Disbursements of Federal Awards			\$ 67,534,920	\$ 2,956,561,461

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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

NOTE A -BASIS OF ACCOUNTING

The accompanying Schedule of Cash Disbursements of Federal Awards (the Schedule) includes the federal grants activities of the Department of the Family (PRDF) and is presented on the cash basis of accounting. The information in the Schedule is presented in accordance with the 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).

State or local governments redistributions of federal awards to the PRDF known as "pass-through awards", should be treated by the PRDF as though they were received directly from the federal government. The Uniform Guidance requires the Schedule to include the name of the passthrough entity and the identifying number assigned to the pass-through entity for the federal awards received. Numbers identified as NAV are not available.

The Schedule includes one program for which receipts and disbursements are in the form of non-cash items. These non-cash items are valued in accordance with the guidelines established by the United States Department of Agriculture. The transactions for this program are not included in the PRDF's Statement.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used by the PRDF in the preparation of the Schedule follows:

- a) The accompanying Schedule of Cash Disbursements of Federal Awards is prepared from the PRDF's accounting records and is not intended to present the financial position or results of operations of the PRDF.
- b) Disbursements are recognized in the accounting period in which they are paid.
- c) The PRDF has not elected to use the 10 percent "de minimis" indirect cost rate allowed under the Uniform Guidance.

NOTE C - CLUSTER

The Schedule identifies some programs as clusters. A cluster of programs is comprised of federal programs with different CFDA numbers that are closely related programs and share common requirements.

<u>Cluster</u>	<u>Federal Program</u>	<u>CFDA Number</u>
Food Distribution Cluster	Emergency Food Assistance Program (Administrative Cost)	10.568
	Emergency Food Assistance Program (Food Commodities)	10.569

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

NOTE D - MAJOR FEDERAL PROGRAMS

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Costs.

NOTE E - TRANSFERABILITY

For purposes of the Schedule, the expenditures of the funds transferred from the Temporary Assistance for Needy Families (CFDA No. 93.558) to the Social Services Block Grant (CFDA No. 93.667) in the amount of \$6,727,235, were included in the total expenditures of the receiving program.

NOTE F -RECONCILIATION WITH THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

The PRDF is the recipient of a federal financial assistance program that does not result in cash receipts or disbursements and is therefore not recorded in the PRDF's statements of cash receipts and disbursements.

Schedule of Expenditures of Federal Awards	\$ 2,956,561,461
Less: Entitlement amount of Food Commodities	(11,329,753)
Other adjustments	(9,536)
Federeral expenditures per Statement of Cash Receipts and Disbusements	<u>\$ 2,945,222,172</u>

NOTE G -IMPACT OF EARTHQUATES AND CORONAVIRUS (COVID-19)

As of December 2019, the island was hit by several earthquakes. During March 2020, due the Coronavirus pandemic the government declared a lock down. These events caused the interruption of services and business activities which resulted in economic hardship. As a result of natural disaster many assets may be destroyed, damaged or impaired. These disasters affected the operations of the Department and the services provided.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND ON
COMPLIANCE AND OTHER MATTERS**

**Independent Auditor’s Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statement Performed
in Accordance with Government Auditing Standards**

Honorable Carmen Ana González Magaz
Secretary of the Department of the Family
San Juan, Puerto Rico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Cash Receipts and Disbursements (the Statement) of the Department of the Family of the Commonwealth of Puerto Rico (the PRDF) for the year ended June 30, 2019, and the related notes to the Statement and have issued our report thereon dated November 23, 2021. Our report on the Statement includes an emphasis of-matter paragraph drawing attention to Note A to the Statement, which states that the PRDF prepares the Statement on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement, we considered PRDF’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of PRDF’s internal control. Accordingly, we do not express an opinion on the effectiveness of PRDF’s internal control.

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

Our consideration of internal control was a for the limited purpose described in the first paragraph of this section and was a not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PRDF's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Statement amounts. However, providing an opinion on compliance with those provisions was a 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.

Puerto Rico Department of the Family's Response to Findings

PRDF's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. PRDF's response was a not subjected to the auditing procedures applied in the audit of the Statement 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 PRDF'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 PRDF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carolina, Puerto Rico
November 23, 2021



Stamp number E475280
of Puerto Rico CPA Society
has been affixed to the
original report

**Independent Auditor's Report on Compliance
for each Major Federal Program and on Internal Control over Compliance Required by the
Uniform Guidance**

Honorable Carmen Ana González Magaz
Secretary of the Department of the Family
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited the Puerto Rico Department of the Family of the Commonwealth of Puerto Rico's (the PRDF) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of PRDF's major federal programs for the year ended June 30, 2019. The PRDF'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 the requirements of federal statutes, regulations, and the terms and conditions of its federal awards grants applicable to its federal programs.

Auditor's Responsibility

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

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

Basis for Qualified Opinion on CFDA 10.568, Emergency Food Assistance Program (Administrative Costs).

As describe in the accompanying schedule of findings and question cost, the PRDF’s did not comply with requirement Cash Management for CFDA 10.568, Emergency Food Assistance Program (Administrative Costs), as described in finding number 2018-003.

Finding Number	Compliance Requirement (s)	Federal Program Name	CFDA Number
2019-002	Cash Management	Emergency Food Assistance Program (Administrative Cost)	10.568

Compliance with such requirement is necessary, in our opinion, for the PRDF to comply with the requirements applicable to such program.

Qualified Opinion on CFDA 10.568, Emergency Food Assistance Program (Administrative Costs).

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion, the PRDF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Emergency Food Assistance Program (Administrative Costs) for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, PRDF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 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 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009 and 2019-010. Our opinion on each major federal program is not modified with respect to these matters.

PRDF’s response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. PRDF’s response was a 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 PRDF 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 PRDF'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 PRDF'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 were not identified. However, as discussed below, we identified 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 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 2019-001, 2019-002, 2019-005, 2019-006, 2019-007 and 2019-010 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 2019-003, 2019-004, 2019-008 and 2019-009 to be significant deficiencies.

PRDF'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 PRDF'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.

Carolina, Puerto Rico
November 23, 2021

A handwritten signature in blue ink that reads "Aquino, Le Cordona, Alfonso & Co. SST". The signature is written in a cursive style and is centered within a light gray rectangular box.

Stamp number E475281
of Puerto Rico CPA Society
has been affixed to the
original report

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I- Summary of Auditor's Results

A. Summary of audit results:

Part I-Financial Statements

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

Internal control over financial reporting:

2. Significant deficiencies identified? Yes No
3. Material weakness(es) identified? Yes
4. Noncompliance material to financial statements noted? Yes No

Part II- Federal Awards

Internal control over major programs:

1. Significant deficiencies identified? Yes No
2. Material weakness(es) identified ? Yes None reported
3. Type of auditor's reported on compliance for major programs: Unmodified opinion Qualified opinion
 Adverse opinion Disclaimer opinion
4. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Yes No

5. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.566	Nutrition Assistance for Puerto Rico
<u>Food Distribution Cluster:</u>	
10.568	Emergency Food Assistance Program (Administrative Cost)
10.569	Emergency Food Assistance Program (Food Commodities)
93.558	Temporary Assistance for Needy Families
93.560	Family Support Payment to State_ Assistance Payment
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.600	Head Start Program
96.001	Social Security_Disability Insurance

6. Dollar threshold used to distinguish between Type A and Type B programs: \$8,869,684

7. Auditee qualified as low-risk? Yes No

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

Section II- FINDINGS FINANCIAL AUDIT

Financial findings comprise Finding 2019-001. Refer to Section III-Federal Award Findings and Questioned Costs, for a detailed description of the findings.

Finding Number: 2019-001

Agency: U.S. Department of Agriculture, U.S. Department of Health and Human Services

Federal Program: Nutrition Assistance Program for Puerto Rico, Emergency Food Assistance Program, Temporary Assistance for Needy Families, Family Support Payment to State_Assistance Payment , Low-Income Home Energy Assistance

CFDA: 10.566, 10.568, 93.558, 93.560, 93.568

Grant Number: 1PR400426, 1PR810826, 1PR430446
1901PRTANF,G-1901PRLIEA

Grant Period: October 1, 2018 through September 30, 2019

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Financial Administration – Standards for Financial Management System

Category: Financial, Internal Control Weakness and Noncompliance

Criteria

2 CFR Part 200, Section 302 and 45 CFR Part 75, Section 302- Financial management and standards for financial management systems state that (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the

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

preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award, (b) The financial management system of each non-Federal entity must provide for the following: (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance. (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. (4) Effective control over, and accountability for, all funds, property, and other assets, and (5) Comparison of expenditures with budget amounts for each Federal award. Act Number 230 of July 23, 1974, Puerto Rico Government Accounting Law, as amended, states that the accounting system of the instrumentalities of the Commonwealth of Puerto Rico should be designed to reflect or provide complete and clear information related to their financial results of operations.

Condition

During our audit procedures for the year ended June 30, 2019, we noted the following deficiencies related to the accounting policies, procedures, and financial reporting practices of the PRDF:

- Many transactions are posted months after the applicable closing, with a retroactive effect.
- The PRDF does not have adequate procedures in place for the reconciliation of financial transactions recorded in the Department of Treasury's accounting system (PRIFAS) with the accounting records maintained by the accountants of the federal programs.

Effect

The lack of adequate accounting and financial reporting practices and policies causes the PRDF to be unable to prepare accurate and complete financial reports. The lack of submission of adequate reports to management and federal agencies does not allow the performance of the following procedures:

- Detection of irregularities or instances of fraud on a timely basis;
- Preparation of a timely comparison of actual expenditures to budget;
- Discussion of reports with corresponding personnel and explanation for significant variations from budget.

- The PRDF's reports related to state and federal funding may be misleading for internal management decision making and for reliability of external financial reporting; and
- Inadequate control over the accounting process may cause non-compliance with federal regulations and the awarding agencies could reduce or recapture the federal program funds.

Cause

This situation is caused by the lack of analysis, reconciliations of the financial transactions recorded during the fiscal year and the lack of monitoring and supervision of the PRDF's management.

Prior Year Audit Finding

2018-001

Recommendation

The PRDF shall enhance its accounting and financial reporting practices and policies to provide for accurate and complete financial information. In coordination with the Department of Treasury of the Commonwealth of Puerto Rico (PRDT), the PRDF should implement an accounting and financial reporting system that permits the preparation of financial reports required by the different oversight entities including the need to supply information to the Commonwealth of Puerto Rico for its government-wide reporting.

The PRDF should perform monthly reconciliations of transactions recorded in the general ledger (PRIFAS) with the transactions recorded in the subsidiary ledger. Any reconciling item should be investigated and disposed of as deemed necessary, on a timely basis.

In addition, the PRDF should provide training to the accounting personnel in charge of financial reporting regarding state and federal laws requirements and regulations.

Questioned Costs

None

Management's Response

Refer to Grantee's Corrective Action Plan

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

Section III- FINDINGS-MAJOR FEDERAL AWARDS PROGRAM AUDIT

Finding Number: 2019-002

Agency: U.S. Department of Agriculture

Federal Program: Emergency Food Assistance Program(Administrative Cost)

CFDA: 10.568

Grant Number: 1PR810826, 1PR430446

Grant Period: 2017-2018, 2018-2019

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Cash Management

Category: Internal Control Weakness

Criteria

31 CFR, Part 205 (Subpart B), Section 205.33 (a) How are funds transfers processed? establishes that (a) A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

2 CFR Part 200 Section 303 - Internal controls, states that the non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.(c) Evaluate and monitor the non-Federal entity's compliance with statute, regulations and the terms and conditions of Federal awards.(d) Take prompt action when

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

instances of noncompliance are identified including noncompliance identified in audit findings.(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

Condition

The PRDF failed to minimize the time elapsing between the transfer of funds and the related disbursements. In forty-nine (49) instances the period fluctuated between nine (9) to sixty-nine days (69).

Voucher Number	Voucher Date	Check No.	Check Date	Total Amount Check	Date Cleared	Petition Number	Petition Date	Receipt Voucher Date	Credit Notice Number	Credit Notice Date	Days Elapsed between funds
19AP5101	2018-08-14	00095426	2018-08-17	3,443.17	2018-08-17	152019000082	2018-08-08	2018-08-09	18221022	2018-08-09	9
19675252	2018-11-06	00107381	2018-11-07	4,154.22	2018-11-07	1520190267	2018-10-04	2018-10-04	18277038	2018-10-04	34
19675425	2019-01-18	00117588	2019-01-24	3,121.76	2019-01-24	1520190561	2019-01-08	2019-01-08	19008086	2019-01-08	16
19675751	2019-05-07	00133047	2019-05-08	3,256.18	2019-05-08	1520190866	2019-04-24	2019-04-24	19114145	2019-04-24	14
19001649	2018-10-30	00106964	2018-11-02	5,950.00	2018-11-02	152019000198	2018-09-14	2018-09-14	18257122	2018-09-14	49
19001839	2019-06-26	00142997	2019-06-28	456.00	2019-06-28	1520191042	2019-06-14	2019-06-14	19165225	2019-06-14	14
19675346	2018-12-03	00111077	2018-12-05	24,701.76	2018-12-05	1520190454	2018-11-26	2018-11-27	18331118	2018-11-27	9
19675500	2019-02-15	00121926	2019-02-21	34,024.37	2019-02-21	1520190657	2019-02-08	2019-02-11	19042145	2019-02-11	13
19675324	2018-11-30	00247507	2018-12-05	837.60	2018-12-17	1520190398	2018-11-06	2018-11-06	18310024	2018-11-06	29
19675576	2019-03-14	00264728	2019-03-20	3,780.00	2019-03-26	1520190711	2019-03-01	2019-03-01	19060362	2019-03-01	19
19675819	2019-06-05	00279369	2019-06-07	1,158.75	2019-06-27	1520190947	2019-05-20	2019-05-20	19140172	2019-05-20	18
19675936	2019-06-27	00285428	2019-07-03	4,541.70	2019-07-15	1520161069	2019-06-24	2019-06-24	19175211	2019-06-24	9
19675504	2019-02-15	00121902	2019-02-21	1,000.00	2019-02-21	1520190657	2019-02-08	2019-02-11	19042145	2019-02-11	13
19675930	2019-06-26	00284253	2019-06-28	895.50	2019-12-10	1520191030	2019-06-13	2019-06-13	19164187	2019-06-13	15
19675556	2019-03-04	00123770	2019-03-06	216.00	2019-03-06	1520190688	2019-02-21	2019-02-22	19053144	2019-02-22	13
19675754	2019-05-15	00274965	2019-05-17	810.00	2019-05-23	1520190916	2019-05-08	2019-05-08	19181156	2019-05-08	9
19675806	2019-05-17	00275903	2019-05-22	1,400.00	2019-05-29	1520190923	2019-05-10	2019-05-10	19133152	2019-05-10	12
19675199	2018-10-30	00243646	2018-11-02	1,576.50	2018-11-08	152019000198	2018-09-14	2018-09-14	18257122	2018-09-14	49
19675656	2019-04-23	00271000	2019-04-26	2,473.04	2019-05-02	1520190834	2019-04-10	2019-04-11	19101131	2019-04-11	16
19675753	2019-05-09	00273882	2019-05-13	4,606.15	2019-05-21	1520190896	2019-05-01	2019-05-01	19121365	2019-05-01	12
19001774	2019-04-23	00271002	2019-04-26	1,300.00	2019-05-02	1520190834	2019-04-10	2019-04-11	19101131	2019-04-11	16
19675347	2018-12-03	00110954	2018-12-05	2,450.00	2018-12-05	1520190454	2018-11-26	2018-11-27	18331118	2018-11-27	9
19675472	2019-02-08	00120561	2019-02-13	390.00	2019-02-13	1520190619	2019-01-25	2019-01-25	19025162	2019-01-25	19
19675786	2019-05-17	00136205	2019-05-22	2,458.94	2019-05-22	1520190923	2019-05-10	2019-05-10	19133152	2019-05-10	12
19AP1587	2018-08-15	00230811	2018-08-22	1,763.07	2018-08-28	152019000059	2018-08-02	2018-08-03	18215005	2018-08-03	20
19001606	2018-10-30	00243653	2018-11-02	13,851.60	2018-11-08	152019000172	2018-09-05	2018-09-06	18249014	2018-09-06	58
19001686	2018-12-12	00112644	2018-12-14	339.64	2018-12-14	1520190396	2018-11-05	2018-11-06	18310014	2018-11-06	39
19001700	2018-12-17	00250562	2018-12-21	24,740.00	2019-02-04	1520190496	2018-12-12	2018-12-13	18347104	2018-12-13	9
19001702	2018-12-17	00250518	2018-12-21	35,509.00	2019-06-04	1520190496	2018-12-12	2018-12-13	18347104	2018-12-13	9
19001822	2019-06-06	00138847	2019-06-07	19,175.00	2019-06-07	1520190955	2019-05-23	2019-05-23	19143182	2019-05-23	15
19AP5046	2018-08-08	00094359	2018-08-10	936.00	2018-08-10	15201900054	2018-07-31	2018-08-01	18213016	2018-08-01	10
19675188	2018-10-30	00106863	2018-11-02	1,716.07	2018-11-02	152019000198	2018-09-14	2018-09-14	18257122	2018-09-14	49
19675929	2019-06-26	00143003	2019-06-28	2,390.00	2019-06-28	1520191030	2019-06-13	2019-06-13	19164187	2019-06-13	15
19AP5068	2018-08-13	00095578	2018-08-17	51,990.00	2018-08-17	15201900054	2018-07-31	2018-08-01	18213016	2018-08-01	17
19675220	2018-11-15	00109701	2018-11-28	51,990.00	2018-11-28	152019000220	2018-09-20	2018-09-21	18264023	2018-09-21	69
19675387	2018-12-19	00252397	2019-01-11	49,900.00	2019-01-23	1520190535	2018-12-20	2018-12-21	18355135	2018-12-21	22
19675452	2019-01-31	00256032	2019-02-04	49,900.00	2019-02-08	1520190593	2019-01-18	2019-01-17	19018142	2019-01-17	17
19675561	2019-03-06	00263884	2019-03-15	49,900.00	2019-03-22	1520190688	2019-02-21	2019-02-22	19053144	2019-02-22	22
19675574	2019-03-06	00262859	2019-03-08	49,900.00	2019-03-18	1520190698	2019-02-25	2019-02-26	19057137	2019-02-26	11
19675631	2019-04-01	00267473	2019-04-05	49,900.00	2019-04-10	1520190757	2019-03-15	2019-03-18	19077161	2019-03-18	21
19675788	2019-05-17	00275828	2019-05-22	49,900.00	2019-06-03	1520190923	2019-05-10	2019-05-10	19133152	2019-05-10	12
19675853	2019-05-31	00278862	2019-06-05	49,900.00	2019-06-12	1520190957	2019-05-24	2019-05-23	19144136	2019-05-24	12
19675961	2019-06-26	00284252	2019-06-28	49,900.00	2019-07-03	1520191051	2019-06-18	2019-06-18	19169188	2019-06-18	10
19AP1585	2018-08-15	00230326	2018-08-20	81,600.00	2018-08-30	152019000059	2018-08-02	2018-08-03	18215005	2018-08-03	18
19AP1586	2018-08-15	00230325	2018-08-20	84,654.90	2018-08-30	152019000059	2018-08-02	2018-08-03	18215005	2018-08-03	18
19001757	2019-04-23	00131198	2019-04-26	44,175.17	2019-04-26	1520190834	2019-04-10	2019-04-11	19101131	2019-04-11	16
19001701	2018-12-17	00250553	2018-12-21	60,749.06	2019-01-30	1520190496	2018-12-12	2018-12-13	18347104	2018-12-13	9
19001703	2018-12-17	00250514	2018-12-21	248,850.00	2019-01-24	1520190496	2018-12-12	2018-12-13	18347104	2018-12-13	9
19001704	2018-12-17	00250513	2018-12-21	323,760.00	2019-01-24	1520190496	2018-12-12	2018-12-13	18347104	2018-12-13	9

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

Effect

The PRDF is not in compliance with federal regulations on cash management. The PRDF could be exposed to administrative sanctions by the grantor, including the assessment of interest cost on funds that were not disbursed within the required time

Cause

This situation was a primarily caused by the lack of effective internal control over cash management procedures. The PRDF does not maintain a regular monitoring over the cash requisitions, the payments supporting documents, and the accounting records.

Prior Year Audit Finding

2018-003

Recommendation

The PRDF should enforce internal control procedures to comply with cash management requirements established by the federal regulations. The PRDF should establish written policies and procedures for the proper review and authorization of request of federal drawdowns and the related disbursements supporting documentation.

Questioned Costs

None

Management's Response:

See Grantee's Corrective Action Plan

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

Finding Number: 2019-003

Agency: U.S. Department of Agriculture

Federal Program: Emergency Food Assistance Program
(Administrative and Food Commodities)

CFDA: 10.568,10.569

Grant Number: 1PR810826, 1PR430446

Grant Period: 2017-2018, 2018-2019

Administration: Administration for Socioeconomic Development of
the Family

Compliance Requirement: Eligibility

Category: Significant Deficiency and Noncompliance

Criteria

7 CFR Part 251.5(b)- Eligibility determination, (a)(1) Agencies distribution to households, establishes that Organizations distributing commodities to households for home consumption must limit the distribution of commodities provided under this part those household which meet the eligibility criteria established by the State agency in accordance with paragraph (b) of this section. (b) Criteria for determining recipient eligibility- Each agency must establish uniform Statewide criteria for determining the eligibility of households to receive commodities provide under this part for home consumption. The criteria must: (1) Enable the State agency to ensure that only households which are in need of food assistance because of inadequate income receive TEFAP commodities; (2) Include income based standards and the methods by which households may demonstrate eligibility under such standards; and (3) Include a requirement that the household reside in the geographic location served by the State agency at the time of applying for assistance, but length of residency shall not be used as an eligibility criterion.

Eligibility for Individuals-Receipt of USDA Foods for Household Use – An ERA certifies households eligible to receive USDA Foods for household consumption by applying income eligibility criteria established by the State agency (7 CFR section 251.5(b)). These criteria are approved in advance by FNS as part of the State agency’s distribution plan (7 CFR section 251.6(a)).

COMMONWEALTH OF PUERTO RICO
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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Eligibility for Subrecipients

- a. A recipient agency must be either a public agency or a private entity possessing tax-exempt status under the Internal Revenue Code and must enter into a written agreement with the state agency, or with another recipient agency where permitted, binding it to perform the duties of a recipient agency (7 CFR sections 247.4, 247.7(a), 251.3(d), and 251.5(a)).
- b. For TEFAP, the state agency's distribution plan identifies the classes of organizations with which it will enter into such agreements (7 CFR section 251.6).
- c. For TEFAP, recipient agencies providing prepared meals must have demonstrated, to the satisfaction of the state agency, or ERA to which they have applied for USDA Foods or administrative funds, that they serve predominantly needy persons (7 CFR section 251.5(a)(2)).

2 CFR Part 200 Section 303 - Internal controls, states that the non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.(c) Evaluate and monitor the non-Federal entity's compliance with statute, regulations and the terms and conditions of Federal awards.(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

Condition

Required ERA file for eligibility determination could not be provide for our evaluation.

Effect

The PRDF is not in compliance with the federal regulations and internal control procedures. The PRDF may be qualifying ERA that do not meet the eligibility requirement of the Program.

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

Cause

This situation is caused by the lack of adherence and enforcement to the internal control procedures included in the federal regulations and the state agency's distribution plan.

Context

As part of our audit procedures over ERA's eligibility requirements, we evaluated twenty-three participants and found two that PRDF not provide to us the file for evaluation.

Prior Year Audit Finding

2018-004

Recommendation

We recommend management to strengthen internal control procedures over the evaluation process of the participants to assure that individuals selected comply with Program's objectives and procedures and that all supporting documentation for eligibility determination is evaluated and maintained on file.

Questioned Cost

Could not be determined

Management Response:

See Grantee's Corrective Action Plan

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

Finding Number: 2019-004

Agency: U.S. Department of Health and Human Services

Federal Program: Temporary Assistance for Needy Families, Family Support Payment to State Assistance_Payment

CFDA: 93.558, 93.560

Grant Number: 1801PRTANF /1901PRTANF

Grant Period: October 1, 2017-September 30, 2018
October 1, 2018-September 30, 2019

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Eligibility

Category: Significant Deficiency and Noncompliance

Criteria

The PRDF as an eligible State has submitted to the Secretary of the U.S. Treasury a State Plan that outlines the way the State intends to conduct the TANF program as requested by 42 U.S.C. Part 602 Section (a)(1)(A)(i). The State Plan shall set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, including an explanation of how the State will provide opportunities for recipients who have been adversely affected to be heard in a State administrative or appeal process as required by 42 U.S.C. Part 602 Section (a) (1) (B) (iii).

The Temporary Assistance for Needy Families Program State Plan of Operation for fiscal years 2018 through 2020 of the Government of Puerto Rico (the State Plan), Chapter IV-Application Process, establishes financial and non-financial eligibility requirements for applications and redeterminations; the assistance unit that will be considered for benefits and services; supportive evidence of eligibility requirements; and other eligibility factors and criteria.

2 CFR Part 200 Section 303 - Internal controls, states that the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

should be in compliance with guidance in “Standards for Internal Control in the Federal Government”, issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.(c) Evaluate and monitor the non-Federal entity's compliance with statute, regulations and the terms and conditions of Federal awards.(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

Condition

Internal control deficiencies have permitted that participants’ files do not include required documentation for eligibility determination purposes or file not provided for revision.

Effect

The PRDF is not adhering to the established internal controls and is not adequately documenting participants’ eligibility. The PRDF may be qualifying participants that do not meet the eligibility requirements established by the federal regulations. The PRDF should reimburse the Federal agency for benefits awarded to erroneously determined eligible participants.

Cause

The PRDF had internal control procedures over the process of evaluating the eligibility of participants, however, employees did not adhere to established internal control procedures and the enforcement remedies were not adequately implemented.

Context

A sample of forty participants’ files from an office in each region from a population of 17,416 participants. The test found the following exceptions:

- Three files not provided for our revision.
- Document for assignment of right to food and commitments of cooperation with ASUME (ADSEF 106.B.1) not found in one participant file.

Our sample was a statistically valid sample.

Prior Year Audit Finding

2018-006

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DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Recommendation

The PRDF should enforce existing internal control procedures to manage, review, and monitor and safeguard of participants' files to ensure that they contain all documentation required by the federal regulations and State Plan. Internal controls should also provide remedies for appropriate enforcement and disciplinary actions, if necessary.

Questioned Cost

Could not be determined

Management Response

See Grantee's Corrective Action Plan

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

Finding Number:	2019-005
Agency:	U.S. Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families
CFDA:	93.558
Grant Number:	1801PRTANF /1901PRTANF
Grant Period:	October 1, 2017-September 30, 2018 October 1, 2018-September 30, 2019
Administration:	Administration for Socioeconomic Development of the Family
Compliance Requirement:	Special Test- Penalty for Refusal to Work
Category:	Internal Control Weakness and Noncompliance

Criteria

45 CFR 261.14 (a)(c) What is the penalty if an individual refuses to engage in work, establishes that if an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. (c) A State that fails to impose penalties on individuals in accordance with the provisions of Section 407 (e) of the Act may be subject to the State penalty specified at 261.54.

The Temporary Assistance for Needy Families Program State Plan of Operation for fiscal years 2018 through 2020 of the Government of Puerto Rico (the State Plan) Chapter VII (B), establishes a sanction policy to participants who do not comply with the Individual Responsibility Plan. An individual who refuses to engage in work activities as established in his Individual Responsibility Plan, will be penalized. The penalties will be applied as follow:

- First penalty – if an individual refuses to participate in work activities without a good cause, as established in our policy, his cash assistance benefit will be reduced. The reduction consists in not including the adult portion in the total amount of the benefit. This action will last 3 months.
- Second penalty – if the individual refuses to engage in work activities after being advised to participate and the first penalty has been applied, the cash assistance payment to the

COMMONWEALTH OF PUERTO RICO
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

family is terminated for the next three months, and the case will be closed. The individual must comply with the penalty term in order to be able to re-apply for benefits.

- Third penalty – if the individual refuses to participate as required and the second penalty has been applied, the cash assistance benefits will be terminated for the next six months and the case will be closed. The participant must comply with the penalty term, after this period he is able to re-apply. If the individual subsequently fails to cooperate this penalty will be re- applied.

Compliance with work activities and participation hours will be defined by the Individual Responsibility Plan. The eligibility technician and the case manager will make continuous contact with the individual to encourage him to engage in work activities.

Condition

For the participants with codification of ABEN (“Abandono de Empleo sin Justa Causa”) or ABJU (“Abandono de Empleo sin Justa Causa PTR”) in their Individual Responsibility Plan, the PRDF failed to provided file for audit review and in some cases provide correct codification of population requested.

Effect

The PRDF is not in compliance with the Program’s procedures regarding participants who do not comply with the Individual Responsibility Plan requirements and may be exposed to HHS penalties. The PRDF may be providing benefits to participants that do not meet the Individual Responsibility Plan requirements established by state regulations. Also, statistics used for the calculation of the work participation rate are not accurate due to incorrect participant codification.

Cause

This situation is caused by the lack of adherence to and enforcement of internal control procedures already established by the PRDF in the State Plan for the Individual Responsibility Plan compliance requirements.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Context

A sample of six participants with codification of NOAC-Refusal to work was selected for audit from a population of Eighteen for the fiscal year 2018-2019 provided by the Office of Information System. The test revealed the following exceptions:

- one case the file was not provided for revision.
- three case the codification of the participants was incorrect.

Prior Year Audit Finding

2018-008

Recommendation

We recommend management to enforce compliance with internal control procedures over the process performed by the eligibility technician or the case manager to assure compliance with the Individual Responsibility Plan and filing of documents in accordance with the Program's procedures and state and federal regulations.

Questioned Cost

None

Management's Response

Refer to Grantee's Corrective Action Plan

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number: 2019-006

Agency: U.S. Department of Health and Human Services

Federal Program: Temporary Assistance for Needy Families

CFDA: 93.558

Grant Number: 1801PRTANF /1901PRTANF

Grant Period: October 1, 2017-September 30, 2018
October 1, 2018-September 30, 2019

Administration: Administration for Socioeconomic Development of
the Family

Compliance Requirement: Special Test- Adult Custodial Parent of Child Under
Six When Child Care Not Available

Category: Internal Control Weakness and Noncompliance

Criteria

45 CFR 261.14 (a)(c) What is the penalty if an individual refuses to engage in work, establishes that if an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. (c) A State that fails to impose penalties on individuals in accordance with the provisions of Section 407 (e) of the Act may be subject to the State penalty specified at 261.54.

The Temporary Assistance for Needy Families Program State Plan of Operation for fiscal years 2018 through 2020 of the Government of Puerto Rico (the State Plan) Chapter VII (B), establishes a sanction policy to participants who do not comply with the Individual Responsibility Plan. An individual who refuses to engage in work activities as established in his Individual Responsibility Plan, will be penalized. The penalties will be applied as follow:

- First penalty – if an individual refuses to participate in work activities without a good cause, as established in our policy, his cash assistance benefit will be reduced. The reduction.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

- consists in not including the adult portion in the total amount of the benefit. This action will last 3 months.
- Second penalty – if the individual refuses to engage in work activities after being advised to participate and the first penalty has been applied, the cash assistance payment to the family is terminated for the next three months, and the case will be closed. The individual must comply with the penalty term in order to be able to re-apply for benefits.
- Third penalty – if the individual refuses to participate as required and the second penalty has been applied, the cash assistance benefits will be terminated for the next six months and the case will be closed. The participant must comply with the penalty term, after this period he is able to re-apply. If the individual subsequently fails to cooperate this penalty will be re- applied.

Compliance with work activities and participation hours will be defined by the Individual Responsibility Plan. The eligibility technician and the case manager will make continuous contact with the individual to encourage him to engage in work activities.

Condition

For the participants with codification of JC06, Adult Custodial Parent of Child under Six When Child Care not available without any good cause in their Individual Responsibility Plan, the PRDF failed to provide file for audit review and codify correctly the good cause according to procedures established in the State Plan.

Effect

The PRDF is not in compliance with the Program’s procedures regarding participants who do not comply with the Individual Responsibility Plan requirements and may be exposed to HHS penalties. The PRDF may be providing benefits to participants that do not meet the Individual Responsibility Plan requirements established by state regulations. Also, statistics used for the calculation of the work participation rate are not accurate due to incorrect participant codification.

Cause

This situation is caused by the lack of adherence to and enforcement of the internal control procedures already established by the PRDF in the State Plan for the Individual Responsibility Plan compliance requirements.

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

Context

A sample of twenty participants with codification of JC06, Adult Custodial Parent of Child under Six When Child Care not available without any good cause, was selected for audit from a population of 1,399 for the fiscal year 2018-2019 provided by the Office of Information System and noted the following:

- One files not provide for audit review
- fourteen case the codifications of the participant were incorrect.

Prior Year Audit Finding

2018-009

Recommendation

We recommend management to enforce compliance with internal control procedures over the process performed by the eligibility technician or the case manager to assure compliance with Individual Responsibility Plan and filing of documents in accordance with the Program's procedures and state and federal regulations. The PRDF should strengthen the internal controls over its computer applications to reduce or avoid data entry errors.

Questioned Cost

None

Management's Response

Refer to Grantee's Corrective Action Plan

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DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number: 2019-007

Agency: U.S. Department of Health and Human Services

Federal Program: Temporary Assistance for Needy Families, Family
CFDA: 93.558

Grant Number: 1801PRTANF /1901PRTANF

Grant Period: October 1, 2017-September 30, 2018
October 1, 2018-September 30, 2019

Administration: Administration for Socioeconomic Development of
the Family

Compliance Requirement: Special Test- Income Eligibility and Verification
System

Category: Internal Control Weakness and Noncompliance

Criteria

As required by Section 1137 of the Social Security Act, each State shall participate in the Income and Verification System (IEVS) to request and obtain income and benefit information when making eligibility determinations. The Temporary Assistance for Needy Families Program State Plan of Operation for fiscal years 2018 through 2020 of the Government of Puerto Rico (the State Plan) Chapter XI (A), establishes that through the Office of Information System TANF caseload is crosscheck with the data base of IEVS to identify participants that may have income. The system creates a list of participants which should be reviewed by eligibility technicians. The technician is responsible to interview the participant to verify the information and to take actions over those cases.

PRDF Local Office Procedure Manual (the Manual), establishes the following procedures for the exchange of information of persons receiving Social Security Benefits (BENDEX): (a) The BENDEX list is issued monthly to the Director of each Region. (b) The Regional Director sends it to the corresponding local office. (c) The list is assigned and delivered to the technicians to crosscheck the information of the list with the participants' file. (d) The technicians will make a note on the Daily Contact Form (ADSEF-106G) including the finding, date of crosscheck, and name. In the BENDEX list the technicians must write their initials and the date in which the evaluation was made.

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Condition

The PRDF failed to provide file for audit review and in some cases provide correct codification of population requested.

Effect

The PRDF is not in compliance with the Program's procedures regarding Income and Verification System when making the eligibility determinations and may be exposed to HHS penalties. The PRDF may be providing benefits to participants that do not meet the income range established by the State regulations.

Cause

This situation is caused by the lack of adherence to and enforcement of the internal control procedures already established by the PRDF.

Context

A sample of twelve participant was selected for audit from the List of Participants receiving Social Security Benefits (BENDEX) and with the identification code (SWICA) for the fiscal year 2018-2019 provided by the Office of Information System noted the following:

- Two files not provide for audit review
- Five cases the codifications of the participant were incorrect.

Prior Year Audit Finding

2018-010

Recommendation

We recommend management to enforce compliance with internal control procedures over the process performed by the eligibility technicians to assure compliance with Income and Verification System and filing of documents in accordance with the program procedures and state and federal regulations.

Questioned Cost

Not applicable

Management's Response

Refer to Grantee's Corrective Action Plan

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number: 2019-008

Agency: U.S. Department of Agriculture

Federal Program: Nutrition Assistance Program for Puerto Rico

CFDA: 10.566

Grant Number: 1PR400426

Grant Period: 10-1-2017 to 9-30-2018
10-1-2018 to 9-30-2019

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Eligibility

Category: Significant deficiency and Noncompliance

Criteria

7 CFR Part 285 Section 3 - Plan of Operation, states (b) The plan of operation shall include the following information: (2) A description of the needy persons residing in the Commonwealth of Puerto Rico and an assessment of the food and nutrition needs of these persons. The description and assessment shall demonstrate that the Nutrition Assistance Program is directed toward the neediest persons in the Commonwealth of Puerto Rico.

The PR Department of the Family is required to identify in its annual plan the population eligible for NAP benefits. In testing the propriety of eligibility determinations and disbursements for NAP benefits, the auditor shall apply the eligibility criteria established by the PR Department of the Family and identified in the annual plan (7 CFR section 285.3(b)(2)).

2 CFR Part 200 Section 303 - Internal controls, states that the non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.(c) Evaluate and monitor the non-Federal entity's compliance with statute, regulations and the terms and conditions of Federal awards.(d) Take prompt action when

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instances of noncompliance are identified including noncompliance identified in audit findings.(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

Condition

Internal control deficiencies have permitted that participants' files do not include required documentation for eligibility determination purposes.

Effect

The PRDF is not adhering to the established internal controls procedures and not adequately documenting the eligibility of participants. The PRDF may be qualifying participants that do not meet the eligibility requirements established by federal regulations. The PRDF should reimburse the Federal agency benefits awarded to erroneously determined eligible participants.

Cause

The PRDF did not have adequate internal control procedures over the process of evaluating the eligibility of participants, employees were not adhering to the established internal control procedures and the enforcement remedies were not adequately implemented.

Context

A sample of 40 participant's files was a selected for audit from a population of 654,651. The selection was made by one office for each region selected. The test revealed the following deficiencies:

- Two files not provide for audit review.
- One participant file did not include the Notification of Action Taken (DSS-109).
- One participant file did not include Identification card.
- Three participants that we do not observe school assistance certification (ADSEF-147) in the participant file.

Prior Year Audit Finding

2018-011

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Recommendation

The PRDF should enforce existing internal control procedures to manage, review and monitor participants' files to ensure that they contain all documentation required by federal regulations and State Plan. Internal controls should also provide remedies for appropriate enforcement and disciplinary actions, if necessary.

Questioned Costs

Could not be determined

Management's Response

See Grantee's Corrective Action Plan

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number: 2019-009

Agency: U.S. Department of Health and Human Service

Federal Program: Low-Income Home Energy Assistance Program

CFDA: 93.568

Grant Number: G1801PRLIEA/ G1901PRLIEA

Grant Period: October 1, 2016-September 30, 2018
October 1, 2018-September 30, 2019

Administration: Administration for Socioeconomic Development of
the Family

Compliance Requirement: Eligibility

Category: Significant deficiency and Noncompliance

Criteria

Grantees may provide assistance to (a) households in which one or more individuals are receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP) benefits, or certain needs-tested veterans benefits; or (b) households with incomes which do not exceed the greater of 150 percent of the State's established poverty level, or 60 percent of the State median income. Grantees may establish lower income eligibility criteria, but no household may be excluded solely on the basis of income if the household income is less than 110 percent of the State's poverty level. Grantees may give priority to those households with the highest home energy costs or needs in relation to income (42 USC 8624(b)(2)). Grantees must give priority to those households with the highest home energy costs or needs in relation to income and household size (42 USC 8624(b)(5)).

45 CFR Part 75 Section 303 - Internal controls, states that the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States and the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards. (c) Evaluate and monitor the non-Federal entity's compliance

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

with statutes, regulations and the terms and conditions of Federal awards. (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Condition

The PRDF fail to provide one file for audit review and internal control deficiency have permitted that participants' file does not include required documentation for the eligibility determination purpose.

Effect

The PRDF is not in compliance with the eligibility requirements set forth by federal regulations, which could affect the future award of its federal grants.

Cause

The PRDF did not have adequate internal control procedures over the process of evaluating the eligibility of participants, employees did not adhere to established internal control procedures and the enforcement remedies were not adequately implemented.

Context

A sample of forty participants' files was a selected for audit from a population of 9,623. The selection was made by one office for each region selected. The test found the following exception

- One file was not provided for our revision
- For one participant we do not observe the Notification of Action Taken, Certified Medical Reason, Quotation and Invoice.

Prior Year Audit Finding

Not applicable

Recommendation

The PRDF should enforce existing internal control procedures to manage, review, and monitor participants' files to ensure that they contain all documentation required by the federal regulations and State Plan. Internal controls should also provide remedies for appropriate enforcement and disciplinary actions, if necessary.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Questioned Cost

Could not be determined

Management's Response

See Grantee's Corrective Action Plan

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

Finding Number: 2019-010

Agency: All Federal Agencies in the SEFA

Federal Program: All Federal Agencies in the SEFA

CFDA: All Federal Agencies in the SEFA

Grant Number: All Federal Agencies in the SEFA

Grant Period: October 1, 2017 through September 30, 2019

Administration: Administration for Socioeconomic Development of the Family

Compliance Requirement: Reporting

Category: Internal Control Weakness and Noncompliance

Criteria

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal, Part 200.512, Report Submission, (a) General, (1) states that the audit must be completed and the data collection form and reporting package 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.

Condition

PRDF did not comply with the required due date for the submission of the Single Audit Report.

Effect

The PRDF could be sanctioned by the Federal Government for the noncompliance of this requirement.

Cause

As of December 2019, the island was hit by several earthquakes. During March 2020, due the Coronavirus pandemic the government declared a lock down. These events caused the interruption of services and business activities which resulted in economic hardship. These disasters affected the operations of the Department and the services provided.

Prior Year Audit Finding

2018-013

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

Recommendation

The PRDF must should designate work teams among all administration which serve as liaisons with the auditors and be responsible for the delivery of information and documentation to ensure compliance with due dates. In addition, shall establish controls and procedures to enable compliance with completion and submitting of the Single Audit Report of PRDF to the Federal Clearinghouse before the 9 months deadline.

Questioned Costs

None

Management's Response

Refer to Grantee's Corrective Action Plan

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SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
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Reference Number: 2018-001

CFDA: 10.566, 10.568, 93.558, 93.560

Federal Program: Nutrition Assistance Program for Puerto Rico, Emergency Food Assistance Program, Temporary Assistance for Needy Families, Family Support Payment to State_Assistance Payment

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Financial Administration – Standards for Financial Management System

Question Cost: None

Status of Corrective Action Plan: Remains Uncorrected

Reference Number: 2018-002

CFDA: 10.566, 10.568, 93.558, 93.560, 96.001, 93.563

Federal Program: Nutrition Assistance Program for Puerto Rico, Emergency Food Assistance Program, Temporary Assistance for Needy Families, Family Support Payment to State_Assistance Payment, Social Security Disability Insurance, Child Support

Administration: Administration for Socioeconomic Development of the Family, Secretariat, Administration for Children and Families

Audit Finding: Allowable Cost/Cost Principles

Question Cost: None

Status of Corrective Action Plan: Corrected

Reference Number: 2018-003

CFDA: 10.568

Federal Program: Emergency Food Assistance Program (Administrative Cost)

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Cash Management

Question Cost: None

Status of Corrective Action Plan: Remains Uncorrected

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reference Number: 2018-004

CFDA: 10.568

Federal Program: Emergency Food Assistance Program (Administrative Cost)

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Eligibility

Question Cost: None

Status of Corrective Action Plan: Remains Uncorrected

Reference Number: 2018-005

CFDA: 10.569

Federal Program: Emergency Food Assistance Program (Food Commodities)

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Period of Performance

Question Cost: None

Status of Corrective Action Plan: Corrected

Reference Number: 2018-006

CFDA: 93.558, 93.560

Federal Program: Temporary Assistance for Needy Families, Family Support
Payment to State Assistance Payment

Administration: Administration for Socioeconomic Development of the Family

Audit Finding: Eligibility

Question Cost: Could not be determined

Status of Corrective Action Plan: Remain Uncorrected

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reference Number: 2018-007
CFDA: 93.558, 93.560
Federal Program: Temporary Assistance for Needy Families, Family Support
Payment to State Assistance Payment
Administration: Administration for Socioeconomic Development of the Family
Audit Finding: Special Test-Child Support Non-Cooperation
Question Cost: None
Status of Corrective Action Plan: Corrected

Reference Number: 2018-008
CFDA: 93.558
Federal Program: Temporary Assistance for Needy Families
Administration: Administration for Socioeconomic Development of the Family
Audit Finding: Special Test-Penalty for Refusal to Work
Question Cost: None
Status of Corrective Action Plan: Remain Uncorrected

Reference Number: 2018-009
CFDA: 93.558
Federal Program: Temporary Assistance for Needy Families
Administration: Administration for Socioeconomic Development of the Family
Audit Finding: Special Test-Adult Custodial Parent of Child Under Six When
Child Care Not Available
Question Cost: Could not be determined
Status of Corrective Action Plan: Remain Uncorrected

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reference Number: 2018-010
CFDA: 93.558
Federal Program: Temporary Assistance for Needy Families
Administration: Administration for Socioeconomic Development of the Family
Audit Finding: Special Test – Income Eligibility and Verification System
Question Cost: None
Status of Corrective Action Plan: Remain Uncorrected

Reference Number: 2018-011
CFDA: 10.566
Federal Program: Nutrition Assistance Program for Puerto Rico
Administration: Administration for Socioeconomic Development of the Family
Audit Finding: Eligibility
Question Cost: None
Status of Corrective Action Plan: Remain Uncorrected

Reference Number: 2018-012
CFDA: 10.566, 93.558
Federal Program: Nutrition Assistance Program for Puerto Rico, Temporary Assistance for Needy Families
Administration: Administration for Socioeconomic Development of the Family
Audit Finding: Reporting
Question Cost: None
Status of Corrective Action Plan: Corrected

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SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reference Number: 2018-013

CFDA: All Federal Agencies in the SEFA

Federal Program: All Federal Agencies in the SEFA

Administration: All Administrations

Audit Finding: Reporting

Question Cost: None

Status of Corrective Action Plan: Remain Uncorrected

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



Commonwealth of Puerto Rico
Department of Family
Management Comments / Corrective Action Plan
Single Audit for the period ended June 30, 2019

Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2019-001</p> <p>U.S. Department of Agriculture</p> <p>U.S. Department of Health and Human Services</p>	<p>The PRDF shall enhance its accounting and financial reporting practices and policies to provide for accurate and complete financial information. In coordination with the Department of Treasury of the Commonwealth of Puerto Rico (PRDT), the PRDF should implement an accounting and financial reporting system that permits the preparation of financial reports required by the different oversight entities including the need to supply information to the Commonwealth of Puerto Rico for its government-wide reporting.</p> <p>The PRDF should perform monthly reconciliations of transactions recorded in the general ledger (PRIFAS) with the transactions recorded in the subsidiary ledger. Any reconciling item should be investigated and disposed of as deemed necessary, on a timely basis.</p> <p>In addition, the PRDF should provide training to the accounting personnel in charge of financial reporting regarding state and federal laws requirements and regulations.</p>	<p>ADSEF agrees with the recommendations presented. It is our understanding that PRITS is working in an accounting system that will serve all agencies. We expect this system to be able to generate the necessary monthly reports. We are not currently involved in the development of this system for what we will review established procedures of reconciliations and communication between Finance and the Federal Reports area, both under the administration of Finance and Budget. At the moment the monthly reconciliations are referred to the Federal Reports area. But we will investigate any missed process between them.</p> <p>It is important to note, that some transactions depend solely or partially on the Treasury Department. While we understand our responsibility, we cannot control the time it takes the Treasury Department.</p> <p>Lastly, we recognize our employees have not been receiving trainings, and we will be identifying the resources to be able to provide them. </p>	<p>May 31, 2022</p>	<p>Carla M. Colon</p> <p>Administration for the Socioeconomic Development (ADSEF): Finance and Budget Deputy Administrator</p>

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Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
2019-002 U.S. Department of Agriculture	The PRDF should enforce internal control procedures to comply with cash management requirements established by the federal regulations. The PRDF should establish written policies and procedures for the proper review and authorization of request of federal drawdowns and the related disbursements supporting documentation.	ADSEF's process of cash management includes two of our financial areas and the Treasury Department. TEFAP funds are not requested until the corresponding documentation has been evaluated and deemed eligible for payment. Once funds requested are received, we depend on the Treasury Department to record the deposit and make it available for disbursement. This process is controlled solely by the Treasury Department. After the deposit is recorded, and payment is approved by our area of Accounts Payable, the disbursement is made by the Treasury Department. Their procedures establish that electronic payments are processed within 1 business day, but we've experienced otherwise. This procedure is also controlled solely by the Treasury Department. We accept the recommendation and will be reviewing the written policies and procedures for cash management.	May 31,2022	Carla M. Colon Administration for the Socioeconomic Development (ADSEF): Finance and Budget Deputy Administrator
2019-003 U.S. Department of Agriculture	We recommend management to strengthen internal control procedures over the evaluation process of the participants to assure that individuals selected comply with Program's objectives and procedures and that all supporting documentation for eligibility determination is evaluated and maintained on file.	ADSEF accepts recommendation and will be reviewing internal procedures to enforce proper recordkeeping of eligibility documentation.	May 31,2022	Glenda Cardec Administration for the Socioeconomic Development (ADSEF): TEFAP Program Director and Deputy Administrator of Operational Services

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Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2019-004</p> <p>U.S. Department of Health and Human Services</p>	<p>The PRDF should enforce existing internal control procedures to manage, review, and monitor and safeguard of participants' files to ensure that they contain all documentation required by the federal regulations and State Plan. Internal controls should also provide remedies for appropriate enforcement and disciplinary actions, if necessary.</p>	<p>ADSEF accepts recommendation and will be reviewing supervisory functions to ensure all participants' files are complete.</p> <p>As of September 23, 2021, as part of our goals to be more efficient and agile, an online platform was implemented where participants can carry out their PAN, TANF and LIHEAP program transactions more easily and conveniently. As a corrective action for the "Single Audit 2019" we want to establish that this online platform, called ADSEF Digital, will significantly reduce the failure we had of not being able to provide original files for review.</p> <p>Through ADSEF Digital, participants will be able to initiate their application and submit their eligibility documents and any other documents required during the eligibility revisions to support their file. We understand that this new procedure will facilitate access to the files in an expeditious manner since the documents will be submitted by the participant through the platform. It should be noted that this process will be effective for new applications and revisions, as of September 2021.</p> <p>As another long-term goal of ADSEF, we have a digitalization project that will cover the rest of the files. Funds are still being identified for this project at the central government level. In addition, we will be reviewing the internal case management oversight processes to reinforce it. Through this review we will determine the need to offer follow-up training to Associate Directors, Supervisors, among others.</p>	<p>May 31, 2022</p>	<p>Denise Marquez</p> <p>Administration for the Socioeconomic Development (ADSEF): TANF Program Director and Deputy Administrator of Operational Services</p>

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Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2019-005</p> <p>U.S. Department of Health and Human Services</p>	<p>We recommend management to enforce compliance with internal control procedures over the process performed by the eligibility technician or the case manager to assure compliance with the Individual Responsibility Plan and filing of documents in accordance with the Program's procedures and state and federal regulations.</p>	<p>As of September 23, 2021, as part of our goals to be more efficient and agile, an online platform was implemented where participants can carry out their PAN, TANF and LIHEAP program transactions more easily and conveniently. As a corrective action for the "Single Audit 2019" we want to establish that this online platform, called ADSEF Digital, will significantly reduce the failure we had of not being able to provide original files for review.</p> <p>Through ADSEF Digital, participants will be able to initiate their application and submit their eligibility documents and any other documents required during the eligibility revisions to support their file. We understand that this new procedure will facilitate access to the files in an expeditious manner since the documents will be submitted by the participant through the platform. It should be noted that this process will be effective for new applications and revisions, as of September 2021.</p> <p>As another long-term goal of ADSEF, we have a digitalization project that will cover the rest of the files. Funds are still being identified for this project at the central government level. In addition, we will be reviewing the internal case management oversight processes to reinforce it. Through this review we will determine the need to offer follow-up training to Associate Directors, Supervisors, among others.</p>	<p>May 31,2022</p>	<p>Denise Marquez</p> <p>Administration for the Socioeconomic Development (ADSEF): TANF Program Director and Deputy Administrator of Operational Services</p>

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Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2019-006</p> <p>U.S. Department of Health and Human Services</p>	<p>We recommend management to enforce compliance with internal control procedures over the process performed by the eligibility technician or the case manager to assure compliance with Individual Responsibility Plan and filing of documents in accordance with the Program's procedures and state and federal regulations. The PRDF should strengthen the internal controls over its computer applications to reduce or avoid data entry errors.</p>	<p>As of September 23, 2021, as part of our goals to be more efficient and agile, an online platform was implemented where participants can carry out their PAN, TANF and LIHEAP program transactions more easily and conveniently. As a corrective action for the "Single Audit 2019" we want to establish that this online platform, called ADSEF Digital, will significantly reduce the failure we had of not being able to provide original files for review.</p> <p>Through ADSEF Digital, participants will be able to initiate their application and submit their eligibility documents and any other documents required during the eligibility revisions to support their file. We understand that this new procedure will facilitate access to the files in an expeditious manner since the documents will be submitted by the participant through the platform. It should be noted that this process will be effective for new applications and revisions, as of September 2021.</p> <p>As another long-term goal of ADSEF, we have a digitalization project that will cover the rest of the files. Funds are still being identified for this project at the central government level. In addition, we will be reviewing the internal case management oversight processes to reinforce it. Through this review we will determine the need to offer follow-up training to Associate Directors, Supervisors, among others.</p>	<p>May 31,2022</p>	<p>Denise Marquez</p> <p>Administration for the Socioeconomic Development (ADSEF): TANF Program Director and Deputy Administrator of Operational Services</p>

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CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2019-007</p> <p>U.S. Department of Health and Human Services</p>	<p>We recommend management to enforce compliance with internal control procedures over the process performed by the eligibility technicians to assure compliance with Income and Verification System and filing of documents in accordance with the program procedures and state and federal regulations.</p>	<p>As of September 23, 2021, as part of our goals to be more efficient and agile, an online platform was implemented where participants can carry out their PAN, TANF and LIHEAP program transactions more easily and conveniently. As a corrective action for the "Single Audit 2019" we want to establish that this online platform, called ADSEF Digital, will significantly reduce the failure we had of not being able to provide original files for review.</p> <p>Through ADSEF Digital, participants will be able to initiate their application and submit their eligibility documents and any other documents required during the eligibility revisions to support their file. We understand that this new procedure will facilitate access to the files in an expeditious manner since the documents will be submitted by the participant through the platform. It should be noted that this process will be effective for new applications and revisions, as of September 2021.</p> <p>As another long-term goal of ADSEF, we have a digitalization project that will cover the rest of the files. Funds are still being identified for this project at the central government level. In addition, we will be reviewing the internal case management oversight processes to reinforce it. Through this review we will determine the need to offer follow-up training to Associate Directors, Supervisors, among others.</p>	<p>May 31,2022</p>	<p>Denise Marquez</p> <p>Administration for the Socioeconomic Development (ADSEF): TANF Program Director and Deputy Administrator of Operational Services</p>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2019-008</p> <p>U.S. Department of Agriculture</p>	<p>The PRDF should enforce existing internal control procedures to manage, review and monitor participants' files to ensure that they contain all documentation required by federal regulations and State Plan. Internal controls should also provide remedies for appropriate enforcement and disciplinary actions, if necessary.</p>	<p>As of September 23, 2021, as part of our goals to be more efficient and agile, an online platform was implemented where participants can carry out their PAN, TANF and LIHEAP program transactions more easily and conveniently. As a corrective action for the "Single Audit 2019" we want to establish that this online platform, called ADSEF Digital, will significantly reduce the failure we had of not being able to provide original files for review.</p> <p>Through ADSEF Digital, participants will be able to initiate their application and submit their eligibility documents and any other documents required during the eligibility revisions to support their file. We understand that this new procedure will facilitate access to the files in an expeditious manner since the documents will be submitted by the participant through the platform. It should be noted that this process will be effective for new applications and revisions, as of September 2021.</p> <p>As another long-term goal of ADSEF, we have a digitalization project that will cover the rest of the files. Funds are still being identified for this project at the central government level. In addition, we will be reviewing the internal case management oversight processes to reinforce it. Through this review we will determine the need to offer follow-up training to Associate Directors, Supervisors, among others.</p>	<p>May 31, 2022</p>	<p>Luz Rosario</p> <p>Administration for the Socioeconomic Development (ADSEF): NAP Program Director and Deputy Administrator of Operational Services</p>

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

Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
<p>2019-009</p> <p>U.S. Department of Health and Human Service</p>	<p>The PRDF should enforce existing internal control procedures to manage, review, and monitor participants' files to ensure that they contain all documentation required by the federal regulations and State Plan. Internal controls should also provide remedies for appropriate enforcement and disciplinary actions, if necessary.</p>	<p>As of September 23, 2021, as part of our goals to be more efficient and agile, an online platform was implemented where participants can carry out their PAN, TANF and LIHEAP program transactions more easily and conveniently. As a corrective action for the "Single Audit 2019" we want to establish that this online platform, called ADSEF Digital, will significantly reduce the failure we had of not being able to provide original files for review.</p> <p>Through ADSEF Digital, participants will be able to initiate their application and submit their eligibility documents and any other documents required during the eligibility revisions to support their file. We understand that this new procedure will facilitate access to the files in an expeditious manner since the documents will be submitted by the participant through the platform. It should be noted that this process will be effective for new applications and revisions, as of September 2021.</p> <p>As another long-term goal of ADSEF, we have a digitalization project that will cover the rest of the files. Funds are still being identified for this project at the central government level. In addition, we will be reviewing the internal case management oversight processes to reinforce it. Through this review we will determine the need to offer follow-up training to Associate Directors, Supervisors, among others.</p>	<p>May 31, 2022</p>	<p>Tamara Luciano</p> <p>Administration for the Socioeconomic Development (ADSEF): LIHEAP Program Director and Deputy Administrator of Operational Services</p>

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

Finding Number, Federal Agency Reference:	Recommendations / Total questioned costs:	Management Comments / Corrective Action Plan:	Anticipated Completion Date	Administration Responsible for Implementation:
2019-010 All Federal Agencies	The PRDF must should designate work teams among all administration which serve as liaisons with the auditors and be responsible for the delivery of information and documentation to ensure compliance with due dates. In addition, shall establish controls and procedures to enable compliance with completion and submitting of the Single Audit Report of PRDF to the Federal Clearinghouse before the 9 months deadline.	2020 was certainly a particularly different year. However, we recognize the importance of compliance with federal regulations and the important role of a liaison to ensure auditors' petitions are properly addressed.	March 31,2023	Tomas Delgado All Administration Deputy Secretary of Administration