

COMMONWEALTH OF PUERTO RICO

PUERTO RICO OFFICE FOR PUBLIC SAFETY AND SECURITY

**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, 2021

(WITH INDEPENDENT AUDITOR'S REPORTS THEREON)



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

COMMONWEALTH OF PUERTO RICO
PUERTO RICO OFFICE FOR PUBLIC SAFETY AND SECURITY
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, 2021
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INDEPENDENT AUDITORS' REPORT

Puerto Rico Office for Public Safety and Security
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 Office for Public Safety and Security of the Commonwealth of Puerto Rico (from now on **PROPSS**), which comprise the Statement of Cash Receipts, Disbursements and Net Changes - Governmental Funds, for the fiscal year ended June 30, 2021, 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.

Auditor's Responsibility

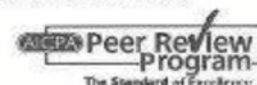
Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller 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 **PROPSS'** 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 **PROPSS'** 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.

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Opinion

In our opinion, the Statement referred to above present fairly, in all material respects, the Cash Receipts and Disbursements transactions of **PROPSS'** governmental funds, and the respective cash basis net changes thereof, for the fiscal year ended June 30, 2021, in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, **PROPSS** 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

As discussed in Note 1, **PROPSS'** 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 **PROPSS**. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Puerto Rico as of June 30, 2021, 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.

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 12 to 13, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2022 on our consideration of **PROPSS'** 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 **PROPSS'** 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

March 16, 2022

Stamp #E473501 of the
College of CPA's of
Puerto Rico is affixed
to the original.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO OFFICE FOR PUBLIC SAFETY AND SECURITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET CHANGES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Programs	State (General) Funds		Federal Grant Funds		(Total Governmental Funds)		Net Changes
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	
State and Local Implementation Grant Program 2018	\$ -	\$ -	81,835	64,329	81,835	64,329	17,506
Emergency Management Performance Grant 2017	-	-	1,474,404	1,474,404	1,474,404	1,474,404	-
Emergency Management Performance Grant 2018	-	-	2,129,672	2,115,415	2,129,672	2,115,415	14,257
Emergency Management Performance Grant 2019*	-	-	729,910	735,295	729,910	735,295	(5,385)
Homeland Security Grant Program 2016	-	-	716,784	-	716,784	-	716,784
Homeland Security Grant Program 2017	-	-	454,751	421,296	454,751	421,296	33,455
Homeland Security Grant Program 2019	-	-	2,136,008	2,134,838	2,136,008	2,134,838	1,170
Homeland Security Grant Program 2018*	-	-	120,629	134,857	120,629	134,857	(14,228)
Homeland Security Grant Program 2020	-	-	412,563	412,563	412,563	412,563	-
National Earthquake Hazards Reduction Program 2019*	-	-	-	2,345	-	2,345	(2,345)
Total Cash Receipts and Disbursements	\$ -	\$ -	\$ 8,256,556	\$ 7,495,342	\$ 8,256,556	\$ 7,495,342	\$ 761,214

*For these federal awards, some approved fund remittances have not been recorded in PRIFAS 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 OFFICE FOR PUBLIC SAFETY AND SECURITY

NOTES TO STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET CHANGES
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - FINANCIAL REPORTING ENTITY

(A) ORGANIZATION

The Puerto Rico Office for Public Safety and Security (from now on **PROPSS**) is an office, created by Executive Order number 2004-09 from the Governor of the Commonwealth of Puerto Rico on December 29, 2004, to ascribe **PROPSS** under the administration of the Public Department of Justice. On May 3, 2005 the Governor issued Executive Order number 2005-25 to ascribe **PROPSS** to the Governor's Office. **PROPSS** was created to prepare, coordinate, develop, and implement an awareness plan in Puerto Rico in the event of a threat or terrorism attack. On February 5, 2009, the Governor of the Commonwealth of Puerto Rico reported to the Department of Homeland Security (DHS) that **PROPSS** was transferred to the Puerto Rico Office Management and Budget and that the Executive Director of the Puerto Rico Office Management and Budget was assigned as the State Administrative Agent (SAA). However, on July 8, 2009 the Governor of the Commonwealth of Puerto Rico reported to Federal Emergency Management Agency (FEMA) that **PROPSS** was transferred to the Commonwealth of Puerto Rico Emergency Management Agency (PREMA) and that the Executive Director of PREMA was assigned as the SAA. On February 27, 2013 the Governor of the Commonwealth of Puerto Rico reported to DHS that PREMA's Executive Director was designed as the SAA in charge of all federal funds of the "Homeland Security Grant Program" managed by **PROPSS**.

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

The principal functions of the **PROPSS** are:

- To administer in full Federal awards, following the parameters established in the administrative and programmatic guidelines of the programs to be implemented,
- Establish a reliable and efficient system for sharing information on terrorist threats or activities with the relevant agencies at the State and Federal levels,
- Design and implement plans for training in the detection and treatment of terrorist threats and acts in coordination with DHS,
- Identify, through the critical infrastructure program, all sites susceptible to possible terrorist acts and recommend the most appropriate security measures to protect them, and
- Conduct drills for emergencies and terrorist attacks.

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.

NOTE 1 - FINANCIAL REPORTING ENTITY (CONTINUED)

(A) ORGANIZATION (CONTINUED)

Puerto Rico Public Security Department Law (Continued):

The Law creates 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,
- 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 sectary components of the Government, and
- Take advantage of all the available information and communication technologies.

Under Executive Order number OE-2015-044, of November 16, 2015, **PROPSS** was officially ascribed to the Emergency and Disaster Management Agency, and therefore, is subject to the provisions of this new Law. 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.

On September 20, 2019, the Secretary of the Puerto Rico Public Security Department (the Department) signed Administrative Order Number DSP-2019-OA-005 to establish the functional organization of the Department, its operational components and bureaus. The responsibilities of **PROPSS** were assigned to the Office of Federal Affairs created under the organizational structure established in the Administrative Order before mentioned.

See also Note 7.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(B) FINANCIAL REPORTING ENTITY

PROPSS is, for financial reporting purposes, a part of the Commonwealth of Puerto Rico. **PROPSS** 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 **PROPSS'** 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF THE STATEMENT PRESENTATION

(C) BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The accounts of **PROPSS** 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. **PROPSS** 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 **PROPSS** 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.

PROPSS' 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. **PROPSS** follows 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".

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 2020-2021. 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 **PROPSS'** 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 and Local Implementation Grant Program (SLIGP) - Funds awarded to **PROPSS** to assist in the identification, planning, and implementation of the most efficient and effective way to utilize and integrate the infrastructure and equipment associated with the nationwide public safety broadband network. There were no state funds received during the fiscal year 2020-2021.

Emergency Management Performance Grants (EMPG) - The Emergency Management Performance Grants (EMPG) funds projects to provide a system of emergency preparedness for the protection of life and property from hazards. These funds are provided to PREMA. Some of the priorities include threat and hazards identification, strengthen the emergency management governance structures, update and approve emergency plans, design and conduct exercises to examine capabilities, targeting and training.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF THE STATEMENT PRESENTATION (CONTINUED)

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

Homeland Security Grant Program (HSGP) - The Homeland Security Grant Program Federal funds provided to the Puerto Rico Executive Branch. These funds are provided to municipalities and other administrative components of the Commonwealth of Puerto Rico. The purpose is to strengthen the nation against risks associated with potential terrorist attacks. It address high-priority preparedness gaps where a nexus of terrorism exists and supports efforts to secure states bordering Mexico and Canada and states and territories with international water borders.

National Earthquake Hazards Reduction Program (NEHRP) - The program develops strategies, tools, techniques and other measures that can reduce the adverse effects of earthquakes and facilitates and promotes implementation of these measures, thereby strengthening earthquake resilience among at-risk communities.

For some of these federal awards some approved fund remittances have not been recorded in the PRIFAS system, therefore, more disbursements are presented on the Statement of Cash Receipts, Disbursements and Net Changes, on page 4.

(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) DATE OF MANAGEMENT'S REVIEW

PROPSS 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 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 Statements 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.

PROPSS evaluated subsequent events until March 16, 2022, date in which the Statement is available to be issued. See also Note 7.

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

The funds of **PROPSS** 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 **PROPSS** in such pooled cash accounts are available to meet its current operating requirements. For the current fiscal year 2020-2021, deposits for federal awards were handled by a commercial bank.

NOTE 4 - CONTINGENCIES

(A) FEDERAL AWARDS

PROPSS 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, **PROPSS** may be required to reimburse the grantors. Nevertheless, the program compliance audits of certain programs for or including the fiscal year ended June 30, 2021 have not yet been conducted. Accordingly, **PROPSS** compliance with applicable grant requirements will be established at some future date. Nevertheless, **PROPSS** management expects the amount of expenditures, which may be disallowed by the granting agencies from such audits, if any, to be immaterial.

(B) COMPTROLLER'S OFFICE OF PUERTO RICO REPORTS

PROPSS is also subject to audits by the Comptroller's Office of Puerto Rico (COPR). As of Statement of Cash Receipts, Disbursements and Net Changes date, **PROPSS** has no outstanding audits from COPR.

NOTE 5 - LITIGATION AND CLAIMS

The Legal Advisory of **PROPSS** reports that, in any lawsuits filed against the **PROPSS**, according to the laws of the Commonwealth of Puerto Rico, **PROPSS** is fully represented by the Department of Justice, and any successful claim against the **PROPSS** shall be paid from the General Fund of the Commonwealth of Puerto Rico, with no effect on the functioning budget of the **PROPSS**, 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 **PROPSS**.

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 LPRC Section 3077.

NOTE 6 - CASH RECEIPTS AND DISBURSEMENTS BY TYPE

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

Cash Receipts:

Federal Funds	\$ 8,256,556
State Local Funds	<u>-</u>
Total Cash Receipts	<u>8,256,556</u>

Cash Disbursements:

Payroll and Related Costs	461,888
Facilities and Payment for Public Services	66,057
Transportation and Travel Costs	1,173
Professional and Contracted Services	429,779
Other Sub-Grant Funds, Activities and Costs	6,295,873
Materials and Supplies	164,179
Purchase of equipment	71,589
Other Expenses	<u>4,804</u>
Total Cash Disbursements	<u>7,495,342</u>

Excess of Cash Disbursements Over Receipts	\$ <u>761,214</u>
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NOTE 7 - SUBSEQUENT EVENT

On January 4, 2022, Executive Order Number OE-2022-001 was issued to officially ascribe PROPSS to the Office of Federal Affairs of the Security Department of Puerto Rico. This Executive Order repeal Executive Order number OE-2015-044 of November 16, 2015, from which **PROPSS** was ascribed to the Emergency and Disaster Management Agency. Under this new Executive Order, **PROPSS** is under the supervision and direction of the SAA, which is the Secretary of the Department of Public Safety.

Among **PROPSS'** new duties and responsibilities under the new Executive Order are:

- To administer in full Federal awards designated as non-disaster grants of the Department of Homeland Security,
- Obtain, accumulate and evaluate information regarding the risks and vulnerabilities related to natural disasters and other issues related to public safety,
- Designate personnel responsible of coordinating, preparing and issue to the federal government the "Threat and Hazards Identification and Risk Assessment (THIRA) every three years, and the "Stakeholder Preparedness Review" (SPR) annually,
- Use both the THIRA and the SPR as a guide for the development of projects to be considered in the federal awards proposals of funds administered by the SAA, and
- Identify and select governmental, private and non-for-profit entities that can provide guidance in the prevention, protection, mitigation, response and recovery of a natural disaster threat, technological danger and other issues related to public safety.

NOTE 8 - EFFECTS OF THE CORONAVIRUS DISEASE

EFFECTS ON THE STATEMENT

During the month of December 2019, a respiratory disease starts to spread, caused by a novel virus called “Coronavirus” or COVID-19. The World Health Organization (WHO) declared a global health emergency in January 2020 and in March 2020, it declared the spread of COVID-19 as a global pandemic.

The Governor of the Commonwealth of Puerto Rico issued a lock-down starting on March 15, 2020. On May 20, 2021, the Governor issued Administrative Order OE-2021-036, lifting the lockdown effective May 24, 2021. On July 5, 2021, all Administrative Orders related to the COVID-19 disease were eliminated. Nevertheless, due to increase in the number of cases of contagion from the disease, new Administrative Orders have been issued, most recently, Administrative Order OE-2021-065 dated August 30, 2021, to implement emergency measures to slow the recent increase in the spread of the disease. The effectiveness of this Administrative Order was extended with Administrative Order OE-2021-070, issued on September 20, 2021, until a new order is issued in accordance with the public health and safety needs. On November 15, 2021, Administrative Order OE-2021-075 was issued to eliminate Administrative Orders O58, O62, O63 and O64 previously issued and to implement new initiatives against COVID-19 disease. This new Administrative Order will be also in force until a new order is issued in accordance with the public health and safety needs. Finally, on March 7, 2022, Administrative Order OE-2022 was issued to eliminate OE-2021-075 and most of the restrictions imposed before due to the pandemic.

As of Statement date, the effects of this pandemic over **PROPSS** results of operations have not been significant, and based on our experience to date we expect this to remain. The exact impact on our activities in the remainder of 2021, and thereafter on 2022 cannot be predicted. Depending on the duration of the COVID-19 crisis and continued negative impact on the individuals, local and global economic activity, we might experience some negative results, although, as of the Statement issuance date, this is not expected.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO OFFICE FOR PUBLIC SAFETY AND SECURITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT AWARD NUMBER</u>	<u>PASS-THROUGH GRANTOR NUMBER</u>	<u>PASSED-THROUGH TO SUBRECIPIENT</u>	<u>FEDERAL EXPENDITURES</u>
Direct Programs:					
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
Emergency Management Performance Grant	97.042	EMN-2017-EP-00005-S01	N/A	\$ 928,657	\$ 1,474,404
Emergency Management Performance Grant	97.042	EMN-2018-EP-00003-S01	N/A	2,014,527	2,115,415
Emergency Management Performance Grant	97.042	EMN-2019-EP-00002-S01	N/A	631,478	735,295
Homeland Security Grant Program	97.067	EMW-2016-SS-00031-S01	N/A	-	-
Homeland Security Grant Program	97.067	EMW-2017-SS-00095-S01	N/A	2,049,243	2,134,838
Homeland Security Grant Program	97.067	EMW-2018-SS-00062-S01	N/A	233,349	421,296
Homeland Security Grant Program	97.067	EMW-2019-SS-00026-S01	N/A	26,056	134,857
Homeland Security Grant Program	97.067	EMW-2020-SS-00040-S01	N/A	412,563	412,563
National Earthquake Hazards Reduction Program 2019	97.082	EMN-2019-CA-00006	N/A	-	2,345
Total U.S. Department of Homeland Security				<u>6,295,873</u>	<u>7,431,013</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>					
State and Local Implementation Grant Program	11.549	72-10-S18072	N/A	-	64,329
Total U.S. Department of Commerce				-	64,329
TOTAL FEDERAL AWARDS EXPENDITURES				<u>\$ 6,295,873</u>	<u>\$ 7,495,342</u>

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

COMMONWEALTH OF PUERTO RICO
PUERTO RICO OFFICE FOR PUBLIC SAFETY AND SECURITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 **PROPSS**'s internal accounting records, which are the basis for **PROPSS** Statement of Cash Receipts, Disbursements and Net Changes (the Statement).

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of **PROPSS**. 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. **PROPSS** 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 **PROPSS**' accounting records and is not intended to present financial position or the results of operations. The financial transactions are recorded by the **PROPSS** 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. **PROPSS** has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - FEDERAL CFDA NUMBER

The CFDA numbers 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 Federal Domestic Assistance.

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 19.

NOTE 5 - RELATIONSHIP TO THE STATEMENT

Cash disbursements included in the Schedule of Expenditures of Federal Awards agree with the amounts included in the accompanying Statement of Cash Receipts, Disbursements and Net Changes.



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 AUDITOR'S REPORT

To the Management of
Puerto Rico Office for Public Safety and Security
of the 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 and Disbursements (the Statement) of the Puerto Rico Office for Public Safety and Security (from now on **PROPSS**) for the fiscal year ended June 30, 2021, and the related notes to the Statement, which collectively comprise the Statement, and have issued our report thereon dated March 16, 2022. Our report on the Statement discloses that, as described in Note 1, **PROPSS** 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 **PROPSS'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **PROPSS'** internal control. Accordingly, we do not express an opinion on the effectiveness of **PROPSS'** 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 these 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.

Compliance and Other Matters

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

Report on Other Legal and Regulatory Requirements

This report is intended solely for the information and use of management, others within **PROPSS** 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

March 16, 2022

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

INDEPENDENT AUDITOR'S REPORT

To the Management of
Puerto Rico Office for Public Safety and Security
of the Commonwealth of Puerto Rico
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited the Puerto Rico Office for Public Safety and Security (from now on **PROPSS**) 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 **PROPSS'** major federal programs for the fiscal year ended June 30, 2021. **PROPSS'** major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the **PROPSS'** 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 **PROPSS'** 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 **PROPSS'** compliance.

Opinion on Each Major Federal Program

In our opinion, **PROPSS** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of **PROPSS** 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 **PROPSS'** 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 **PROPSS'** 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.

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

March 16, 2022

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

Part I - Summary of Audit Results:

Statement of Cash Receipts, Disbursements and Net Changes

The independent auditor's 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?	_____yes	<u> X </u> no
Significant deficiencies identified?	_____yes	<u> X </u> none reported
Noncompliance material to the Statement noted?	_____yes	<u> X </u> no

Federal Awards:

Internal control over major programs:

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

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

- 1- Homeland Security Grant Program - unmodified opinion, and
- 2- Emergency Management Performance Grant - unmodified opinion.

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

_____yes	<u> X </u> no
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PROPSS' major awards during this year were:

CFDA # 97.042 Emergency Management Performance Grant
CFDA # 97.067 Homeland Security Grant Program

A threshold of \$750,000 was used to distinguish between type A and type B programs, as those terms are defined in the Uniform Guidance, Section 200.518.

PROPSS qualify as a low risk auditee?	_____yes	<u> X </u> no
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COMMONWEALTH OF PUERTO RICO
PUERTO RICO OFFICE FOR PUBLIC SAFETY AND SECURITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

No findings related to the Statement of Cash Receipts, Disbursements and Net Changes.

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

No findings related to Federal Awards.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO OFFICE FOR PUBLIC SAFETY AND SECURITY
SCHEDULE OF PRIOR AUDIT'S FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

No findings and questioned costs for the year ended June 30, 2020.



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 2019 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 CPA's 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 compiles. 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

Added Value Services, Provided by Leading Professionals, Obtaining a Reasonable Return on Investment

PO Box 4846, Carolina, PR 00984-4846
Tel. (787) 752-4545 Fax (787) 752-4644
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COMPAÑÍA DE RESPONSABILIDAD LIMITADA
CONTADORES PÚBLICOS AUTORIZADOS

PO Box 5460
Caguas, Puerto Rico 00726-5460

Glasgow 1890 College Park
Río Piedras, Puerto Rico
www.deanqel.com

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, 2018. 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 of, and the 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 Single Audit Act, and audits of *Employee Benefit Plans*.

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, 2018, 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, CPA". The signature is written in a cursive style.

License No. LLC-317
Expires on December 1, 2020

San Juan, Puerto Rico
October 1, 2019
2019-10-52

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