

COMMONWEALTH OF PUERTO RICO

**PUERTO RICO EMERGENCY MANAGEMENT
AND DISASTERS BUREAU**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
NET CHANGES - GOVERNMENTAL FUNDS**

WITH GOVERNMENT AUDITING STANDARDS AND SINGLE AUDIT REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(WITH INDEPENDENT AUDITORS' REPORTS THEREON)



TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Management
Puerto Rico Emergency Management and
Disasters Bureau
Commonwealth of Puerto Rico
San Juan, Puerto Rico

Report on the Statement

We have audited the accompanying Cash Basis Statement (from now on the Statement) of the Puerto Rico Emergency Management and Disasters Bureau of the Commonwealth of Puerto Rico (from now on **the Bureau**), which comprise the Statement of Cash Receipts, Disbursements and Net Changes - Governmental Funds, for the fiscal year ended June 30, 2019, and the related notes to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is in 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 are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAP) 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 risks 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 Bureau'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 Bureau'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement referred to above present fairly, in all material respects, the Cash Receipts and Disbursements of **the Bureau's** governmental funds, and the respective cash basis net changes thereof, for the fiscal year ended June 30, 2019, in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, **the Bureau** prepares its Statement of Cash Receipts, Disbursements and Net Changes - Governmental Funds 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 opinions are not modified with respect to this matter.

Emphasis of a Matter

Bureau Statement Presentation

As discussed in Note 1, **the Bureau's** Statement is intended to present the cash receipts, disbursements, and net changes of the governmental funds of only that portion of the financial reporting entity of the Commonwealth of Puerto Rico that is attributable to the transactions of **the Bureau**. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Puerto Rico as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Comptroller's Office of Puerto Rico Report

On May 31, 2023, the Comptroller's Office of Puerto Rico issued a compliance report, covering operations from January 1, 2016 to June 30, 2019. The report disclosed findings and comments related to professional services contracting, disbursement procedures and other matters. See Note 4(B) to the Statement.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Statement as a whole. The Schedule of Expenditures of Federal Awards and related notes, on pages 24 to 26 as required by "Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards" is presented for purposes of additional analysis and is also not a required part of the Statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Statement. 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 information is fairly stated, in all material respects, in relation to the Statement as a whole.

Other Matters (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2023 on our consideration of **the Bureau's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **the Bureau's** internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

This report is intended solely for the information and use of management, others within the organization and the United States Department of Homeland Security and is not intended to be and should not be used by anyone other than these specified parties.

Torres, Hernández & Punter, CPA, PSC

Torres, Hernández & Punter, CPA, PSC
Certified Public Accountants

Carolina, Puerto Rico

September 5, 2023

Stamp #E521259 of the
College of CPA's of
Puerto Rico is affixed
to the original.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET CHANGES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>State Funds</u>	<u>Federal Grant Funds</u>			<u>Total</u>
	<u>State (General) Funds</u>	<u>Emergency Management Programs Fund</u>	<u>Hazard Mitigation Grant Program - Hurricane Maria Program Fund</u>	<u>Other Governmental Funds</u>	
Cash Receipts:					
Legislative Appropriations	\$ 6,554,168	\$ -	\$ -	\$ -	\$ 6,554,168
Federal Grants	<u>-</u>	<u>3,165,592</u>	<u>140,893,866</u>	<u>193,117</u>	<u>144,252,575</u>
Total Cash Receipts	<u>6,554,168</u>	<u>3,165,592</u>	<u>140,893,866</u>	<u>193,117</u>	<u>150,806,743</u>
Cash Disbursements:					
Administration	950,910	-	-	-	950,910
Emergency Operations	4,489,830	3,243,300	135,436,794	306,779	143,476,703
Emergency 911	<u>396,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,885</u>
Total Cash Disbursements	<u>5,837,625</u>	<u>3,243,300</u>	<u>135,436,794</u>	<u>306,779</u>	<u>144,824,498</u>
Net Changes	<u>\$ 716,543</u>	<u>\$ (77,708)*</u>	<u>\$ 5,457,072</u>	<u>\$ (113,662)*</u>	<u>\$ 5,982,245</u>

*For this fund, some approved fund remittances have not been recorded in system described in note 1(C) to the Statement. Also, remittances could be received in a prior year, and expended the following year. Therefore, more disbursements are presented above.

See accompanying notes to statement of Cash Receipts, Disbursements and Net Changes - Governmental Funds.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
NOTES TO STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET CHANGES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - FINANCIAL REPORTING ENTITY

(A) ORGANIZATION

The Puerto Rico Emergency Management and Disasters Bureau (from now on **the Bureau**) is a governmental organization of the Commonwealth of Puerto Rico ("the Commonwealth") created by Law. No. 20 of April 10, 2017, as amended, subject to the requirements of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. (Public Act 93-288), as amended. Chapter 5 of Act No. 20-2017 established the public policy of the Commonwealth in relation to the administration and management of emergency situations, to ensure the protection of the citizens during emergency situations or disasters so they may be speedily and effectively provided with the assistance necessary for their protection before, during and after an emergency; to ensure that the lives and properties of the citizens are protected; and to improve the citizen's capability to recover from and mitigate all hazards. **The Bureau** is headed by an Executive Director appointed by the Governor of Puerto Rico with the advice and consent of the Senate of the Commonwealth of Puerto Rico. **The Bureau** is an operational component of the Public Safety and Protection Commission pursuant to the Reorganization Plan No. 2 of December 9, 1993. At that time, in addition to **the Bureau**, the Commission was also composed by the Puerto Rico Police Department, the Puerto Rico Firefighters Corps and the Puerto Rico National Guard.

On July 8, 2009, the Governor of the Commonwealth of Puerto Rico reported to Federal Emergency Management Agency (FEMA) that the Puerto Rico Office for Public Safety and Security (PROPSS) was transferred to **the Bureau** and that the Executive Director of **the Bureau** was assigned as the State Administrative Agent (SAA). On February 27, 2013 the Governor of the Commonwealth of Puerto Rico reported to the United States Department of Homeland Security (DHS) that **the Bureau's** Executive Director was designed as the SAA in charge of all federal funds of the "Homeland Security Grant Program" managed by PROPSS.

On October 9, 2013 the Commonwealth's Governor signed the Executive Order OE-2013-071 designating the Executive Director of **the Bureau** as the Governor's Authorized Representative (the GAR) of the Commonwealth of Puerto Rico. Effective on July 1, 2014 the administrative unit of the GAR was transferred and became part of **the Bureau**. The GAR was the individual designated by the Governor of the Commonwealth of Puerto Rico for the coordination, receipt, and management of funds approved by the United States Federal Emergency Management Agency (FEMA), which is part of the DHS, whenever a natural disaster affects Puerto Rico. The GAR was responsible to identify and account for resources available to match funds provided by FEMA, for allocating them among programs based on priorities, for managing programs to expedite the extension of financial aid, and to account for results upon completion of each program award.

NOTE 1 - FINANCIAL REPORTING ENTITY (CONTINUED)

(A) ORGANIZATION (CONTINUED)

Based on the above, and until June 30, 2018 (and as explained further), the GAR was considered, for operational and financial reporting purposes, a fund of the **Bureau** and therefore, the cash receipts and disbursements transactions of the GAR's administrative unit were included and presented in the Statement.

Under Executive Order number 2015-044, of November 16, 2015, PROPSS was officially ascribed to **the Bureau**. The Executive Director of PROPSS was appointed as Alternate State Administrative Agent (ASAA) and is designated by the Director of **the Bureau**.

PROPSS was created to prepare, coordinate, develop, and implement an awareness plan in Puerto Rico in the event of a threat or terrorism attack. The funds of PROPSS are subjected to a separate audit each year.

Puerto Rico Public Security Department Law:

On April 10, 2017, the Commonwealth issued Law Number 20, to establish the Puerto Rico Public Security Department, with the purpose of create a new integrated system for all the components that administer security around the island.

The Law created the following integrated bureaus: Police, Firefighters, Forensics Science, 911 Emergency System, Emergency and Disaster Management, Medical Emergencies Corps and Special Investigations. It also allows these security components to share personnel and administrative expenses.

The objectives of the new Puerto Rico Public Security Department are:

- Improve public security, and reduce crime levels,
- Produce an advance model for all public security components,
- Speed up fiscal and administrative procedures,
- Attain compliance, security and order,
- Provide a rapid response to changes in public security needs and citizenship expectations,
- Reduce costs and improve efficiency,
- Improve the handling and results of public services,
- Guarantee communication, cooperation, and interconnection of all security components of the Government, and
- Take advantage of all the available information and communication technologies.

This Law entered into force 180 days after its approval on April, during October 2017. On October 24, 2017, the Governor of the Commonwealth of Puerto Rico designated the Homeland Security Advisor (HSA) of the Government of Puerto Rico as the SAA for the purpose of administering the Homeland Security Grant Program.

NOTE 1 - FINANCIAL REPORTING ENTITY (CONTINUED)

(A) ORGANIZATION (CONTINUED)

On March 20, 2018 the Commonwealth's Governor signed Executive Order OE-2018-11 designating the Central Office of Recovery and Reconstruction of Puerto Rico (OCRR) as the Governor's Authorized Representative (GAR) of the Commonwealth of Puerto Rico, effective immediately.

Based on the above, as of July 1, 2018, all employees, administrative functions, funds, budgetary items, financial instruments, federal or state allocations, documents, programs, equipments, goods, and records related to the GAR were transferred from **the Bureau** to the OCRR.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(B) FINANCIAL REPORTING ENTITY

The Bureau is, for financial reporting purposes, a part of the Commonwealth of Puerto Rico. Because **the Bureau** is part, for financial reporting purposes, of the Commonwealth of Puerto Rico, its financial data is included as part of the Commonwealth of Puerto Rico financial statements. **The Bureau's** accompanying Statement is issued solely to comply with the Single Audit Act Amendments of 1996 (P.L. 104-156) and for the information and use of **the Bureau's** management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BASIS OF STATEMENT PRESENTATION

(C) BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The accounts of **the Bureau** are organized on the basis of two fund types: state funds and federal funds, which are responsible for the coordination, receipt and management of funds. **The Bureau** maintains appropriations for several individual state and federal funds within each fund type. As more fully explained below, each fund is accounted for with a set of accounts which include only cash receipts and disbursements. No balance sheet accounts are reported. The individual funds account for the governmental resources allocated to them for purposes of carrying on specific activities in accordance with laws, regulations and other restrictions. Federal funds reflect the federal financial assistance managed by **the Bureau** from programs funded by the Federal Government and are the funds through which most functions are financed. State funds are received as part of a cash matching fund from another administrative component of the Commonwealth of Puerto Rico.

The Bureau's accompanying Statement has been prepared in accordance with the cash basis of accounting, which is a special purpose framework other than generally accepted accounting principles in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. The basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (CONTINUED)

The Bureau is required to follow accounting recordkeeping requirements imposed by the Puerto Rico Treasury Department system called "PRIFAS" (Puerto Rico Integrated Financial Accounting System) for Centralized Governmental Agencies and Departments and also following the requirements of Law #230 of July 23, 1974, as amended, known as "Accounting Law of the Government of Puerto Rico", except for funds managed by the Administrative Unit of the GAR, which are in the custody of **the Bureau**.

This cash basis of accounting differs from GAAP primarily because revenue (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures (cash disbursement) are recognized when paid rather than when incurred or subject to accrual. The amounts reported as cash receipts are those received during the fiscal year 2018-2019. No accruals are recognized.

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

The individual funds included in these fund types are classified in the following programs:

State (General) Funds ("Asignación de Gastos de Funcionamiento") - Funds awarded to the to cover operational expenditures of a fiscal year. Beginning on fiscal year 2003-04, the funds awarded to **the Bureau** are determined following a formula with a fixed percentage applied to the monies collected in the General Fund of the Central Government of the Commonwealth of Puerto Rico, as required by Law #286 of December 20, 2002, as amended.

Emergency Management Program Fund - This fund is used to account for and report revenue sources to support, ensure enhance that State and local governments may continue to focus on addressing the state-specific planning, training, exercises, awareness and educational campaigns to prevents, mitigate, prepare, response and recover throughout the emergency management programs.

Hurricane Maria Program Fund - Hazard Mitigation Grant Program (DR-4339) - This fund is used to account for and report revenue sources received from the Federal Emergency Management Agency (FEMA) provided to help Puerto Rico respond to and recover from Hurricane Maria. This program reimburses local governments, state government agencies, and certain private nonprofit organizations for disaster debris removal, disaster preparedness and response costs, and repairs or replacement of eligible infrastructure, such as roads, bridges, buildings, and utilities, following a presidential major disaster declaration.

The Bureau reports other funds in a combined form in a single column disclosed as other governmental funds, which basically includes funds received from the Federal Transit Administration (FTA), U.S Department of Transportation, award years 2014 and 2015. These grants were used to fund the implementation of **the Bureau's** Certification Work Plan (CWP) approved by FTA.

For one of these federal awards some approved fund remittances have not been recorded in the PRIFAS system or in the case of GAR Administrative Unit in the accounting records under their custody, and therefore, more disbursements are presented on the Statement of Cash Receipts, Disbursements and Net Changes, on page 4.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) BUDGETARY INFORMATION

The Statement is presented at the programmatic level. However, budgetary control and accounting are maintained, for federal awards, at a more detailed level to provide the management control in detail of the expenses to the appropriate level of the budget.

Federal grant funds can be carried over a specified amount of time, upon request to, and approval by the federal agencies. The Statement is presented at the programmatic level. However, budgetary control and accounting is exercised at a lower level providing management with detailed control over expenditures at an appropriated budget level. Budgetary comparison schedule is not legally required to do so.

(E) COMPENSATED ABSENCES

As of the effectiveness of Act No. 8 of February 26, 2017, named "Law for the Administration and transformation of Human resources in the Government of Puerto Rico", every government employee shall be entitled to accrue one and one-fourth (1¼) day of vacation leave for every month of service. The employees shall begin to accrue the vacation leave upon completion of a three (3)-month period and said leave shall be retroactive to the employment commencement date. Furloughed or part-time employees shall accrue vacation leave proportionately to the number of hours regularly worked. The vacation leave may be accrued up to a maximum of sixty (60) workdays at the end of any calendar year.

Vacation leave is granted to employees in order to allow them a reasonable annual rest period. As a general rule, said leave shall be used during the calendar year in which it was accrued. Every agency or public instrumentality is required to devise a vacation plan for every calendar year, in collaboration with supervisors and employees, establishing the period during which employees shall enjoy their vacation time in the manner that is more compatible with the needs for service. Said plan shall be completed no later than on December 31st of every year, so that it takes effect on January 1st of the following year.

The accompanying Statement of Cash Receipts, Disbursements and Net Changes includes the cash disbursed during the year for compensated absences.

(F) ACCOUNTING FOR PENSION COSTS

The Bureau employees are covered by the retirement plans administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). The retirement plans are sponsored by the Commonwealth, for which **the Bureau** is considered a participant. **The Bureau's** employees are employees of the Commonwealth and the basic financial statements of such retirement systems are part of the financial reporting entity of the Commonwealth. Pensions disbursed are equal to the statutorily required contributions, which are recorded in the accompanying Statements of Cash Receipts and Disbursements when paid.

(G) DATE OF MANAGEMENT'S REVIEW

The Bureau follows the "Accounting for Subsequent Events" of Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) topic, which establishes general standards to be applied in accounting for, and disclosure of events that occur after the Statement date but before Statement is issued or available to be issued. This standard introduces the concept of "Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) DATE OF MANAGEMENT'S REVIEW (CONTINUED)

available to be issued", which is a Statement that is complete in form and format, that complies with US GAAP and have obtained all approvals required for issuance.

This topic requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for the date, whether it is the date the Statement was issued or was available to be issued. This topic should be applied to the accounting and disclosure of subsequent events not addressed on other applicable US GAAP.

NOTE 3 - CASH WITH FINANCIAL INSTITUTIONS (DEPARTMENT OF THE TREASURY OF THE COMMONWEALTH OF PUERTO RICO)

The funds of **the Bureau**, with the exception of funds received by the Administrative Unit of GAR which are maintained by **the Bureau**, are under the 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 "Commonwealth of Puerto Rico Accounting Law".

The Treasury Department follows the practice of pooling cash equivalents under the custody and control of the Secretary of the Treasury. The funds of **the Bureau** in such pooled cash accounts are available to meet its current operating requirements.

NOTE 4 - CONTINGENCIES

(A) FEDERAL AWARDS

The Bureau participates in 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 noncompliance with grant program regulations, **the Bureau** may be required to reimburse the grantors. Nevertheless, the program compliance audits of certain programs for or including the fiscal year ended June 30, 2019 have not yet been conducted. Accordingly, **the Bureau's** compliance with applicable grant requirements will be established at some future date. Nevertheless, **the Bureau** management expects the amount of expenditures, which may be disallowed by the granting agencies from such audits, if any, not to be material or to significantly affect the **Bureau's** operations. See also Note 10 d.

(B) COMPTROLLER'S OFFICE OF PUERTO RICO REPORTS

The Bureau is also subject to audits by the Comptroller's Office of Puerto Rico (COPR).

The COPR issued report DA-23-20, dated May 31, 2023. The compliance audit contained in the report was made following the established COPR's audit objectives and the power provided under Article III, Section 22 of the Constitution of the Commonwealth of Puerto Rico and Act No. 9, dated July 24, 1952, as amended, named "The Comptroller's Office of Puerto Rico Law".

The report discloses findings and comments related to professional services contracting and their related disbursements, which according to the report, were not made following the applicable internal controls and laws and regulations. The findings, from the report, are summarized as follows:

NOTE 4 - CONTINGENCIES (CONTINUED)

(B) COMPTROLLER'S OFFICE OF PUERTO RICO REPORTS (CONTINUED)

- From January 1, 2016 to June 30, 2019, the Bureau formalized 53 contracts and 49 amendments of professional and advisory services for \$55,897,857. The examination of disbursements related to 8 contracts and 19 amendments for \$53,159,814, from October 3, 2016 to May 8, 2019, revealed that illegal payments of \$27,237,370, from November 2, 2017 to July 1, 2019, were made for services provided by 3 contractors. The services provided were related to collaboration and administration of the Public Assistance and Hazard Mitigation Grant programs and support in response and recovery efforts following Hurricanes Irma and Maria,
- Obtaining advertising services without conducting a request for proposals competition process. The funds used to pay for the advertising campaigns came from federal appropriations. Examination of the award of 2 contracts and 7 amendments for \$1,265,339, awarded from October 3, 2016 to May 8, 2019, for advertising services revealed that 3 amendments for \$815,425 were awarded to an advertising agency without a competitive process to obtain and evaluate proposals from various providers of such services. These were awarded from October 30, 2017 to May 8, 2019. The federal agency that allocated the funds can challenge their use and request reimbursement of the funds. Future assignments may also be affected,
- Unnecessary expenses for the payment of storage of documents and other deficiencies related to disbursements, and
- Noncompliance with the provisions relating to audits of the financial statements, mainly related to late contracting of single audit services and not filing the audited financial statements within the required time limits.

The final outcome of these findings and comments cannot presently be determined as of the Statement date.

NOTE 5 - LITIGATION AND CLAIMS

The Legal Advisory of the Agency reports that, in any lawsuits filed against **the Bureau**, according to the laws of the Commonwealth of Puerto Rico, **the Bureau** is fully represented by the Department of Justice, and any successful claim against the **the Bureau** shall be paid from the General Fund of the Commonwealth of Puerto Rico, with no effect on the functioning budget of **the Bureau**, except cases related to claims involving restitution for salaries not received by an employee or an official. In that case, the claim is paid with funds of the **the Bureau**.

Law No. 9 dated November 26, 1975, as amended, states that the Commonwealth of Puerto Rico may provide its officers and employees of the Puerto Rico agencies and instrumentalities with legal representation, as well as assume the payment of any judgment that may be entered against them. There is no limitation on the payment of such judgments, if the claim is in the Federal Court. If the claim is in the State Court, the maximum amount permitted by law is \$75,000 per individual or \$150,000 per event. This is following the requirements of Law #104 of June 29, 1955, as amended, 32 LPR Section 3077.

NOTE 6 - RETIREMENT SYSTEM

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS) is a multi-employer defined benefit plan administered by the Retirement System Board.

(A) ERS

Plan Description - Prior to Act No. 106-2017, ERS administered different benefit structures pursuant to Act No. 447-1951, as amended, including a cost sharing, multiemployer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on member's date of hire. Substantially all fulltime employees of the Commonwealth and its instrumentalities (the Commonwealth, 78 municipalities, and 55 public corporations) were covered by the ERS. These benefits were paid by the ERS until June 30, 2018. Through Act No. 106-2017, the Commonwealth transformed the retirement systems into a single pay-as-you-go system (whereby future benefit payments are guaranteed by the Commonwealth's General Fund) and created the Retirement System Board as the new Retirement Systems governing body.

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

- Members of Act No. 447-1951 are generally those members hired before April 1, 1990 (contributory, defined benefit program),
- Members of Act No. 1-1990 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), and
- Members of Act No. 305-1999 (Act No. 305-1999 or System 2000) were 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, became members of the Contributory Hybrid Program as a condition to their employment. In addition, participant employees of previous programs as of June 30, 2013, became part of the Contributory Hybrid Program on July 1, 2013. Pursuant to a settlement incorporated into the Eighth Amended Plan, on the effective date of the Eighth Amended Plan, all participants in the System 2000 Program will receive a one-time payment in the amount of their contributions (plus accrued interest) as of the Commonwealth's petition date in their defined contribution accounts established under Act No. 106-2017 (discussed below). Upon the payment of these refunds, all claims related to the System 2000 Program will be discharged.

The Commonwealth, through Act No. 106-2017, created a "New Defined Contribution Plan" that consisted of a trust fund, not subject to the provisions of Act No. 219-2012, known as "The Trusts Act", that will maintain an individual account for each participant of the Retirement Systems that becomes a participant of the plan.

The following employees will participate in the New Defined Contribution Plan:

- All active participants of the ERS as of July 1, 2017,
- New hires entering the public service workforce after July,1 2017, and

NOTE 6 - RETIREMENT SYSTEM (CONTINUED)

- Any business or public corporation with employees not participating in the Retirement Systems as of July 1, 2017, can, through an approved resolution by its board of directors or governing body, join the New Defined Contribution Plan. The Retirement Systems Board is responsible of establishing the eligibility requirements and procedures to be followed to join the New Defined Contribution Plan.

Enrollment in the New Defined Cotnribution Plan is optional for the chiefs of public corporations and for employees of public corporations of the Commonwealth of Puerto Rico working and living outside the territorial limits of Puerto Rico.

The following summary of ERS plan provisions is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts should be determined in strict accordance with the applicable laws and regulations.

i. Service Retirements

(a) Eligibility for Act No. 447-1951 Members: Act No. 447-1951 members who were eligible to retire as of June 30, 2013 would continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447-1951 members could retire upon (1) attainment of age 55 with 25 years of credited service; (2) attainment of age 58 with 10 years of credited service; and (3) any age with 30 years of credited service. In addition, Act No. 447-1951 members who would attain 30 years of credited service by December 31, 2013 would be eligible to retire at any time.

Act No. 447-1951 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

Date of Birth	Attained Age as of June 30, 2013	Retirement Eligibility Age
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

In addition to the requirements in the table above, Act No. 447-1951 Public Officers in High-Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

(b) Eligibility for Act No. 1-1990 Members: Act No. 1-1990 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1-1990 members could retire upon (1) attainment of age 55 with 25 years of credited service and (2) attainment of age 65 with 10 years of credited service.

Act No. 1-1990 members who were not eligible to retire as of June 30, 2013, are eligible to retire upon attainment of age 65 with 10 years of credited service.

NOTE 6 - RETIREMENT SYSTEM (CONTINUED)

(c) Eligibility for System 2000 Members: System 2000 members who were eligible to retire as of June 30, 2013, continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 60.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below otherwise.

Date of Birth	Attained Age as of June 30, 2013	Retirement Eligibility Age
July 1, 1957 or later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

(d) Eligibility for Members Hired after June 30, 2013: Attainment of age 67.

ii. Service Retirement Annuity Benefits

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account was \$10,000 or less, it would have been paid as a lump sum instead of as an annuity.

(a) Accrued Benefit as of June 30, 2013 for Act No. 447-1951 Members: The accrued benefit as of June 30, 2013 was determined based on the average compensation, as defined, for Act No. 447-1951 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

If the Act No. 447-1951 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013, or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit was recalculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600.

If the Act No. 447-1951 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. For participants selecting the Coordination Plan, the basic benefit is recalculated at SSRA as 1% of average compensation up to \$6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to \$6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of \$6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of \$6,600 multiplied by years of credited service in excess of 20 years. The benefit was actuarially reduced for each year payment commences prior to age 58.

NOTE 6 - RETIREMENT SYSTEM (CONTINUED)

(b) Accrued Benefit as of June 30, 2013 for Act No. 1-1990 Members: The accrued benefit as of June 30, 2013 is determined based on the average compensation for Act No. 1-1990 members, the years of credited service, and the attained age of the member all as of June 30, 2013.

For Act No. 1-1990 members, the accrued benefit equaled 1.5% of average compensation multiplied by years of credited service. The benefit was actuarially reduced for each year payment commences prior to age 65.

iii. Compulsory Retirement

All Act No. 447-1951 were required to retire upon attainment of age 58 and 30 years of credited service.

iv. Termination Benefits

a. Lump Sum Withdrawal

Eligibility: A Member was eligible upon termination of service prior to 5 years of service or if the balance in the hybrid contribution account is \$10,000 or less. Benefit: The benefit equaled a lump sum payment of the balance in the hybrid contribution account as of the date of the permanent separation of service.

b. Deferred Retirement

Eligibility: A Member was eligible upon termination of service with 5 or more years of service (10 years of credited service for Act No. 447-1951 and Act No. 1-1990 members) prior to the applicable retirement eligibility, provided the member had not taken a lump sum withdrawal of the accumulated contributions from the hybrid contribution account.

Benefit: An annuity payable for the lifetime of the member commencing at the applicable retirement eligibility age equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447-1951 and Act No. 1-1990 members, the accrued benefit determined as of June 30, 2013.

v. Death Benefits

a. Pre-retirement Death Benefit/Eligibility: Any current nonretired member was eligible.

Benefit: A refund of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members.

b. High Risk Death Benefit under Act No. 127-1958

Eligibility: Employees in specified high risk positions who die in the line of work due to reasons specified in Act No. 127-1958, as amended.

Spouse's Benefit: 50% of the participant's compensation at date of death, payable as an annuity until death or remarriage.

NOTE 6 - RETIREMENT SYSTEM (CONTINUED)

Children's Benefit: 50% of the participant's compensation at date of death, payable as an annuity, and allocated pro rata among eligible children. The annuity was payable for life for a disabled child, until age 18 for a nondisabled child not pursuing studies, and until age 25 for a nondisabled child who is pursuing studies.

Benefit if No Spouse or Children: The parents of the member should each receive 50% of the participant's compensation at date of death, payable as an annuity for life.

Post death Increases: Effective July 1, 1996, and subsequently every three-years, the above death benefits are increased by 3% provided that the beneficiary(ies) had been receiving payments for at least three-years.

The cost of these benefits was paid by the Commonwealth.

(c) Postretirement Death Benefit for Members Who Retired prior to July 1, 2013

Eligibility: Any retiree or disabled member receiving a monthly benefit who had not elected a reversionary annuity and whose benefits commenced prior to July 1, 2013.

Benefit: The benefit is as follows (Act No. 105, as amended by Act No. 4):

i. For those married or with dependent children at the time of death, the annual income to a widow, or widower or dependent children is equal to 60% (50% if in the Coordination Plan – 30%, prior to January 1, 2004) of the retirement benefit payable for life for a surviving spouse and/or disabled children and payable until age 18 (age 25 if pursuing studies) for nondisabled children. If in the Coordination Plan, the benefit to the surviving spouse does not begin until the spouse's attainment of age 60 and the surviving spouse must have been married to the member for at least 10 years to be eligible for this benefit. The increase in the percentage from 30% to 50% if in the Coordination Plan is paid by the Commonwealth for former government employees or by the public enterprise or municipality for their former employees. See Act No. 105 of 1969, as amended by Act No. 158 of 2003.

ii. The benefit, when there is no relation as stated above, is equal to the remaining balance of accumulated contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case may the benefit be less than \$1,000. Either the Commonwealth for former government employees or the public enterprise or municipality for their former employees pays the difference, up to \$250, between (1) the accumulated contributions less the lifetime annual income paid and (2) \$1,000. ERS pays for the rest. See Article 2-113 of Act No. 447-1951, as amended by Act No. 524-2004.

(d) Postretirement Death Benefit for Members Who Retired after June 30, 2013

Eligibility: Any retiree or disabled member who began receiving a monthly benefit after June 30, 2013.

Benefit: If the member elected at the time of retirement to transfer a portion of the annuity to a beneficiary by selecting an actuarially equivalent optional form of payment, the applicable survivor benefit.

NOTE 6 - RETIREMENT SYSTEM (CONTINUED)

For all members, the excess, if any, of the hybrid contribution account, plus the accumulated contributions for Act No. 447-1951 and Act No. 1-1990 members, at the time of retirement over the total annuity payments paid to the member and any beneficiary per the terms of the optional form of payment must be payable to a beneficiary or the member's estate.

(e) Beneficiaries receiving occupational death benefits as of June 30, 2013, continue to be eligible to receive such benefits.

vi. Disability Benefits

a. Disability

Eligibility: All members are eligible upon the occurrence of disability. Benefit: The balance of the hybrid contribution account payable as lump sum distribution, an immediate annuity, or a deferred annuity at the election of the participant. Act No. 447- 1951 and Act No. 1-1990 members remain eligible to receive the accrued benefit as of June 30, 2013, commencing at the applicable retirement eligibility age.

b. High Risk Disability under Act No. 127-1958

Benefit: 80% (100% for Act No. 447-1951 members) of compensation as of date of disability, payable as an annuity. If the member died while still disabled, this annuity benefit continued to his beneficiaries. Beneficiaries include the surviving spouse and/or disabled children (for life), nondisabled children until age 18 (age 25 if pursuing studies), and the parents if no other beneficiaries. Effective July 1, 1996, and subsequently every three-years, the disability benefit was increased by 3% provided that the member (or beneficiary) had been receiving payments for at least three-years (Act No. 127-1958, as amended).

The cost of these benefits was paid by the Commonwealth.

c. Members who qualified for occupational or nonoccupational disability benefits as of June 30, 2013, continue to be eligible to receive such benefits.

vii. Special Benefits

a. Minimum Benefits

i. Past Ad hoc Increases: The Legislature, from time to time, increased pensions for certain retirees as described in Act No. 124-1973 and Act No. 23-1983. The benefits were paid 50% by the Commonwealth and 50% by ERS.

ii. Minimum Benefit for Members Who Retired before July 1, 2013 (Act No. 156- 2003, Act No. 35-2007, and Act No. 3-2013): The minimum monthly lifetime income for members who retired or become disabled before July 1, 2013, is \$500 per month effective July 1, 2013 (\$400 per month effective July 1, 2007, and \$300 per month up to June 30, 2007). The increase in the minimum monthly benefit from \$200 per month to \$300 per month was paid by the Commonwealth for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees. The increase in the minimum monthly benefit

NOTE 6 - RETIREMENT SYSTEM (CONTINUED)

from \$300 per month to \$400 per month was to be paid by ERS for former government and certain public corporations without their own treasuries' employees or by certain public corporations with their own treasuries or municipalities for their former employees.

iii. Coordination Plan Minimum Benefit: A minimum monthly benefit was payable upon attainment of SSRA such that the benefit, when added to the Social Security Benefit, was not less than the benefit payable prior to SSRA.

b. Cost of Living Adjustments (COLA) to Pension Benefits: The Legislature, from time to time, increased pensions by 3% for retired and disabled members. Beneficiaries were not entitled to COLAs granted after the retiree's death. The first increase was granted by Act No. 10-1992. Subsequent 3% increases have been granted every third year since 1992, with the latest 3% increase established on April 24, 2007, and effective July 1, 2007 (retroactive to January 1, 2007) for retired and disabled members that were receiving a monthly benefit on or before January 1, 2004 (Act No. 35-2007). In addition, effective July 1, 2008, any retired or disabled member that was receiving a monthly annuity on or before January 1, 2004, less than \$1,250 per month received an increase of up to 3% without exceeding the limit of \$1,250 per month (Act No. 35-2007). The COLAs granted in 1992 to all retirees and in 1998 to retirees who are former government or municipal employees are to be paid by ERS. All other COLAs granted in 1995 and later were required to be paid by the Commonwealth for former government and certain public corporations without their own treasuries or by certain public corporations with their own treasuries or municipalities for their former employees.

Under the Eighth Amended Plan, these COLAs will be eliminated from and after the Effective Date. As of the date hereof, the Effective Date has not yet occurred. For further information on the Eighth Amended Plan's impact on pension benefits, refer to the final version of the Eighth Amended Plan, which is available at <https://cases.primeclerk.com/puertorico/Home-DocketInfo>.

c. Special "Bonus" Benefits

(i) Christmas Bonus (Act No. 144-2005, as Amended by Act No. 3-2013): An annual bonus of \$200 for each retiree, beneficiary, and disabled member has historically been paid in December provided the member retired prior to July 1, 2013. This benefit is paid from the supplemental contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

(ii) Medication Bonus (Act No. 155-2003, as Amended by Act No. 3-2013): An annual bonus of \$100 for each retiree, beneficiary, and disabled member to cover health costs paid in July provided the member retired prior to July 1, 2013. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid from the Supplemental Contributions received from the Commonwealth for former government and certain public corporations without their own treasuries, or by certain public corporations with their own treasuries or municipalities for their former employees.

Before July 1, 2017, the Commonwealth made contributions to the ERS for the special benefits granted by special laws. The funding of the special benefits was provided to the ERS

NOTE 6 - RETIREMENT SYSTEM (CONTINUED)

through legislative appropriations each January 1 and July 1. Special benefits to eligible Act 447-1951 participants are being paid by each employer as they become due since July 1, 2017.

viii. Contributions

Contributions by members consists, as a minimum, of an 8.5% of their compensation directly deposited by the Puerto Rico Department of Treasury in the individual member accounts under the New Defined Contribution Plan created pursuant to Act No. 106-2017. Also, as of that date, System's participants shall make no individual contributions or payments to the accumulated pension benefits payment account or additional contributions to ERS.

Participating employers are responsible for the payment of the PayGo fee to the accumulated pension benefits payment account, which is computed based on the amount of actual benefits paid to retirees, disabled and beneficiaries of each participating employer.

ix. Early Retirement Programs

On July 2, 2010, the Commonwealth enacted Act No. 70 establishing a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. Act No. 70-2010 also established that early retirement benefits will be provided to eligible employees that have completed between 15 and 29 years of creditable services and will consist of monthly benefits ranging from 37.5% to 50% of each employees' monthly salary. Benefits under this program will be paid by the General Fund of the Commonwealth and by the public corporations, covering their respective employees until the plan member reaches the later of age 55 for members under Act No. 447-1951 or age 65 for members under Act No. 1-1990, or the date the plan member would have completed 30 years of service had the member continued employment. In addition, the public corporations will also be required to continue making the required employee and employer contributions to ERS. The General Fund of the Commonwealth will be required to continue making its required employer contributions. ERS will be responsible for benefit payments afterward.

On December 8, 2015, the Commonwealth enacted the Voluntary Early Retirement Law, Act No. 211 of 2015 (Act No. 211-2015), establishing a voluntary program to provide pre-retirement benefits to eligible employees, as defined. Act 106-2017 repealed Act No. 211-2015, while creating an incentives, opportunities, and retraining program for public workers.

NOTE 7 - CASH RECEIPTS AND DISBURSEMENTS BY TYPE

The following details receipts and disbursements by type, as follows:

Cash Receipts:

Federal Funds	\$ 144,252,575
State Local Funds	<u>6,554,168</u>
Total Cash Receipts	<u>\$ 150,806,743</u>

NOTE 7 - CASH RECEIPTS AND DISBURSEMENTS BY TYPE (CONTINUED)**Cash Disbursements:**

Payroll and Related Costs	\$ 5,478,456
Facilities and Payment for Public Services	732,136
Purchase Services	2,415,495
Transportation and Travel Costs	22,633
Professional and Contracted Services	133,722,428
Advertising	441,364
Materials and Supplies	113,898
Purchase of equipment	1,608,813
Other Expenses	<u>289,275</u>
 Total Cash Disbursements	 <u>144,824,498</u>

Excess of Cash Receipts Over Disbursements **\$ 5,982,245**

NOTE 8 - LEASE COMMITMENTS

Operating leases - **The Bureau** is obligated under a lease accounted for as an operating lease. Operating leases do not give rise to property rights and obligations; therefore, neither the assets nor the liabilities of the lease agreements are reflected in the accounting records.

Rent paid during the fiscal year ended June 30, 2019 under this lease agreement amounted to approximately to \$1,241,690 for rental of all public building facilities maintained by **the Bureau**.

NOTE 9 - COST SHARE OR MATCHING - GLOBAL MATCH APPROACH

The Disaster Grants - Public Assistance (ALN #97.036), requires that recipient organizations provide additional resources as a matching for the program. According to 44 CFR Section 206.65, costs must be on a shared basis, as specified in the FEMA-State agreement. Matching, under any circumstances, cannot be replaced by using federal awards. Matching percentage required by FEMA is at least 25% of award (Federal Share is 75% of eligible costs).

Nevertheless, on October 22, 2018, FEMA approved the request of the governor of the Commonwealth of Puerto Rico, dated February 26, 2018, to use the Global Match approach to meet Hazard Mitigation Grant Program (HMGP) 25 percent non-federal cost share requirement. FEMA also acknowledged the intent to use the value of projects funded with Community Development Block Grant Disaster Recovery (CDBG-DR) funds to carry the Global Match Program. The Government of Puerto Rico will dedicate approximately \$1 billion in CDBG-DR funding to provide the required cost share for HMGP projects. This means that all HMGP projects will be fully funded, with no additional cost share required from the subapplicant. The CDBG-DR funding will provide eligible matching projects that will count as the HMGP cost share.

NOTE 10 - SUBSEQUENT EVENTS

a. Administrative Bulletin No. OE-2021-003

On January 2, 2021, the newly elected governor of the Commonwealth of Puerto Rico, issued Administrative Bulletin No. OE-2021-003 named "Executive Order to Issue Fiscal Responsibility and Expense Control Measures, and to repeal Administrative Bulletin No. OE-2017-001".

The executive order declares a fiscal emergency state in the government of Puerto Rico. It orders all governmental agencies in Puerto Rico to implement the necessary measures in order to reduce operational expenses, without adversely affect those services necessary to protect the citizens health, security and wellness.

Among the most significant measures required by the executive order are:

- 1) **Vacancies** - All regular career, transitory and irregular positions, which are vacant at executive order's date, or which becomes vacant after the effective date of the executive order, will be subject to a need assessment. The governmental agencies are also not allowed to fill any vacant positions by any means (like promotion, merit, mobility, transfer and others), unless it is deemed necessary to offers the necessary services to the citizens, and only through a written authorization from the Management and Budget Office (OGP),
- 2) **Prohibition to Create New Positions** - Governmental agencies are not allowed to create new regular career, transitory and irregular positions, unless it is deemed necessary to offers the necessary services to the citizens, and only through a written authorization from the Management and Budget Office (OGP),
- 3) **Reduction in Positions of Confidence** - All governmental agencies are required a 20% reduction in posts of confidence,
- 4) **Reduction in Operational Expenses** - All governmental agencies are required reductions in operational expenses, as part of the expense reduction measures,
- 5) **Credit Cards** - The use of official credit cards, paid through with public funds, is prohibited, unless it is done in strict compliance with applicable and outstanding regulations,
- 6) **Traveling outside Puerto Rico** - The order prohibits the use, by officers and employees of the governmental agencies, of public funds for traveling outside Puerto Rico, unless they are strictly essential to perform the duties of the position, and only when authorized by the Secretary of the agency and the Secretary of the Commonwealth of Puerto Rico. Also, if authorized, should be done in strict compliance with applicable and outstanding regulations,
- 7) **Cellular Phones and Other Technological Services** - The order prohibits the use of public funds for payment of cellular phones, personal digital assistants (PDA's), personal internet service equipment and other technological services, for exclusive use of the Officers and employees of the agencies. OGP Director is allowed to offer waivers to these requirements, considering, among other things, the service needs of public employees related to remote working. Agencies are required to obtain authorization from OGP and the Puerto Rico Innovation and Technology Service (PRITS), for any plan related to the acquisition of these technological equipments or services,
- 8) **Reduction in Energy and Water Consumption** - All agencies directors are required to reduce consumption of public utilities, like electric power and water. Regarding electric power, the agencies are required to implement all necessary measures to reach a minimum annual reduction of 5%. As for water consumption, those agencies, for which operational expenses are subsidized, in whole or in part, with funds from the Commonwealth's Central Government, must reduce water consumption by 5% annually, during years 2020-2021, 2021-22, and 2022-23, so it can reach a reduction of 15% in the three-year period. Percentage reduction will be measured from water consumption expense during year 2019-20 as base year,

NOTE 10 - SUBSEQUENT EVENTS (CONTINUED)

a. Administrative Bulletin No. OE-2021-003 (Continued)

- 9) **Reduction in Contract Amounts** - Each agency must reduce expenses for services (purchased and/or professional) by 10% annually,
- 10) **Contracting for Services** - It is prohibited to make a contract for purchased or professional services over \$10,000 (and below \$10,000,000) in the same fiscal year, without the written authorization from OGP. For this purpose, the Director of OGP will verify funds availability in the budget assigned to the agency. For contracts in excess of \$10,000,000, in the same fiscal year, must be authorized together by the Director of OGP and the the Secretary of the Commonwealth of Puerto Rico, or the person designated by him for such purpose, and
- 11) **Lease Contracts** - Agencies must submit to OGP, within 30 days after the effective date of this executive order, a list of all outstanding lease contracts, amount contracted, and the reasons to justify the contract. OGP is authorized to deny the renewal of these contracts, or to modify its terms when due, unless it is necessary for the services given to citizens. OGP can consolidate operations in various agencies in a single lease premise , and renegotiate monthly fees and other clauses, in order to attain better terms.

The executive order discloses that all these control measures are the first ones to be implement to face the fiscal crisis, and that it should not be understood that they are the only ones to be implemented. All agencies must evaluate its operations in order to detect additional measures of control, savings and expense reduction.

b. Effects of the Coronavirus Disease

During the month of December 2019, a respiratory disease started to spread, caused by a virus called "Coronavirus" or COVID-19.

The Governor of the Commonwealth of Puerto Rico issued a lock-down starting on March 15, 2020. After that, several administrative orders were issued to implement emergency measures to slow the spread of the disease. On March 7, 2022, Administrative Order OE-2022-019 was issued to eliminate most of the restrictions imposed before due to the pandemic. On May 5, 2023, the World Health Organization issued a declaration ending global health emergency designation for COVID-19.

For the fiscal year ended June 30, 2019, **the Bureau** was not affected by the full lock - down because services are provided remotely to customers as it is in normal times; also, all employees were available to work remotely too.

c. PayGo System for Pension Payments

The Defined Benefit Pension Plan for participants of the ERS was created pursuant to Act No. 447 on May 15, 1951, as amended (Act No. 447) to provide pension and other benefits to retired employees for the Commonwealth, its public corporations and municipalities. Prior to the effect of Act No. 106 of August 23, 2017 (Act No. 106-2017), the plan was administered by the ERS of the Government of the Commonwealth of Puerto Rico. Effective July 1, 2017, all employer contributions were eliminated pursuant to Act No. 106-2017 And the Commonwealth implemented a pay-as-you-go (PayGo) system for pension payments. Also, pursuant to Act No. 106-2017, the ERS was required to liquidate its assets and transfer the net proceeds to the Puerto Rico Treasury Department (PRTD) to pay pension benefits.

NOTE 10 - SUBSEQUENT EVENTS (CONTINUED)**d. FEMA Site Visit Compliance Review**

The U.S. Department of Homeland Security, FEMA Region 2 Grants Division, conducted during the year 2023, a site visit compliance review to the EMPG (ALN #97.042), National Earthquake Hazard Reduction Program (ALN #97.082), Port Security Grant Program (ALN #97.056) and Homeland Security Grant Program (ALN #97.067) federal awards. The purpose of the review was to provide guidance and recommendations to enhance the **Bureau's** efforts in managing federal funding. The report mentions that financial documentation was clear and reconciled for each drawdown sampled, that there was diligent subrecipient pre award risk approval and post award monitoring, and that there is collaboration between grant and project management teams, both PROPSS and the **Bureau**.

No findings or corrective actions were required by FEMA Region 2 Grants Division.

The Bureau evaluated subsequent events until September 5, 2023, date in which the Statement is available to be issued.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASSED-THROUGH TO SUBRECIPIENTS	FEDERAL EXPENDITURES
Direct Awards:				
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Federal Transit Administration Grant	20.528	PR-2016-011-2014	\$ -	\$ 204,773
Federal Transit Administration Grant	20.528	PR-2017-006-2015	-	102,006
			<u>-</u>	<u>306,779</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Federal Emergency Management Agency Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4339-DR-PR	-	135,436,794
			<u>-</u>	<u>135,436,794</u>
<u>PASS-THROUGH FROM PR OFFICE OF PUBLIC SAFETY AND SECURITY (PROPSS)</u>				
Emergency Management Performance Grant	97.042	2016-000009	-	278,829
Emergency Management Performance Grant	97.042	2017-000006	-	1,109,191
Emergency Management Performance Grant	97.042	2018-000004	-	1,855,280
			<u>-</u>	<u>3,243,300</u>
Total Pass-Through from PR Office of Public Safety and Security			<u>-</u>	<u>3,243,300</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ -</u>	<u>\$ 138,986,873</u>

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

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - GENERAL

The supplementary Schedule of Expenditures of Federal Awards (Schedule) has been prepared using the cash basis method of accounting. It is drawn primarily from **the Bureau's** internal accounting records, which are the basis for **the Bureau's** Statement of Cash Receipts, Disbursements and Net Changes (the Statement).

The accompanying Schedule includes the federal award activity of **the Bureau**. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the Statement. **The Bureau** reporting entity is defined in Note 1 in the Notes to the Statement. All federal awards received passed-through other government agencies, if any, are included on the Schedule.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This schedule is prepared from **the Bureau's** accounting records and is not intended to present financial position or the results of operations. The financial transactions are recorded by **the Bureau** in accordance with the terms and conditions of the grants, which are consistent with US GAAP. Expenditures are recognized in the accounting period in which the liability is paid. **The Bureau** has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - ASSISTANCE LISTING NUMBER (ALN)

The ALN number included in this Schedule were determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalog of Assistance Listing Numbers.

NOTE 4 - MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor Results Section of the Schedule of Findings and Questioned Costs on page 32.

NOTE 5 - RELATIONSHIP TO THE STATEMENT

Cash disbursements included in the Schedule of Expenditures of Federal Awards differs with the amounts included in the accompanying Statement of Cash Receipts, Disbursements and Net Changes. A conciliation is provided as follows:

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**NOTE 5 - RELATIONSHIP TO THE STATEMENT (CONTINUED)**

Total Expenditures of Federal Awards (As per Schedule)	\$ 138,986,873
Plus Amounts Not Reported in the Accompanying Schedule and Reported in the Statement:	
Matching - Disaster Grants Public Assistance (See Note 9)	<u> -</u>
Total Expenditures As per Statement	<u>\$ 138,986,873</u>

Presented in the Statement as follows:

Emergency Management Programs Fund	\$ 3,243,300
Disaster Grant Public Assistance Fund	135,436,794
Other	<u>306,779</u>
Total Expenditures As per Statement	<u>\$ 138,986,873</u>

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

INDEPENDENT AUDITORS' REPORT

To the Management
Puerto Rico Emergency Management and
Disasters Bureau
Commonwealth of Puerto Rico
San Juan, Puerto Rico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Cash Receipts, Disbursements and Net Changes (the Statement) of the Puerto Rico Emergency Management and Disasters Bureau (from now on **the Bureau**) for the fiscal year ended June 30, 2019, and the related notes to the Statement, which collectively comprise the Statement, and have issued our report thereon dated September 5, 2023. Our report on the Statement discloses that, as described in Note 1, **The Bureau** prepares its 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 (US GAAP).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **the Bureau'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 **the Bureau's** internal control. Accordingly, we do not express an opinion on the effectiveness of **the Bureau'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 Statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as items #2019-01, #2019-02, #2019-03 and #2019-04 that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the Bureau'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 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 #2019-01, #2019-02, #2019-03 and #2019-04.

Agency's Response to Findings

The **Bureau's** response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. **The Bureau's** response was 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **the Bureau's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Report on Other Legal and Regulatory Requirements

This report is intended solely for the information and use of management, others within the Bureau, the United States Department of Homeland Security and the Puerto Rico Office of Public Safety and Security (PROPSS), and is not intended to be and should not be used by anyone other than these specified parties.

Torres, Hernández & Punter, CPA, PSC

Torres, Hernández & Punter, CPA, PSC
Certified Public Accountants

Carolina, Puerto Rico

September 5, 2023

Stamp #E521260 of the
College of CPA's of
Puerto Rico is affixed
to the original.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

To the Management
Puerto Rico Emergency Management and
Disaster Administration Agency
Commonwealth of Puerto Rico
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited the Puerto Rico Emergency Management and Disasters Bureau (from now on **the Bureau**) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) under 2 CFR, Part 200, Compliance Supplement that could have a direct and material effect on each of **the Bureau's** major federal programs for the fiscal year ended June 30, 2019. **The Bureau's** major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of **the Bureau's** compliance.

Basis for Qualified Opinion on Public Assistance (Disaster Grant - Public Assistance, Presidentially Declared Disasters) and the Emergency Management Performance Grant)

As described in the accompanying schedule of findings and questioned costs as items #2019-05 and,

Basis for Qualified Opinion on Public Assistance (Disaster Grant - Public Assistance, Presidentially Declared Disasters) and the Emergency Management Performance Grant (Continued)

#2019-06, **the Bureau** did not comply with the requirements regarding reporting (single audit report submission and filing of Federal Financial Reports Form SF-425). Both findings are applicable to the Disaster Grant - Public Assistance and Emergency Management Performance Grant Major Federal Programs. Compliance with such requirements are necessary, in our opinion, for **the Bureau** to comply with the requirements applicable to those programs.

Qualified Opinion on Public Assistance (Disaster Grant - Public Assistance, Presidentially Declared Disasters), and Emergency Management Performance Grant

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, **the Bureau** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Disaster Grant - Public Assistance (Presidentially Declared Disasters - ALN 97.036), and Emergency Management Performance Grant (ALN 97.042) for the fiscal year ended June 30, 2019.

Other Matters

The result 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 item #2019-01.

The Bureau's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. **The Bureau's** responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of **the Bureau** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **the Bureau'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 opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **the Bureau'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

Report on Internal Control Over Compliance (Continued)

significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 #2019-01, #2019-05 and #2019-06 to be material weaknesses.

Purpose of this Report

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 OMB Uniform Guidance. Accordingly, this report is not suitable for any other purposes.

Report on Other Legal and Regulatory Requirements

This report is intended solely for the information and use of management, others within the organization and the United States Department of Homeland Security and is not intended to be and should not be used by anyone other than these specified parties.

Torres, Hernández & Punter, CPA, PSC[®]

Torres, Hernández & Punter, CPA, PSC
Certified Public Accountants

Carolina, Puerto Rico

September 5, 2023

Stamp #E521261 of the
College of CPA's of
Puerto Rico is affixed
to the original.

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

Part I - Summary of Audit Results:

Statement of Cash Receipts, Disbursements and Net Changes

The independent auditors' report on the Statement of Cash Receipts, Disbursements and Net Changes expressed an unmodified opinion, and that such Statement was prepared using the cash basis method of accounting, which is a basis of accounting other than US GAAP.

Internal Control Over Financial Reporting:

Material weaknesses identified?	<u> X </u> yes	<u> </u> no
Significant deficiencies identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to the Statement noted?	<u> X </u> yes	<u> </u> no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	<u> X </u> yes	<u> </u> no
Significant deficiencies identified?	<u> </u> yes	<u> X </u> none reported

The independent auditors' report on compliance with the requirements applicable to major federal awards programs expressed the following:

- 1- Disaster Grant - Public Assistance - Qualified opinion,
- 2- Emergency Management Performance Grant - Qualified opinion.

The audit disclosed findings to be reported in accordance with the Uniform Guidance, Section 200.516(a).

<u> X </u> yes	<u> </u> no
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The Bureau's major awards during this year were:

ALN 97.036 Disaster Grant - Public Assistance
ALN 97.042 Emergency Management Performance Grant

A threshold of \$3,000,000 was used to distinguish between type A and type B programs, as those terms are defined in the Uniform Guidance, Section 200.518.

The Bureau qualify as a low risk auditee?	<u> </u> yes	<u> X </u> no
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COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part II - Findings Related to the Statement of Cash Receipts, Disbursements and Net Changes:

Finding Reference Number: 2019-01 (This finding also is applicable to all Federal Awards listed in the Schedule of Expenditures of Federal Awards, and therefore, will include all elements required under Uniform Guidance)

Subject: Financial Accounting System Maintained by the Bureau

Federal Program: ALN 97.036 Disaster Grant - Public Assistance (Presidentially Declared Disasters) and ALN 97.042 Emergency Management Performance Grant

Type of Finding - Internal Control and Noncompliance with Regulations Requirements

Type of Finding: Material Weakness

Condition: The Bureau does not have in use an integrated financial accounting system that considers all funds administered, including state and federal awards. Basically, accounting is maintained for funds received and disbursed, which are recorded in "Excel" program spreadsheets for both state and federal awards. Also, the Bureau is required to follow accounting recordkeeping requirements imposed by the Puerto Rico Treasury Department system called "PRIFAS" (Puerto Rico Integrated Financial Accounting System) for Centralized Governmental Agencies and Departments and also following the requirements of Law Number 230 of July 23, 1974, as amended, known as "Accounting Law of the Government of Puerto Rico".

Criteria:

(1) - For State Funds Received - To comply with Law Number 230, named "Accounting Law of the Government of Puerto Rico", issued on July 23, 1974, as amended, which requires that, as a public policy, the accounting of the Government of the Commonwealth of Puerto Rico clearly disclose the results of financial operations, provides the necessary financial information for the administration of governmental operations and implementation and performance of budget, and be a tool for exercising effective control over revenues, disbursements, funds, property and other governmental assets.

(2) - For Federal Funds Received - To comply with Uniform Guidance (Title 2: Grants and Agreements, Part 200 - Uniform Administrative Requirements, Cost Principles and Audit requirements for Federal Awards, Subpart D - Post Federal Awards Requirements, Section 200.302 "Financial Management", which requires 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 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,

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part II - Findings Related to the Statement of Cash Receipts, Disbursements and Net Changes
(Continued)

Subject: Financial Accounting System Maintained by the Bureau (Continued)

(b) The financial management system of each non-Federal entity must provide for the following: retention requirements for records, requests for transfer of records, methods for collection, transmission and storage of information, access to records, and restrictions on public access to records,

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the ALN title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any,

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in Section 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.

(5) Comparison of expenditures with budget amounts for each Federal award, and

(6) Written procedures to implement the requirements of payment, and

(7) Written procedures for determining the allowability of costs in accordance with Subpart E - Cost Principles of this part and the terms and conditions of the Federal award.

Effect or Potential Effect: This situation makes difficult the easy access and understanding of information of the funds received such as; amounts disbursed by type and categories, approved

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part II - Findings Related to the Statement of Cash Receipts, Disbursements and Net Changes (Continued)

Subject: Financial Accounting System Maintained by the Bureau (Continued)

amounts, obligated balances, balance available for disbursement and other related information, necessary to allow an adequate control of the grant activities and the fiscal control of the state funds. Also, the fact that an integrated accounting system is not maintained and the necessary information was not readily available in the spreadsheets maintained, created delays in the performance of the audit of the Statement and the Single Audit.

Cause: The Bureau's internal control and compliance procedures to ensure that a financial management system is maintained, for the administration of both state and federal awards, was not effective enough. This condition was disclosed during the performance of the audit procedures for the fiscal years ended June 30, 2016, 2017 and 2018 and the Bureau did not implemented any of the recommendations provided to correct this condition. Also, due to this condition, the Bureau did not filed the single audit reporting package within the time frame specified by Section 200.512 of the Uniform Guidance, for the fiscal year ended June 30, 2019.

Information to Provide Proper Perspective: This condition present a systemic problem within the Bureau. As mentioned above, the audits performed as of June 30, 2016, 2017 and 2018 included a similar condition related to these requirements, identified as findings #2016-01, #2016-02, #2017-01, and #2018-01, respectively.

Recommendation: The Bureau should strengthen control and compliance procedures by implementing an integrated financial accounting system that considers all funds administered, for both state and federal awards, including the funds managed by the the administrative unit of the GAR. Although "Excel" program spreadsheets can be used, this spreadsheets should be complemented by a program that should be designed to provide easy access and understanding of information of the funds received such as; amounts disbursed by type and categories, approved amounts, obligated balances, balance available for disbursement and other related information, necessary to allow an adequate control of the grant activities and the fiscal control of the state funds.

Questioned Costs: None.

Management Response: See corrective action plan.

Finding Reference Number: 2019-02

Subject: Documents Not Available on the Bureau's' Employee Files

Type of Finding - Internal Control and Noncompliance with Regulations Requirements

Type of Finding: Material Weakness

Condition: The Bureau requires that certain documents be included on files for employees hired. An internal control document named "Instructions for Hiring" list the documents that should be kept on file, for each employee. We selected a sample of twenty five (25) employee files for examination, to evaluate

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part II - Findings Related to the Statement of Cash Receipts, Disbursements and Net Changes
(Continued)

Subject: Documents Not Available on the Bureau's' Employee Files (Continued)

completeness of required personnel documents on employee files, as required by this internal control document. During the verification, we noted that the following documents were missing as follows:

- 1-Certificate for Income Tax Withholding Exemption - Three (3) cases, or 12% of the sample selected,
- 2-Employment Application - Seven (7) cases, or 28% of the sample selected,
- 3-Birth Certificate - Eleven (11) cases, or 44% of the sample selected,
- 4-Medical Examination Records - Twenty-One (21) cases, or 84% of the sample selected,
- 5-Verification for Employment Eligibility (I-9 Form) - Eleven (11) cases, or 44% of the sample selected,
- 6-Diploma or Equivalent Certification - Six (6) cases, or 24% of the sample selected,
- 7-Credits Transcriptions - Seven (7) cases, or 28% of the sample selected,
- 8- 2X2 Photo - Nine (9) cases, or 36% of the sample selected,
- 9-Licence or ID - Two (2) cases, or 8% of the sample selected,
- 10-Income Tax Returns Filing Certification - Five (5) cases, or 20% of the sample selected,
- 11-Administration for Child Support (ASUME) No Debt Certification - Six (6) cases, or 24% of the sample selected,
- 12-Center for Municipal Collections (CRIM) No Debt Certification - Seven (7) cases, or 28% of the sample selected, and
- 13-PR Treasury Department No Debt Certification - Five (5) cases, or 20% of the sample selected.

The only documents available for 100% of the sample tested were: Conduct Certificate, Copy of Social Security cards, and Personal History form.

Criteria: To comply with **the Bureau's** internal controls related to required documents to be included on employee files and with applicable personnel laws and regulations.

Cause: **The Bureau's** internal control procedure to assure that all these forms are properly completed and included in employee files, and updated periodically, was not effective enough during the fiscal year ended June 30, 2019. A similar condition was noted for the audit as of June 30, 2017, as finding #2017-02, and for the audit as of June 30, 2018, as finding #2018-02.

Recommendation: The implementation of an internal control procedure requiring a checklist to be reviewed each time an employee is hired, and when an employee file is updated, to assure all required documents are available. Also, to schedule reviews of employee files for updating purposes.

Management Response: See corrective action plan.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part II - Findings Related to the Statement of Cash Receipts, Disbursements and Net Changes
(Continued)

Finding Reference Number: 2019-03

Subject: Puerto Rico Unemployment and Disability Quarterly Tax Returns

Type of Finding - Internal Control and Noncompliance with Regulations Requirements

Type of Finding: Material Weakness

Condition: The Bureau's payroll department is preparing and filing its Puerto Rico Unemployment and Disability Quarterly Tax Returns using the amounts that employees should receive as salary, as agreed when hired and in subsequent salary evaluations, and detailed in an employee roster maintained, and not using actual wages and compensation paid during the quarter. This creates differences in wages and compensation included in the quarterly returns and the actual amounts paid and registered in accounting system. As of June 30, 2019, the difference between wages and compensation included in the quarterly returns and the actual amounts paid and registered in accounting system is \$1,044,169.

Criteria: To comply with the Puerto Rico Department of Labor regulations, which requires that when preparing and filing a quarterly return, actual information about wages and compensation paid during the quarter be used, and not a balance based on what the employee should receive as compensation.

Cause: Payroll Department is incorrectly using an employee roster maintained by the Bureau, with information on salaries agreed to be paid when hired or as changed through salary evaluations, and not based on actual wages and compensation paid. Finance Department is not properly supervising the quarterly returns to correct this condition. A similar condition was noted for the audit as of June 30, 2017, as finding #2017-03, and for the audit as of June 30, 2018, as finding #2018-03.

Recommendation: The implementation of an internal control procedure requiring that the Puerto Rico Unemployment and Disability Quarterly Tax Returns be prepared using actual wages and compensation paid, and discontinue the practice of using balances based on what the employee should receive as compensation, as detailed on the roster.

Management Response: See corrective action plan.

Finding Reference Number: 2019-04

Subject: Backup and Recovery Policy

Type of Finding - Internal Control

Type of Finding: Material Weakness

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part II - Findings Related to the Statement of Cash Receipts, Disbursements and Net Changes (Continued)

Subject: Backup and Recovery Policy (Continued)

Condition: During audit procedures as of June 30, 2017, accounting data maintained in the **Bureau's** server, regarding state funds, was lost due to the critical condition of the power grid in Puerto Rico, from the impact of Hurricanes Irma and Maria. Hurricane Irma passed close to the Puerto Rico area on September 7, 2017, and hurricane Maria passed over Puerto Rico area on September 20, 2017, resulting in widespread damage, flooding and power outages, and affecting governmental and private companies' operations directly and indirectly. Data related to state funds for the year ended June 30, 2017 was reconstructed since the server was damaged without repair, and data cannot be retrieved. During the years ended June 30, 2018 and June 30, 2019, no data was lost, but no backup and recovery procedures were in place.

Criteria: Law Number 230, named "Accounting Law of the Government of Puerto Rico", issued on July 23, 1974, as amended, and sound government management requires that **the Bureau** maintains adequate backup and recover policy and procedures, in case of an emergency or a natural disaster, to protect data and accounting information.

Cause: **The Bureau's** personnel and management were not aware of the need of backup and recovery policies and procedures, in case of an emergency, power difficulties or a disaster, including the various roles and responsibilities over backup and recovery processes. A similar condition was noted for the audit as of June 30, 2017, as finding #2017-04, and for the audit as of June 30, 2018, as finding #2018-04.

Recommendation: **The Bureau** should implement, and communicate to all personnel, a system of backup and recovery policies and procedures that meet **the Bureau** needs, and establish a mechanism to hold information technology staff accountable for implementing such policies and procedures. Also, to document and implement backup and recovery roles and responsibilities. In addition, should categorize data on systems and apply encryption policy requirements when applicable.

Management Response: See corrective action plan.

Part III - Findings and Questioned Costs Related to Federal Awards:

Finding Reference Number: 2019-05

Subject: Late Submission of Single Audit Reporting Package

Federal Program: ALN 97.036 Disaster Grant - Public Assistance (Presidentially Declared Disasters) and ALN 97.042 Emergency Management Performance Grant

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part III - Findings and Questioned Costs Related to Federal Awards (Continued):

Subject: Late Submission of Single Audit Reporting Package (Continued)

Type of Finding - Compliance - Reporting

Type of Finding: Material Weakness

Condition: The Bureau did not submit the single audit and reporting package, for the year ended June 30, 2019, to the Federal Audit Clearinghouse (FAC) during the required submission deadline period.

Criteria: Title 2, Subtitle A, Chapter II, Part 200 named "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" Subpart F- Audit Requirements, under 200.512 "Report Submission" states that the audit shall be completed and the Data Collection Form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted to the FAC designated by OMB within the earlier of 30 calendar days after receipt of the auditor's reports, or nine months after the end of the audit period.

The reporting package must include the following:

- (1) Financial statements and schedule of expenditures of Federal awards discussed in section 200.510 "Financial Statements", paragraphs (a) and (b), respectively;
- (2) Summary schedule of prior audit findings discussed in section 200.511 "Audit Findings Follow-Up", paragraph (b);
- (3) Auditor's report(s) discussed in section 200.515 "Audit reporting"; and
- (4) Corrective action plan discussed in section 200.511 "Audit Findings Follow-Up", paragraph (c).

Context: For the years ended June 30, 2014 and 2015, the Bureau complied with the deadline for delivering the single audit reporting packages to the FAC. Nevertheless, for the year ended June 30, 2016 the condition was included in the Schedule of Findings and Questioned Costs. FAC accepted the reporting package for the year ended June 30, 2016 on May 17, 2018. For the fiscal year ended June 30, 2017, due to the effects of Hurricanes Irma and Maria over Puerto Rico, the Federal Government issued, on October 26, 2017, a waiver letter named "Administrative Relief for Grantees Impacted by Hurricanes Harvey, Irma and Maria", extending the deadline for submission of the Single Audit Report Package to March 31, 2019, twelve months beyond the normal due date. The Bureau submitted the single audit report package to FAC on January 24, 2019, and therefore, no finding was issued. For the fiscal year ended June 30, 2018, the Bureau did not comply with the deadline for delivering the single audit reporting package to the FAC. The single audit and reporting package was delivered on September 17, 2021.

Cause: It is related to the conditions described in finding #2019-01, which is a repeated condition included in the single audit report as of June 30, 2017 as finding #2017-01 and as of June 30, 2018 as finding #2018-01, regarding the lack of an integrated financial accounting system that considers all funds administered, including state and federal awards. Basically, accounting is maintained for funds received and disbursed, which are recorded in "Excel" program spreadsheets for both state and federal awards. This creates delays in the performance of the single audit procedures and the timely delivery of the single audit reporting package.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part III - Findings and Questioned Costs Related to Federal Awards (Continued):

Subject: Late Submission of Single Audit Reporting Package (Continued)

Effect: The Bureau may be subject to sanctions such as:

1. Withholding a percentage of federal awards until the audit is completed satisfactorily,
2. Withholding or disallowing overhead costs,
3. Suspending federal awards until the audit is conducted,
4. Terminating the federal award.

Recommendation: Basically, is the same as included in Finding #2019-01 regarding the implementation of an integrated financial accounting system that considers all funds administered, for both state and federal awards. We recommend that **the Bureau** should start the process of compiling and preparing the financial information to complete the Statement with enough time to assure that such information is available for the audit process, before March 31, and to provide it with enough time so the audit process can be completed before such due date.

Questioned Costs: None.

Management Response: See corrective action plan.

Finding Reference Number: 2019-06

Subject: SF-425 Reports Not Available for Examination

Federal Program: ALN 97.036 Disaster Grant - Public Assistance (Presidentially Declared Disasters) and ALN 97.042 Emergency Management Performance Grant

Type of Finding - Compliance - Reporting

Type of Finding: Material Weakness

Condition: Form SF-425 named "Federal Financial Report", which serves as documentation of the financial status of grants according to the official accounting records of the recipient, and discloses amounts reported for cash disbursements, federal share of expenditures and federal share of unliquidated expenditures, were not available for examination for FEMA and EMPG 2018 Grant. These reports are required quarterly, annually or at another specified time interval. They update the grantor on the project activities completed, funds spent within the time period, milestones met so far, any adjustments to the original plan, and the work anticipated in the next time period.

Criteria: Form SF-425 reports are required on a quarterly basis throughout the grant award period of performance, including any partial quarters in which the period of performance is open. States/territories must submit the report even if no grant award activity occurs during a given quarter.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO EMERGENCY MANAGEMENT AND DISASTERS BUREAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part III - Findings and Questioned Costs Related to Federal Awards (Continued):

Subject: SF-425 Reports Not Available for Examination (Continued)

The following reporting periods and due dates apply for the SF-425 Federal Financial Report:

Reporting Period	Report Due Date
October 1 to December 31	January 30
January 1 to March 31	April 30
April 1 to June 30	July 30
July 1 to September 30	October 30

Cause: This condition is the result of the lack of implementation of written internal control procedures that clearly establish the responsible area to gather the necessary data to complete the required quarterly reports, as stated by the federal awarding agency, and monitor the timely filing of them. A similar finding was issued, #2016-003, for the audit as of June 30, 2016.

Effect: The Bureau may be subject to sanctions such as reduction of the amounts of federal awards or the federal awards could be suspended.

Recommendation: The Bureau should strengthen control procedures to assure that the SF-425 Quarterly Federal Financial Report are prepared and timely filed to the federal awarding agency. Monitoring process should be implemented and done during the first week at the end of the quarter, to assure reports are timely filed.

Questioned Costs: None.

Management Response: See corrective action plan.

COMMONWEALTH OF PUERTO RICO

**PUERTO RICO EMERGENCY MANAGEMENT AND
DISASTERS BUREAU**

SCHEDULE OF PRIOR AUDIT'S FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

1 - Audit Findings not Corrected:

a - Findings Number	2016-001, 2017-01, 2018-01 - Financial Management Systems Material Weakness; Noncompliance with provisions of regulations.
Status	Not Corrected - Similar condition was noted during current year audit procedures. See Finding #2019-01.
b - Findings Number	Number 2016-004, 2016-005, 2017-05, 2018-05 - Subrecipient Monitoring Internal Control - Material Weakness; Instance of Noncompliance.
ALN Numbers	ALN 97.036, 97.039
Questioned Cost	None
Status	Not Corrected - Finding was never corrected, nor measures were taken to implement corrective actions. On March 20, 2018 the Commonwealth's Governor signed Executive Order OE-2018-11 designating the Central Office of Recovery and Reconstruction of Puerto Rico (OCRR) as the Governor's Authorized Representative (GAR) of the Commonwealth of Puerto Rico, effective immediately. Therefore, as of July 1, 2018, all employees, administrative functions, funds, budgetary items, financial instruments, federal or state allocations, documents, programs, equipments, goods, and records related to the GAR were transferred from the Bureau to the OCRR.
c - Finding Number	2016-002, 2018-06 - Late Submission of Single Audit Report Package. Material Weakness; Noncompliance with provisions of regulations.
ALN Numbers	ALN 97.036, 97.039
Status	Not Corrected - Similar condition was noted during current year audit procedures. See Finding # 2019-05.



TORRES, HERNANDEZ & PUNTER, CPA, PSC
Certified Public Accountants

To the clients and users of the financial statements
Reported upon by Torres, Hernández & Punter, CPA PSC
Certified Public Accountants

The partners and staff of Torres, Hernández & Punter CPA, PSC are pleased to announce the successful completion of the 2022 independent peer review of our accounting and auditing practice. This review was undertaken as a condition of membership in the American Institute of Certified Public Accountants (AICPA), the national organization of CPAs in public practice, industry, government, and education. Our participation in the Peer Review Program demonstrates our firm's commitment and desire of maintaining and improving the quality of our practice.

After through study of our policies and procedures, the team conducting the review concluded our firm complies with the quality control standards established by the AICPA and the Puerto Rico Society of CPA's (PRSCPA). Our firm is committed to periodic peer review to foster quality performance.

Bankers, bonding agents, investors, suppliers, legal advisors and others use the financial statements our firm audits, reviews or complies. We think those people, our clients, and our own staff, deserve independent quality assurance that our firm provides quality services. We are proud of our peer review results and would be happy to answer any questions you might have.

Sincerely,

Torres, Hernández & Punter, CPA, PSC

Torres, Hernández & Punter, CPA, PSC



De Angel & Compañía

COMPANIA DE RESPONSABILIDAD LIMITADA
CONTADORES PÚBLICOS AUTORIZADOS

PO Box 5460
Caguas, Puerto Rico 00726-5460

Glasgow 1890 College Park
Río Piedras, Puerto Rico
www.deangel.com
(787) 758-4428 • Fax 763-9386

To the Stockholders of
Torres, Hernandez, & Punter, CPA, PSC
and the Peer Review Committee of the
Puerto Rico Society of Certified Public Accountants

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

We have reviewed the system of quality control for the accounting and auditing practice of **Torres, Hernandez, & Punter, CPA, PSC** (the firm) in effect for the year ended December 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants.

A summary of the nature, objectives, scope, limitations, and procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audit under the Single Audit Act, and audit of employee benefit plan.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of **Torres, Hernandez, & Punter, CPA, PSC** in effect for the year ended December 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. **Torres, Hernandez, & Punter, CPA, PSC** has received a peer review rating of *pass*.

A handwritten signature in black ink that reads "J. Angel Garcia, CPA". The signature is written in a cursive style.

License No. LLC-317
Expires on December 1, 2023

San Juan, Puerto Rico
October 31, 2022
2022-10-90

Stamp Number
E-498727
was affixed to
original

**PUERTO RICO EMERGENCY MANAGEMENT BUREAU
2019 SINGLE AUDIT
CORRECTIVE ACTION PLAN**

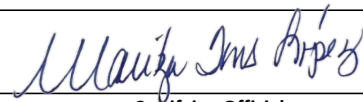
FINDING	AUDITOR'S FINDING	AUDITOR'S REQUIREMENT	CORRECTIVE ACTION PLAN	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM	TARGET COMPLETION DATE
2019-01	<p>Financial Accounting System Maintained by the Bureau: The Bureau does not have in use an integrated financial accounting system that considers all funds administered, including state and federal awards. Basically, accounting is maintained for funds received and disbursed, which are recorded in "Excel" program spreadsheets for both state and federal awards. Also, the Bureau is required to follow accounting recordkeeping requirements imposed by the Puerto Rico Treasury Department system called "PRIFAS" (Puerto Rico Integrated Financial Accounting System) for Centralized Governmental Agencies and Departments and also following the requirements of Law Number 230 of July 23, 1974, as amended, known as "Accounting Law of the Government of Puerto Rico".</p>	<p>The Bureau should strengthen control and compliance procedures by implementing an integrated financial accounting system that considers all funds administered, for both state and federal awards, including the funds managed by the administrative unit of the GAR. Although "Excel" program spreadsheets can be used, this spreadsheets should be complemented by a program that should be designed to provide easy access and understanding of information of the funds received such as; amounts disbursed by type and categories, approved amounts, obligated balances, balance available for disbursement and other related information, necessary to allow an adequate control of the grant activities and the fiscal control of the state funds.</p>	<p>The Department of Public Safety has developed and implemented new guidelines that ensure task segregation and internal controls. These new guidelines provide a tool for new personnel to follow step by step in carrying out their responsibilities. Additionally, there is a tool within the PRIFAS system that can facilitate the segregation of expense items or categories associated with federal grants expenditures. To meet these requirements, we will be reaching out to the government accounting system custodians (Departamento de Hacienda), in order to provide the necessary report.</p>	<p>Maritza Torres- Fiscal Area Director; Vanessa Figueroa- Finance Division; Contractors (Robles & Assoc.)</p>	<p>Already Completed</p>

**PUERTO RICO EMERGENCY MANAGEMENT BUREAU
2019 SINGLE AUDIT
CORRECTIVE ACTION PLAN**

FINDING	AUDITOR'S FINDING	AUDITOR'S REQUIREMENT	CORRECTIVE ACTION PLAN	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM	TARGET COMPLETION DATE
2019-05	<p><u>Late Submission of Single Audit Reporting Package</u> The Bureau did not submit the single audit and reporting package, for the year ended June 30, 2019, to the Federal Audit Clearinghouse (FAC) during the required submission deadline period.</p>	<p>We recommend that the Bureau should start the process of compiling and preparing the financial information to complete the Statement with enough time to assure that such information is available for the audit process, before March 31, and to provide it with enough time so the audit process can be completed before such due date. Principles, and Audit Requirements for Federal Awards” Subpart F- Audit Requirements, under 200.512 “Report Submission” states that the audit shall be completed and the Data Collection Form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted to the FAC designated by OMB within the earlier of 30 calendar days after receipt of the auditor's reports, or nine months after the end of the audit period.</p>	<p>The Department of Public Safety has implemented a plan to meet the simple audit requirements mandated by the federal government. We acknowledge that this issue has been ongoing since 2016 (prior to the establishment of the DSP) as we have been working to bring the accounting for this division up to date. The plan entails completing the audits for the years 2020, 2021, and 2022 within this year, thus ensuring compliance with federal requirements.</p>	<p>Maritza Torres- Fiscal Area Director; Vanessa Figueroa- Finance Division; Contractors (Robles & Assoc.)</p>	<p>Expected Completion Date: During year 2024.</p>

**PUERTO RICO EMERGENCY MANAGEMENT BUREAU
2019 SINGLE AUDIT
CORRECTIVE ACTION PLAN**

FINDING	AUDITOR'S FINDING	AUDITOR'S REQUIREMENT	CORRECTIVE ACTION PLAN	LEAD PERSONS ACCOUNTABLE FOR ACTION ITEM	TARGET COMPLETION DATE
2019-06	<p>SF-425 Reports Not Available for Examination- Form SF-425 named "Federal Financial Report", which serves as documentation of the financial status of grants according to the official accounting records of the recipient, and discloses amounts reported for cash disbursements, federal share of expenditures and federal share of unliquidated expenditures, were not available for examination for FEMA and EMPG 2018 Grant. These reports are required quarterly, annually or at another specified time interval. They update the grantor on the project activities completed, funds spent within the time period, milestones met so far, any adjustments to the original plan, and the work anticipated in the next time period.</p>	<p>The Bureau should strengthen control procedures to assure that the SF-425 Quarterly Federal Financial Report are prepared and timely filed to the federal awarding agency. Monitoring process should be implemented and done during the first week at the end of the quarter, to assure reports are timely filed.</p>	<p>The Department of Public Safety has developed and implemented new guidelines that ensure task segregation and internal controls. These new guidelines provide a tool for new personnel to follow step by step in carrying out their responsibilities. On the other hand, all SF-425 forms have been completed and are up to date with the grants.</p>	<p>Maritza Torres- Fiscal Area Director; Vanessa Figueroa- Finance Division; Contractors (Robles & Assoc.)</p>	<p>Already Completed</p>



**Certifying Official
Fiscal Area Director**