

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction
Service Administration

Statement of Cash Receipts and Disbursements
and Single Audit Report

June 30, 2019

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INDEPENDENT AUDITORS' REPORT

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction
Services Administration (the MHAASA)

Report on the Financial Statement

We have audited the accompanying financial statement of the Commonwealth of Puerto Rico Mental Health and Anti-Addiction Services Administration (the MHAASA), which comprise the statement of cash receipts and disbursements for the year ended June 30, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the basis of accounting described in Note 3; this includes determining that the referred basis of accounting is an acceptable basis for the preparation of the financial statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the MHAASA's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MHAASA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash receipts and disbursements of the MHAASA for the year ended June 30, 2019 in accordance with the basis of accounting described in Note 3.

Emphasis of Matter

Financial Deterioration of the Commonwealth of Puerto Rico (Commonwealth)

As discussed in Note 2 to the basic financial statement, the MHAASA is part of the Commonwealth of Puerto Rico (the Commonwealth). As of June 30, 2019, the financial condition and liquidity of the Commonwealth has deteriorated. Considering that the MHAASA depends completely on appropriations from the Commonwealth, the financial condition and liquidity of the MHAASA could be similarly affected.

Hurricane María

On September 20, 2017, Hurricane María impacted Puerto Rico causing widespread infrastructure and other property damage, and the complete collapse of the electrical grid across the island. Damages caused by Hurricane Maria were covered by insurance and a federal assisted program.

Earthquakes

As discussed in Note 7, since December 2019, Puerto Rico has been experiencing a series of earthquakes and tremors which have been causing serious infrastructure damages to public and private property mainly in the southwestern part of the island. The damages are still being assessed, and are also expected to be covered by insurance and a federal assisted program.

COVID-19

As discussed in Note 7, in March 2020, the World Health Organization declared the coronavirus disease COVID-19 a global pandemic which is currently affecting the world's economy and financial markets. Should these conditions continue for an extended period of time or additional restrictions imposed by governments, the impact on the operations of the MHAASA could have a significant adverse effect in its statement of cash receipts and cash disbursements.

Other Matters

Basis of Accounting

We draw attention to Note 3 to the financial statement, which describes the basis of accounting. The financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

The MHAASA has not presented the management's discussion and analysis that is necessary to supplement, although not required to be part of the financial statement.

Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of cash receipts and disbursements that comprise the MHAASA's financial statement. The information included in the accompanying Schedules of Disbursements by Administrative Auxiliaries (Commonwealth and federal funds) is presented for purposes of additional analysis and is not a required part of the financial statement. In addition, the Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget, Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the cash receipts and disbursements activities.

The information included in the accompanying Schedules of Disbursements by Administrative Auxiliaries (Commonwealth and federal funds) and the SEFA are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement referred to above. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursements or to the statement of cash receipts and disbursements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Disbursements by Administrative Auxiliaries and the SEFA are fairly stated in all material respects in relation to the financial statement as a whole.

Commonwealth of Puerto Rico
 Mental Health and Anti-Addiction
 Services Administration (the MHAASA)
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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2020, on our consideration of the MHAASA'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 MHAASA's internal control over financial reporting and compliance.



FPV & Galindez

San Juan, Puerto Rico
 May 29, 2020
 License No. LLC-322
 Expires December 1, 2020

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Statement of Cash Receipts and Disbursements

For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Federal Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Cash receipts:				
Commonwealth appropriations	\$ 68,642,046	\$ -	\$ 14,791,481	\$ 83,433,527
Federal financial assistance	-	71,342,267	-	71,342,267
Total cash receipts	<u>68,642,046</u>	<u>71,342,267</u>	<u>14,791,481</u>	<u>154,775,794</u>
Cash disbursements:				
Administration	8,604,324	2,654,711	756,050	12,015,085
Prevention	573,895	6,182,178	2,104	6,758,177
Alcoholism	-	1,432,615	-	1,432,615
Drug treatment	3,764,840	39,180,523	272,363	43,217,726
Mental health	-	9,627,947	-	9,627,947
Hospitalization services	24,817,781	-	5,389,534	30,207,315
Ambulatory services	11,310,543	-	1,019,096	12,329,639
Narcotics	293,559	-	5,816	299,375
Community support	345,894	-	2,651	348,545
Internal treatment services	15,323,295	-	71,102	15,394,397
Quality service office	546,040	-	8,824	554,864
	<u>65,580,171</u>	<u>59,077,974</u>	<u>7,527,540</u>	<u>132,185,685</u>
Payment of debt	-	-	4,974,764	4,974,764
Pass-through funds to other entities	-	-	6,943,000	6,943,000
Total cash disbursements	<u>65,580,171</u>	<u>59,077,974</u>	<u>19,445,304</u>	<u>144,103,449</u>
Excess (deficiency)	<u>\$ 3,061,875</u>	<u>\$ 12,264,293</u>	<u>\$ (4,653,823)</u>	<u>\$ 10,672,345</u>

See notes to financial statement

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statement

For the Year Ended June 30, 2019

Note 1 - Organization

The Mental and Anti-Addiction Services Administration (Commonwealth of Puerto Rico) (the MHAASA) was created by Law No. 67 of August 7, 1993 of the Commonwealth of Puerto Rico Department of Health (PRDH). The MHAASA is ascribed to the PRDH, with legal personality, capacity to sue and be sued and fiscal and administrative autonomy.

The MHAASA's mission is to promote, maintain and restore mental health of residents of Puerto Rico. Also, they guarantee accessible, of quality and cost-effective prevention, treatment and rehabilitation services in the mental health area, including drug abuse in an environment of respect and confidentiality. The MHAASA is responsible for the planning, implementation and evaluation of alcohol and drug abuse programs, which use a dynamic approach across human development stage from prevention through treatment and rehabilitation. The authority to approve the manufacturing, dispensing and distribution of controlled substances for therapeutic usage that previously corresponded to the MHAASA, was transferred to the Secretary of the PRDH.

The MHAASA provides all mental health and substance abuse services at the treatment centers. The major services offered by the MHAASA are day treatment, partial hospitalization, residential, outpatient and inpatient and emergency services.

Program income of the MHAASA is derived from agreements with third party payors under several arrangements such as: unit claim, fixed capitation, per-diem and others that are the basis for some revenues that are presented in the statement of cash receipts and disbursements.

Note 2 - Going concern consideration

As part of its normal operating activities, the MHAASA is completely dependent on appropriations from Commonwealth of Puerto Rico (the Commonwealth). Since June 30, 2015, the Commonwealth faces significant budgetary risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet their obligations when they become due after amassing more than \$70 billion in debt and over \$50 billion in unfunded benefit pension benefits.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2019

Note 2 - Going concern consideration – (continued)

As a result of this critical situation, on June 30, 2016, the Congress of the United States of America enacted the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA), under which the Financial Oversight and Management Board for Puerto Rico (the Oversight Board) was created. The purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to capital markets. Under PROMESA, the Board is authorized to restructure Puerto Rico's debt.

On March 2017, the Oversight Board certified the Commonwealth's Fiscal Plan, which has suffered various updates since, mainly as a result of the passage of Hurricane María. The last update was issued on May 2019 as the Fiscal Plan for Puerto Rico – Restoring Growth and Prosperity in accordance to section 201(e)(2) of PROMESA. The Fiscal Plan provides for estimates of revenues and expenditures based on applicable laws and specific bills to be enacted in the future in order to comply with projections, ensure funding of essential public services, provide adequate funding for public pension systems, provide a sustainable debt burden, improve fiscal governance, accountability and internal controls, among others. At the same time, the Board engaged in negotiations with creditor groups which would further lead to the initial Plan of Adjustment which main objective is the restructuring of debt under Title III of PROMESA.

On February 2020, the Oversight Board certified the submission of the amended joint Plan of Adjustment and the Disclosure Statement for the Debtors pursuant to PROMESA section 104(j). However, even though the Court approved the Disclosure Statement, such approval does not constitute a determination by the Court as to the fairness and merits of the Plan. The Court will consider confirmation of the Plan at the confirmation hearing scheduled for October 2020.

Finally, even though the abovementioned events seemed the appropriate economic course of action, the financial support that the Commonwealth has provided to the MHAASA may be affected in the near future.

Note 3 - Summary of significant accounting policies

The accompanying statement of cash receipts and disbursements has been prepared on the cash receipts and disbursement basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the reporting cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) are reported in the period in which they occurred.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 3 - Summary of significant accounting policies – (continued)

The cash basis of accounting differs from GAAP primarily because revenue (cash receipts) is recognized when received in cash rather than earned and susceptible to accrual, and expenditures (cash disbursements) are recognized when paid rather than when incurred or subject to accrual. No accrual is recognized.

The accounts of MHAASA are organized based on fund types, which are responsible for the coordination, receipt, and management of funds. These are composed of three fund types, which are described below. The accounts of the MHAASA are accounted for with a series of accounts which only includes cash receipts and disbursements. No balance sheet accounts are maintained or reported.

The MHAASA major governmental funds are the following:

General fund

The general fund is the MHAASA's primary operating fund. It accounts for all financial resources not accounted for in the other funds. All funds received from the Government that are not restricted by law or contractual agreement are recorded in this fund. Also, it accounts for the Government funds available and not used in prior years by the budgetary fund.

Federal funds

These funds consist of financial assistance received from federal agencies. Federal funds are legally restricted to expenditures for specified purposes.

Other governmental funds

These funds basically consist of legislative resolutions received from the Commonwealth.

Vacation and sick leave

The vacation and sick leave policy of MHAASA provides for the accumulation of fifteen (15) days of vacation and eighteen (18) days of sick leave annually, which is in accordance with the Law No. 26 of April 29, 2017. Also, for any employee hired after February 4, 2017, the accumulation is reduced to fifteen (15) days of vacation and twelve (12) days of sick leave annually.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 3 - Summary of significant accounting policies – (continued)

Vacation and sick leave – (continued)

As per Law No. 26 of April 29, 2017, the employees of MHAASA can accumulate up to 60 days of vacation at the end of the calendar year. Payment of the excess of sixty (60) days of vacation are not allowed and would be eliminated at the end of each calendar year.

As per Law No. 26 of April 29, 2017, the employees of MHAASA can accumulate up to 90 days of sick leave at the end of the calendar year. However, as per this law, payment of the excess of ninety (90) days of sick leave would be eliminated at the end of each calendar year.

The Commonwealth of Puerto Rico Department of the Treasury follows the practice of pooling resources under the custody of the Secretary of the Treasury. Those portions of funds of the MHAASA are pooled in appropriation accounts and are available to meet the MHAASA's current operating requirements.

Note 4 - Contingencies

Litigation and claims

The Commonwealth of Puerto Rico's Law 67 of August 7, 1993, provides that MHAASA is an entity with legal personality, capacity to sue and be sued and fiscal and administrative autonomy. The MHAASA is a defendant in various lawsuits resulting from the normal course of business, including but not limited to labor, torts, and breach of contract. MHAASA's management believes that the potential claim will not materially affect its financial position and resulting operations.

Collective bargaining agreement

As of June 30, 2019, the MHAASA had 997 employees, which 783 employees were covered by a collective bargaining agreement. Under the provisions of the agreement the MHAASA must comply with specific requirements related to compensation, fringe benefits and other related matters. The collective bargaining agreement expires on June 30, 2021.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 4 - Contingencies – (continued)

Federal awards

The MHAASA participates in various federally funded programs. These programs are routinely subject to financial and compliance audits in accordance with the provisions of the U.S. Office of Management and Budget (OMB) Uniform Guidance 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* or to compliance audits by the past-through and/or federal agency. The reports on the audits of these programs, which are conducted pursuant to such federal regulations, are required to be submitted by the MHAASA to the regulatory agencies.

Such agencies have the authority to determine liabilities, as well as, to limit, suspend, or terminate the federal financial assistance programs. Other federal and local programs are also subject to audit. If any un-allowed cost is detected because of such compliance audits, the MHAASA may be required to reimburse such amounts to the corresponding federal and pass through agencies from its own non-federal resources.

Note 5 - Retirement plan

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the Retirement System), created pursuant to Act No. 447 of May 15, 1951, as amended, is a cost-sharing multiple-employer defined benefit pension plan sponsored by, and reported as a component unit of the Commonwealth. All regular employees of the MHASSA hired under the age of fifty-five (55) years at the date of employment became members of the Retirement System as a condition to their employment. No benefits are payable if the participant receives a refund of his/her accumulated contributions.

The Retirement System provides retirement, death and disability benefits pursuant to legislation enacted by the Commonwealth's legislature. Death and disability retirement benefits are available to members for occupational and non-occupational death and disabilities. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after ten (10) years of plan participation.

Retirement benefits are determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the highest 36 months of compensation, recognized by the Retirement System. The annuity, for which a plan member is eligible, is limited to a minimum of \$500 per month and a maximum of 75% of the average compensation.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 5 - Retirement plan – (continued)

Law No. 1 of 1990, made certain amendments applicable to new participants joining the Retirement System effective April 1, 1990. These changes consist principally of the establishment of contributions at 8.275% of their monthly gross salary, an increase in the retirement age to 65, a decrease in annuity benefit of 1% and 1.5% of the average compensation for all years of creditable service, a decrease in the maximum disability and death benefits annuities from 50% to 40% average compensation, and the elimination of the Merit annuity for participants who have completed 30 years of creditable service.

On September 24, 1999 an amendment to Law No. 447 dated May 15, 1951, which created the Retirement System, was enacted with the purpose of establishing a new pension program (System 2000). System 2000 became effective on January 1, 2000. Employees participating in the Retirement System as of December 31, 1999, had the option to stay in the defined plan or transfer to System 2000. System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the Retirement System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth of Puerto Rico.

The annuity will be based on a formula which assumes that each year the employees contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either; (1) earn a fixed rate based on the two-year Constant Treasury Note or, (2) earn a rate equal to 75% of the return of the Retirement System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants receive periodic accounts statements similar to those of defined contributions plans showing their accrued balances.

Defined contribution Hybrid Program

In April 2013, the Legislature of the Commonwealth enacted Act No. 3, which amends Acts No. 447 of 1951 and 305 of 2000, to establish, among other things, the creation of a new defined contribution hybrid program and amend the terms and conditions of the benefits structure granted to active participants and pensioners under the previously established benefit structures administered by the Retirement System.

The Hybrid Program became effective on July 1, 2013. Employees participating in the System as of June 30, 2014 retained their rights to receive the benefits earned under the previous program based on the accumulated salaries and years of service up to June 30, 2014. All employees of the government on or after July 1, 2013 became members of the Hybrid Program.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 5 - Retirement plan – (continued)

Defined contribution Hybrid Program – (continued)

The Hybrid Program is a defined contribution plan. Under this new plan, there is a pool of pension assets, which is invested by the System, together with those of the System. Benefits at retirement age will not be guaranteed by the Commonwealth. The annuity will be based on the employees' contribution (with a minimum of 10% of the employees' salary and no maximum amount, limited by annual increments of up to 0.5% of the monthly gross salary), which will be invested in one of three investment options.

Pension benefits are defined as of June 30, 2013 based on the member status. Members who entered the Retirement System before April 1, 1990 and who have attained 58 years of age and at least 10 years of creditable service, or members who have attained 55 years of age and at least 25 years of creditable services, are entitled to a deferred pension plus the benefits of the new defined contribution hybrid program annuity. Members who have attained 57 years and at least 10 years of creditable service will be eligible for benefits once they have 59 years. Members who have attained 56 years and at least 10 years of creditable service will be eligible for benefits who have 60 years. Members who have not attained 56 years and have completed 10 years of creditable service will be eligible for benefits once they have 61 years.

Members entering the Retirement System on or after April 1, 1990 but before December 31, 1999 and who have attained 65 years are entitled to a deferred pension plus the benefits of the new defined contribution hybrid program annuity. Members entering the Retirement System after January 1, 2000 and who have attained 59 years as of June 30, 2013 are entitled to the defined contribution program annuity. Members who have attained 58 years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained 62 years. Members who have attained 57 years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained 63 years. Members who have attained 56 years as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained 64 years. Members who have attained 55 years or less as of June 30, 2013 are entitled to the defined contribution program annuity once they have attained 65 years.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 5 - Retirement plan – (continued)

Fund policy

Contributions requirements are established by law and are as follows:

Commonwealth Employees:	14.275% of gross salary
Hired on or before March 31, 1990	5.775% of gross salary up to \$6,600
Hired on or after April 1, 1990	8.275% of gross salary

Total covered payroll for the year ended June 30, 2019, was approximately \$33 million. For the fiscal year ended June 30, 2019, the MHAASA contributed 100% of total required contributions.

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

On June 23, 2017, the Legislative Assembly approved certain other assignment for fiscal year 2018 under Joint Resolution 188, which among other things, orders the Retirement System to liquidate its assets and pass the net proceeds to the Treasury Department.

On August 2017, the Commonwealth the Act to Guarantee the Payment to our Pensioners and Establish a New Plan for Defined Contributions for Public Servants (Act 106), which reformed the Commonwealth Retirement System so that their active participants would deposit their individual contributions in a new Defined Contribution Plan that will be administered by a private entity. Act No. 106 created the legal framework so that the Commonwealth can make payments to pensioners through the PayGo system.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 5 - Retirement plan – (continued)

Act No. 106, among other things, amended Act No. 12 with respect to the ERS's governance, funding and benefits for active members of the actual program and new hired members. Under Act No. 106, the ERS's Board of Trustees was substituted with a new retirement board (the Retirement Board), which is currently responsible for governing all Commonwealth Retirement Systems.

Act No. 106 terminated the previously existing pension programs for ERS participants as of June 30, 2018. The members of the prior programs and new system members hired on and after July 1, 2017 will be enrolled in a new defined contribution program that will be selected by the Retirement Board. The accumulated balance on the accounts of the prior program will be transferred to the members account in the new defined contributions program. ERS's active members in the defined contribution program will retain their benefits as stated under Act 91 of March 29, 2003.

Act No. 106 also ordered a suspension of ERS's loan programs and ordered a merger of the administrative structures of the Commonwealth Retirement Systems. At the Retirement Board's discretion, the administration of ERS benefits may be externalized. The employees of ERS that are not retained under the new administrative structure will be transferred to other public agencies in conformity with Act 8 of February 8, 2017.

As mentioned in Note 2, on May 2019, the Oversight Board engaged in negotiations with creditors (which include retirees and bondholders) related to the debt restructuring plan under Title III of PROMESA. Such Plan aims to reduce fiscal debt to sustainable levels without significantly impacting retiree's benefits.

Additional information on the Retirement System is provided on its standalone financial statements for the year ended June 30, 2016, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

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Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 6 - Operating leases

The MHAASA leases various properties and equipment under operating leases agreements. Rental expenditures for the year ended June 30, 2019 related to such commitments amounted to approximately \$4 million. Future operating leases commitments are scheduled as follows:

June 30,	Amount
2020	\$ 3,184,611
2021	3,150,668
2022	3,222,900
2023	3,103,300
2024	3,103,300
Thereafter	40,211,000
Total	\$ 55,975,779

Note 7 - Subsequent event

The MHAASA evaluated subsequent events through May 29, 2020, which is the date the financial statement was available to be issued. Except as discussed in Note 2 and in the following paragraphs, no events have occurred after the statement of cash receipts and disbursement year ending date and to the date the financial statement was available to be issued, that would require additional adjustment to, or disclosure in, the financial statement.

Since December 2019, Puerto Rico has experienced a series of earthquakes and tremors which caused severe infrastructure damages to public and private property mostly on the southwestern part of the island. On January 16, 2020, the island was declared a major disaster area which activated the federal emergency response by making federal funds available for recovery from the effects of the disaster which are still being assessed.

In March 2020, the World Health Organization declared the coronavirus disease COVID-19 a global pandemic. This highly contagious disease has spread across the world and is currently affecting the world's economy and financial markets, which may result in a significant economic downturn. In addition, state and international governments have imposed restrictions on non-essential services and manufacturing, including enforced business lockdowns and curfews, which may result in disruptions in the production and distribution of certain supplies. Furthermore, governments continue to impose additional restrictions on international travel and border control, as well as other social and business activities involving large numbers of individuals and/or participants.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Financial Statements – (continued)

For the Year Ended June 30, 2019

Note 7 - Subsequent event – (continued)

The abovementioned conditions may negatively affect the normal operations of the MHAASA, however, the related financial statement impact cannot be reasonably estimated at this time.

SCHEDULES OF DISBURSEMENTS BY
ADMINISTRATIVE AUXILIARIES

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Schedule of Disbursements by Administrative Auxiliaries (Federal Funds)
For the Year Ended June 30, 2019

Expenditures	Administration	Prevention	Alcoholism	Drug Treatment	Mental Health	Total
Salaries and fringe benefits	\$ 622,905	\$ 2,207,207	\$ 160,328	\$ 3,620,546	\$ 1,270,052	\$ 7,881,038
Professional and purchased services	988,521	2,817,015	925,298	28,331,376	6,803,883	39,866,093
Transportation	6,265	80,157	3,148	148,822	22,303	260,695
Other services	699,621	602,760	152,099	2,344,513	811,755	4,610,748
Equipment	249,142	148,993	62,364	1,130,115	375,869	1,966,483
Supplies	87,666	80,950	129,378	3,463,592	317,261	4,078,847
Advertising	591	-	-	624	2,194	3,409
Public services	-	6,025	-	49,637	3,539	59,201
Other expenses	-	-	-	10,984	12,841	23,825
Contribution nongovernmental entities	-	239,071	-	80,314	8,250	327,635
 Total	 <u>\$ 2,654,711</u>	 <u>\$ 6,182,178</u>	 <u>\$ 1,432,615</u>	 <u>\$ 39,180,523</u>	 <u>\$ 9,627,947</u>	 <u>\$ 59,077,974</u>

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Schedule of Disbursements by Administrative Auxiliaries (General Fund and Other Governmental Funds)
For the Year Ended June 30, 2019

Expenditures	Administration	Prevention	Drug Treatment	Hospitalization Services	Ambulatory Services	Narcotics	Community Support	Internal Treatment Services	Quality Services Office	Total
Salaries and fringe benefits	\$ 3,245,723	\$ 563,552	\$ (739)	\$ 8,949,223	\$ 8,347,188	\$ 287,372	\$ 32,402	\$ 3,411,063	\$ 483,400	\$ 25,319,184
Public services	4,678,218	9,413	-	2,091,167	535,660	-	389	31,480	-	7,346,327
Purchased services	368,566	930	51,832	3,383,261	1,313,345	1,161	2,589	369,780	-	5,491,464
Donations	38,899	-	-	-	-	-	-	-	-	38,899
Transportation	89,791	-	1,346	37,434	15,535	6,216	-	9,095	8,902	168,319
Professional services	440,294	2,073	142,557	11,533,575	1,897,175	-	137,526	447,155	62,562	14,662,917
Other services	390,259	31	71,086	2,600,989	176,458	4,410	299	10,992,911	-	14,236,443
Supplies	(4,029)	-	87,334	1,573,893	38,438	-	-	132,913	-	1,828,549
Equipment	47,519	-	96,630	34,332	5,840	-	-	-	-	184,321
Advertising	432	-	-	-	-	216	-	-	-	648
Encompassed assignments	64,702	-	3,587,157	-	-	-	-	-	-	3,651,859
Previous year debt payments	-	-	-	-	-	-	175,340	-	-	175,340
Matching federal funds	-	-	-	3,441	-	-	-	-	-	3,441
Totals	<u>\$ 9,360,374</u>	<u>\$ 575,999</u>	<u>\$ 4,037,203</u>	<u>\$ 30,207,315</u>	<u>\$ 12,329,639</u>	<u>\$ 299,375</u>	<u>\$ 348,545</u>	<u>\$ 15,394,397</u>	<u>\$ 554,864</u>	<u>\$ 73,107,711</u>

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal/Grantor Pass-Through/Grantor/ Program Title	CFDA Number	Expenditures			
		Pass Through Awards	From Direct Awards	Total	Passed through to Sub-recipients
U.S. Department of Housing and Urban Development:					
Pass Through:					
Continuum of Care Program	14.267	\$ 1,773,913	\$ -	\$ 1,773,913	\$ -
U.S. Department of Justice:					
Harold Rogers Prescription Drug Monitoring Program	16.754	-	191,088	191,088	-
U.S. Department of Health and Human Services:					
From Direct Awards					
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	-	954,497	954,497	-
Projects for Assistance in Transition from Homelessness (PATH) Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.150	-	847,575	847,575	-
Puerto Rico Targeted Response to the Opioid Crisis	93.243	-	3,509,533	3,509,533	-
Block Grants for Community Mental Health Services	93.788	-	3,362,004	3,362,004	-
Block Grants for Prevention and Treatment of Substance Abuse	93.958	-	8,823,823	8,823,823	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	22,710,459	22,710,459	-
Crisis Counseling Disaster Relief	93.982	-	16,006,063	16,006,063	-
Drug and Alcohol Services Information System (DASIS)	Not Available	-	-	64,954	-
U.S. Department of Homeland Security:					
Federal Emergency Management Agency:					
Immediate Services Program FEMA	97.032	834,065	-	834,065	-
Total expenditures of federal awards		<u>\$ 2,607,978</u>	<u>\$ 56,405,042</u>	<u>\$ 59,077,974</u>	<u>\$ -</u>

See notes to Schedule of Expenditures of Federal Awards

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Services Administration

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the funds expended by the MHAASA from all federal programs of federal awards granted to MHASSA for the year ended June 30, 2019. The MHAASA's reporting entity is defined in Note 1 to the financial statement. Also, the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with requirements of Uniform Guidance 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

2. Summary of significant accounting policies

The Schedule is prepared from the MHASSA's accounting records and is not intended to, and does not, present its financial position or the results of its operations. The Schedule is presented in accordance with the cash receipts and disbursement basis of accounting, under which revenues are recorded when received and expenditures are recorded when paid. MHASSA has elected not to use the 10-percent of minimis indirect cost rate as allowed under the Uniform Guidance.

3. Catalog of Federal Domestic Assistant (CFDA) Number

The CFDA numbers included in this Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance. CFDA numbers are presented for those programs for which such numbers were available.

4. Major federal programs

Major programs are identified in the summary of auditors' results section in the schedule of findings and questioned costs. Federal programs are presented by federal agency.

5. Relationship to federal financial reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Uniform Guidance 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires that federal financial reports for claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The MHAASA prepares the federal reports and claims for reimbursements primarily based on information from the internal accounting records.

INDEPENDENT AUDITORS' 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

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction
Services Administration (the MHAASA)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statement of the Mental Health and Anti-Addiction Services Administration (Commonwealth of Puerto Rico) (the MHAASA), which comprise the statement of cash receipts and disbursement for the fiscal year ended June 30, 2019, and the related notes to the financial statement and have issued our report thereon date May 29, 2020

Our report on the MHAASA's basic financial statements included an emphasis of matter paragraph indicating that the MHAASA has evaluated the possible effects of the budgetary constraints and liquidity risk being faced by the Commonwealth of Puerto Rico, on its basic financial statement, and has concluded that, as of June 30, 2019, the MHAASA will continue to operate as a going concern for a period not less than twelve months after such date.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the MHAASA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the MHAASA's internal control.

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

Our consideration of internal control was 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. Given that limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Commonwealth of Puerto Rico
 Mental Health and Anti-Addiction
 Services Administration (the MHAASA)
 Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MHAASA’s financial statement is free from material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contract, and great agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



FPV & Galindez

May 29, 2020
 San Juan, Puerto Rico
 License No. LLC-322
 Expires December 1, 2020

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

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction
Services Administration (the MHAASA)

Report on Compliance for Each Major Federal Program

We have audited the Mental Health and Anti-Addiction Services Administration (Commonwealth of Puerto Rico) (the MHAASA) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have direct and material effect on each of MHAASA's major federal programs for the fiscal year ended June 30, 2019. MHAASA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MHAASA's major federal programs based on our audit of the types of compliance requirement 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 the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MHAASA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction
Services Administration (the MHAASA)
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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the MHAASA's is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MHAASA's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MHAASA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction
Services Administration (the MHAASA)
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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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



FPV & Galindez

May 29, 2020
San Juan, Puerto Rico
License No. LLC-322
Expires December 1, 2020

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Service Administration

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	___x___ no
Significant deficiency identified that are not considered to be material weaknesses?	_____ yes	___x___ no
Noncompliance material to financial statements noted?	_____ yes	___x___ no

Federal Awards

Internal control over major programs:		
Material weakness identified?	_____ yes	___x___ no
Significant deficiency identified that are not considered to be material weaknesses?	_____ yes	___x___ no
Type of auditors’ report issued on compliance for major programs:	Unmodified	

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR § 200.516?	_____ yes	___x___ no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Award</u>	
	U. S. Department of Health and Human Services:	
93.788	Puerto Rico Targeted Response to the Opioid Crisis	Unmodified
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Unmodified
93.982	Crisis Counseling Disaster Relief	Unmodified

Commonwealth of Puerto Rico
Mental Health and Anti-Addiction Service Administration

Summary Schedule of Prior Year Audit Findings

Fiscal Year Ended June 30, 2019

None