

**PUERTO RICO PLANNING BOARD
(AN AGENCY OF THE COMMONWEALTH OF PUERTO RICO)**

**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS WITH
ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
(WITH THE ADDITIONAL REPORTS AND INFORMATION REQUIRED BY THE
GOVERNMENTAL AUDITING STANDARDS AND UNIFORM GUIDANCE)**

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the President of the
Puerto Rico Planning Board
San Juan, Puerto Rico

Report on the Audit of the Financial Statement

We have audited the accompanying statement of Cash Receipts and Cash Disbursements, each major fund as of and for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Puerto Rico Planning Board (the Board) basic financial statement as listed in the table of contents.

In our opinion, the financial statement referred to above presents fairly, in all material respects the cash receipts and disbursements of the Puerto Rico Planning Board, as of June 30, 2022, and for the year then ended in accordance with the basis of accounting described in Note A to the financial statement.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Puerto Rico Planning Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to Note A to the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash receipts and cash 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.

Responsibilities of Management for the Financial Statement

Board's management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of accounting described in note A to the financial, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Puerto Rico Planning Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Puerto Rico Planning Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Puerto Rico Planning Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Puerto Rico Planning Board's basic financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial 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 28, 2023, on our consideration of the Puerto Rico Planning Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Puerto Rico Planning Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Puerto Rico Planning Board's internal control over financial reporting and compliance.

Carolina, Puerto Rico

March 28, 2023

Aquino, De Córdova, Alfaro & Co., LLP

Stamp number E518221
Of Puerto Rico CPA Society
has been affixed to the
original report



COMMONWEALTH OF PUERTO RICO
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STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
YEAR ENDED JUNE 30, 2022

	Governmental Funds			Total
	General	Special Revenue Federal	Special Revenue State	
CASH RECEIPTS:				
Legislative appropriations	\$ 11,295,000	\$ -	\$ -	\$ 11,295,000
Federal grants	-	8,487,924	-	8,487,924
Other state funds	-	-	774,504	774,504
Charges for services	-	-	-	-
	<u>11,295,000</u>	<u>8,487,924</u>	<u>774,504</u>	<u>20,557,428</u>
CASH DISBURSEMENTS:				
Management	6,528,891	654,860	428,487	7,612,238
Internal administration	977,622	-	-	977,622
Economic and social planning	1,443,641	-	-	1,443,641
Physical planning	1,545,004	13,918,428	-	15,463,432
Information system	979,145	-	-	979,145
	<u>11,474,303</u>	<u>14,573,288</u>	<u>428,487</u>	<u>26,476,078</u>
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER CASH DISBURSEMENTS	<u>\$ (179,303)</u>	<u>\$ (6,085,364)</u>	<u>\$ 346,017</u>	<u>\$ (5,918,650)</u>

See notes to Statement of Cash Receipts and Cash Disbursements.

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NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Puerto Rico Planning Board (the Board) is an executive office of the Commonwealth of Puerto Rico (The Commonwealth), ascribed to the Governor's Office and created by Law No. 75 of June 24, 1975, as amended. In May 1997, the Board was designated by an executive order of the Governor of Puerto Rico as the state agency with fiscal administration responsibilities for those federal funds received by the Puerto Rico Developmental Disabilities Council.

The Puerto Rico Developmental Disabilities Council (the Council) was created in 1971 by an executive order from the Governor of Puerto Rico, to comply with Federal Public Law 91-517, known as Developmental Federal Disabilities Act of 1970. This Act requires a council to each state that receives assistance under this law.

The Board is responsible for carrying out the programs of the Commonwealth directed toward the economic, social and physical development of Puerto Rico. The powers granted in this law, law mentioned above, shall be exercised with the general purpose of guiding the integral development of Puerto Rico in a coordinated, adequate, economic manner, which, in accordance with current and future social needs and human, environmental, physical and economic resources, should promote in the best way the health, safety, order, coexistence, prosperity, defense, culture, economic strength and general well-being of current and future inhabitants, and that efficiency, economy and welfare social in the process of development, in the distribution of population, in the use of land and other natural resources, and in public improvements that tend to create favorable conditions for society to develop fully.

The operations of the Board are funded through annual budgetary appropriations approved by the Legislature of the Commonwealth of Puerto Rico. The annual budgetary appropriation amounted to \$11,295,000, for the fiscal year ended June 30, 2022. In addition, the Board receives Federal Financial Assistance for specific purposes.

The Board maintained five programs to perform its activities, such as General Management, Internal Administration, Economic and Social Planning, Physical Planning, and Information System.

As a governmental entity, the Board is exempt from the payment of any taxes on its revenues and properties.

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – CONTINUED**

Summary of significant accounting policies:

A summary of the significant accounting policies used in the preparation of the statement of cash receipts and disbursements follows:

Basis of presentation

The accompanying financial statement has been prepared pursuant to the provisions of Act No. 230 of July 23, 1974, as amended; known as the "Puerto Rico Government Accounting Act". This law establishes public policy with respect to the control of and accounting for, public funds and property. The Board's funds are, by law, under custody and control of the Secretary of the Treasury and are also accounted for in the Commonwealth's Central Government Accounting Systems (CGAS). The Board is an agency of the Commonwealth of Puerto Rico. The accompanying financial statement is intended to present the cash receipts and cash disbursements of only that portion of the funds of the Commonwealth of Puerto Rico that is attributable to the transactions of the Board.

The accounts of the Board are organized on the basis of Governmental Funds. The Board maintains appropriations for several individual and local funds within each fund type. As more fully explained below, each fund is accounted for with a set of accounts, which only include cash receipts and disbursements. No balance sheet accounts are maintained or reported. The individual funds account for the governmental resources allocated to them for the purpose of carrying out specific activities in accordance with laws, regulations and other restrictions.

Description of funds

The various funds are summarized by type in the financial statement. The following fund types are used by the Board:

Governmental Fund Types

General Fund — is the general operating fund. It accounts for all financial resources except those required to be accounted for in other funds.

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FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – CONTINUED**

Summary of significant accounting policies -continued:

Description of funds- continued

Special Revenue Federal Funds — are used to account for the proceeds of specific revenue sources that are legally restricted to disbursements from federal financial assistance program’s specific purposes.

Special Revenue State Funds — are used to account for the proceeds of specific revenue sources that are legally restricted to disbursements from state financial assistance funds specific purposes.

Basis of accounting

The Board accounts for all funds administered using the cash basis of accounting. Under this basis, revenues are recognized, as funds are received, and expenditures are recognized when funds are disbursed or transferred out. Therefore, the Statement of Cash Receipts and Cash Disbursements is not intended to present the Board's results of operations in accordance with accounting principles generally accepted in the United States of America.

Appropriation funds are under control of the Secretary of the Puerto Rico Treasury Department (Secretary) and are recognized as cash received when funds are disbursed by the Secretary. Therefore, cash received, and cash disbursed represent the same amount for the purpose of the General Fund and for those funds or contributions where the Secretary has established the same disbursement policy.

Description of Revenues and Support

General Appropriations

Budgetary appropriations are approved by the Legislature of the Commonwealth of Puerto Rico. Budgeted amounts are as originally adopted, or as amended by the Puerto Rico Budget and Management Office. Appropriations for the year ended June 30, 2022 amounted to \$11,295,000.

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – CONTINUED**

Description of Revenues and Support (continued)

Following is a summary of cash receipts/disbursements of the General Fund recognized during the year ended June 30, 2022

Legislative appropriations — fiscal year 2021-2022 \$11,295,000

Special Governmental Support

From time to time the Board receives special assignments from the State Legislature or from the Governor’s Office. The special assignments and funds assignments can be in effect for more than one year; in some cases, the funds are assigned to be spent for a period in excess of one year.

Charges for Services

The Board is allowed to charge fees for permits and consultations. In addition, the Board generates revenues for the sales of maps, publications and other services that are provided to the general public. These revenues are accounted for by the Puerto Rico Treasury Department in special accounts assigned to the Board and to be used in general operations. These special accounts do not have a time limitation.

Federal Assistance Programs

- State Developmental Disabilities Councils Grant Program

The purpose of this program is to assist States in the development of a plan for a comprehensive and coordinated system of services and other activities to enhance the lives of individuals with developmental disabilities and their families, as described in the federal law, to their maximum potential, and to support a system which protects the legal and human rights of individuals with developmental disabilities. The state receives funding under the Basic Developmental Disabilities Program and the Protection and Advocacy Program.

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – CONTINUED**

Description of Revenues and Support -continued

Grant funds must be obligated within a two-year period, beginning on the first day of the federal fiscal year in which the grant was awarded and have an additional year to liquidate the related obligations.

- Community Assistance Program, State Support Service Element (CAP- SSSE) and Map Modernization Management Support (MMMS)

The Board is the Commonwealth Agency responsible for coordinating flood plan management aspects of the National Flood Implementation Plan. The purpose of these grants is to assist the Board in performing a State Level Conference to educate state and local agencies officials, and private sector plan developers. This conference will support the implementation of the Flood Map Modernization for Puerto Rico.

- Coastal Zone Management Program

The objective of this program is to assist the Puerto Rico National Resources Department in the implementation of the Coastal Zone Management Plan, as approved by the National Oceanic and Atmospheric Administration, U.S. Department of Commerce. The Department pass-through funds to the Board which is the designated agency to manage the federal compatibility certification procedures for state and federal governmental agencies and private entities projects.

- Hazard Mitigation Grant

The purpose of the Hazard Mitigation Grant Program (HMGP) is to mitigate the vulnerability of life and property to future disasters during the recovery and reconstruction process following a disaster. HMGP provides funds to implement projects to reduce risk from future hazard events in accordance with priorities identified in State, Indian tribal government, Territory, or local hazard mitigation plans. It also provides funds designed to develop State, Indian tribal government, and local mitigation plans that meet the planning requirements.

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NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Description of Revenues and Support - continued

The summary of funds, revenues and support for the year ended June 30, 2022, is as follows:

<u>Description</u>	<u>Awarded Budget</u>	<u>Obligated Balance June 30,2022</u>	<u>Available Balance June 30,2022</u>
<u>General Appropriations</u>			
Legislative Appropriations 2022	\$ 11,295,000	\$ 55,872	\$ 122,515
<u>Special Governmental Support</u>			
Economic and Social Planning	\$ 1,616,000	\$ -	\$ 182,528
Physical Planning	1,774,000	471	(42,904)
Information System	910,000	-	8,836
Internal Administration	581,000	-	1,208
State Special Fund	774,504	-	346,017
Total Special Governmental Support	\$ 5,655,504	\$ 471	\$ 495,685

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NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Description of Revenues and Support - continued

Description	Awarded Budget	Obligated Balance June 30, 2022	Available Balance June 30, 2022
<u>Federal Financial Assistance Programs</u>			
Devepormental Disabilities Basic Support and Advocacy Grants:			
Award year 2018-2019	\$ 500,776	\$ -	\$ 97,613
Award year 2019-2020	752,079	-	189,394
Award year 2020-2021	752,079	24,453	690,048
Award year 2021-2022	2,506,930	11,917	2,271,677
Coastal Zone Management Program			
Award year 2015-2016	75,000	-	-
Award year 2017-2018	75,000	-	26,093
Award year 2018-2019	75,000	-	1,936
Award year 2019-2020	75,000	-	75,000
US. Department of Homeland Security			
Federal Emergency Management Agency (FEMA)			
EMN-2018- CA00005	108,000	-	74
EMN-2019- CA00003	70,000	-	476
EMN-2021- CA00007	100,000	-	100,000
EMN-2021- CA00014	87,925	75,000	12,925
EMN-2021- CA00015	70,000	20,155	33,442
Hazard Mitigation Grant Program			
Project Grant FEMA 0184339HMSUB-2018 (2021-2022)	65,428,357	10,363,783	25,719,097
	-	-	-
Sub Grant Dept Vivienda (CDBG-DR)	-	-	-
Sub Grant CDBG 17720001SUB-2021 (2021-2022)	1,337,801	7,982	1,077,498
Total for Federal Financial Assistance Programs	<u>72,013,947</u>	<u>10,503,290</u>	<u>30,295,273</u>
	<u>\$ 77,269,451</u>	<u>\$ 10,442,304</u>	<u>\$ 30,767,941</u>

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NOTE B - RETIREMENT PLAN

The Employees' Retirement System (ERS) of the Government of Puerto Rico and its instrumentalities is a cost-sharing, multiple-employer, defined benefit pension plan sponsored by, and reported as a component unit of, the Commonwealth of Puerto Rico. All regular employees of the Board under age 55 at the date of employment become members of the system as a condition of the employment.

ERS provides retirement, death and disability benefits pursuant to Act No. 44 7, approved on May 15, 1951, as amended, which became effective on January 1, 1952. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation. Participants who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years of creditable service or members who have attained an age of at least fifty-eight (58) years and have completed at least ten (10) years of creditable service or who have attained an age of at least sixty-five (65) years and have completed at least ten (10) years of service if hired after April 1990 are entitled to an annual benefit, payable monthly for life.

The annuity, for which a plan member is eligible, is limited to a minimum of \$400 per month and a maximum of 75% of his average compensation.

Participants who have completed at least 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained fifty-five (55) years of age will receive up to a maximum of 65% of the average salary, as defined, or if they have attained fifty-five (55) years of will receive up to a maximum of 75% of the average salary compensation. Disability retirement benefits are available to members for occupational and non-occupational disability. However, for non-occupational disability, a member must have at least 10 years of creditable service. No benefit is payable if the participant receives a refund of his accumulated contributions.

Effective July 1, 2013, contributions by members are 10% of compensation. However, for Act No. 447 members who selected the Coordination Plan, the member contributions are 7% of compensation up to \$6,600 plus 10% of compensation in excess of \$6,600 during the 2013-2014 fiscal year and 8.5% of compensation up to \$6,600 plus 10% of compensation in excess of \$6,600 during the 2014-2015 fiscal year. Members may voluntarily make additional contributions to their hybrid account.

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NOTE B - RETIREMENT PLAN- CONTINUED

Prior to July 1, 2013, contributions by Act No. 447 members selecting the Coordination Plan were 5.775% of compensation up to \$6,600 plus 8.275% of compensation in excess of \$6,600. Contributions by all other members were 8.275% of compensation. System 2000 members may also have voluntary contribution of up to 1.725% of compensation prior to July 1, 2013.

On September 24, 1999 the law, which created ERS was amended for the purpose of establishing a defined contribution plan, known as System 2000.

System 2000 became effective on January 1, 2000. Board employees participating in the defined benefit plan system at December 31, 1999, had the option to either stay in the defined benefit plan or transfer to System 2000. Those employed by the Board on or after January 1, 2000 are only allowed to become members of System 2000.

System 2000 is a hybrid defined contribution plan; also known as a cash plan. Under this plan, there will be a pool of plan assets, which will be invested by ERS, together with those of the defined benefit plan. Benefits at retirement age will not be guaranteed. The annuity will be based on a formula which assumes that each year the participants' contribution (with a minimum of 8.275% of the participants' salary up to a maximum of 10%) will be invested as instructed by the participant in an account which either: (1) earns a fixed rate based on the two-year Constant Maturity Treasury Notes; (2) earns a rate equal to 75% of the return of ERS's Investment portfolio (net of management fees); or (3) earns a combination of both alternatives.

Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not granted under System 2000. The employers' contributions (9.275% of the employee's salary) will be used to fund the defined benefit plan instead of System 2000.

System 2000 will reduce the retirement age of 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

Furthermore, on April 4, 2013, the Governor of Puerto Rico signed into law Act No. 3 of 2013, which represents a comprehensive reform of the ERS. Act No. 3 became effective on July 1, 2013 and amends the provisions of the different benefits structures under the ERS, including, but not limited to, the following:

1. For active participants of the contributory defined benefit programs under Act No. 447 of 1951 and Act No. 1 of 1990, all retirement benefits accrued through June 30, will be

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NOTE B - RETIREMENT PLAN- CONTINUED

frozen, and thereafter, all future benefits will accrue under the defined contribution formula used for System 2000 participants and will be paid at retirement through a lifetime annuity.

2. Increases the minimum pension for current retirees from \$400 to \$500 per month.
3. The retirement age for Act No. 447 participants will be gradually increased from age 58 to age 61.
4. The retirement age for current System 2000 participants is increased gradually from age 60 to age 65.

Eliminates the "merit annuity" available to participants who joined the ERS prior to April 1, 1990.

1. The retirement age for new employees is increased to age 67, except for new state and municipal police officers, firefighters, and custody officers, which will be age 58.
2. The employee contribution rate will increase from 8.275% to 10%.
3. For System 2000 participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.
4. Eliminates or reduces various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees is reduced from \$600 to \$200 and is eliminated for future retirees. The summer bonus will be eliminated.
5. Disability benefits will be eliminated and substituted for a mandatory disability insurance policy.
6. Survivor benefits will be modified.

On October 30, 2016, the Fiscal Oversight Board for Puerto Rico designated the Government of Puerto Rico, the **ERS** for Government Employees, the Judicial **ERS**, and the Teacher **ERS** (together the **ERS**), the University of Puerto Rico and 21 other public corporations of Puerto Rico as covered entities, subject to fiscal supervision in accordance with the federal legislation Puerto Rico Oversight, Management, and Economic Stability Act, better known as PROMESA.

Due to the lack of projected liquidity of the **ERSs**, the Government of Puerto Rico will protect payments to pensioners. Effective July 1, 2017, the Government of Puerto Rico adopted the "PayGo" system. Under this new system, the Government will be responsible for paying the deficiency of the **ERSs** to provide retirement benefits for the pensioners.

Also, as of July 1, 2017, employer contributions, contributions under special laws and the Uniform Additional Contribution (Law No. 32-2013) will be eliminated and replaced with the "PayGo".

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NOTE B - RETIREMENT PLAN- CONTINUED

On August 23, 2017, Law Number 106 was established to guarantee payment to pensioners and a new defined contribution plan for public employees.

Accordingly, the Puerto Rico Department of the Treasury will bill government agencies, public corporations, municipalities, the executive branch, the legislative branch and the judicial branch (together the "Government Agencies") a monthly charge to cover the retirement benefits to their pensioners.

The ERSs will determine and administer the amount of the payment by pensioner that will correspond to each of the Government Agencies. This charge is known as the "PayGo". For the fiscal year 2021-2022, the Board budgeted the amount of \$3.7 million for purpose of the "PayGo".

Additional information of ERS is provided in its financial statements for the year ended June 30, 2018 a copy of which can be obtained from the administrator of the Retirement System: P.O. Box 42003, San Juan, Puerto Rico 00940.

NOTE C- LEASE COMMITMENTS

The Board leases its facilities in San Juan and a Regional Office in Mayaguez. The lessee and lessor are both instrumentalities of the Commonwealth of Puerto Rico. Lease operating facilities were constructed by the Puerto Rico Public Buildings Authority. Currently, the annual lease payments are fixed, subject to change as deemed necessary by the Executive Director of the Puerto Rico Public Buildings Authority. These leases expired on April 30, 2003, and continue on a month-to-month basis until a renewal contract is formalized.

The Board also leases the operating facilities of the State Developmental Disabilities Council under a month-to-month operating lease until a renewal contract is formalized.

Rent expense for all leases amounted to \$974,000 for the year ended June 30, 2022.

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NOTE D - CONTINGENCIES

Litigation

The Board is a party in legal proceedings and is a defendant in lawsuits pertaining to material matters, including those claims asserted which are incidental to performing its routine operations.

These litigations include, but are not limited to, actions commenced, and claims asserted against the Board. As of June 30, 2022, the financial effect of outstanding litigations could not be determined. The Board is represented by the Puerto Rico Department of Justice in most of the lawsuits filed against it, and any successful claims would be paid from the General Fund of the Commonwealth of Puerto Rico, with no material effect on the functional budget of the Board.

Grant Program

The Board participates in a number of Federal financial assistance programs. These programs are subject to program compliance audits by the grantors or their representatives. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the funds to the grantor. The management of the Board believes that disallowed expenditures, if any, will not have a material effect on the results of its operations.

NOTE E - UNCERTAINTY AND LIQUIDITY RISK

As discussed in Note A to the Statement of Cash Receipts and Disbursements, the Board's principal sources of revenue are Federal Funds and Legislative appropriations from the Commonwealth. The funds of the Board are under the custody of the Secretary of Treasury of the Commonwealth.

The Commonwealth's liquidity was severely affected during 2020 and remains extremely limited, primarily, as a result of the Commonwealth's inability to access external sources of financing. The Commonwealth has not been able to fulfill its obligations on a timely manner.

Considering that the Board is financially dependent on the Commonwealth, the limitation of the Commonwealth to meet its obligations on timely manner may prevent the Board's operations in the near future.

NOTE F - SUBSEQUENT EVENTS

Subsequent events were evaluated by management through March 28, 2023, which is the same date the financial statement was available to be issued.

SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PLANNING BOARD
(AN AGENCY OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Grantor Agency & Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Federal Expenditures
US Department of Health & Human Services				
Administration for Children and Families:				
Developmental Disabilities Basic				
	93.630	1901PRSCDD		\$ 21,090
	93.630	2001PRSCDD		120,534
	93.630	2101PRSCDD		37,578
	93.630	2201PRSCDD		223,336
			-	402,539
US Department of Homeland Security				
Federal Emergency Management Agency (FEMA):				
Community Assistance Program, State Support Service Element (CAP-SSSE)				
	97.023	EMN2019CA00003		59,569
	97.023	EMN2021CA00005		16,403
			-	75,973
Cooperating Technical Partners (CTP) Program				
	97.045	EMN2018CA00005		47,587
			-	47,587
Pass-Through the Central Office of Recovery and and Reconstruction (COR3)				
Hazard Mitigation (HMGP) Program				
	97.039	0184339HMSU0005		88,010
	97.039	0184339HMSU0001		13,228,014
	97.039	0184339HMSU0004		409,616
			-	13,725,640
US Department of Environmental Protection				
Pass-Through the Department of Natural Resources				
Coastal Zone Management				
	11.419	NA15NOS4190157S		664
	11.419	NA18NOS4190197S		45,000
	11.419	NA19NOS4190136S		23,564
			-	69,228
US Department of Housing				
Community Development Block Grant/Entitlement Grants				
	14.218	B17DM780001SUB		252,321
			-	252,321
Total Expenditures of Federal Awards			\$ -	\$ 14,573,288

See Notes to Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO PLANNING BOARD
(AN AGENCY OF THE COMMONWEALTH OF PUERTO RICO)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Puerto Rico Planning Board. The Board reporting entity is defined in Note A to The Board's Statement of Cash Receipts and Cash Disbursements. Federal financial assistance passed through from other government agencies is included on the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting, which is described in Note A to The Board's Statement of Cash Receipts and Cash Disbursements.

The Puerto Rico Planning Board has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - RELATION TO FINANCIAL STATEMENT (STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS)

The federal funds expended for the year ended June 30, 2022 are as follows:

Management	\$ 654,860
Federal programs	13,918,428
Pass-through to other entities (Development Disabilities Basic Support and Advocacy Grant)	<u>-</u>
Total disbursements	<u>\$ 14,573,288</u>



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

To the President of the Puerto Rico Planning Board

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 cash disbursements of Puerto Rico Planning Board, as of and for the year ended June 30, 2022, and the related notes to the financial statement and have issued our report thereon dated March 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Puerto Rico Planning Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Puerto Rico Planning Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Puerto Rico Planning Board'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Puerto Rico Planning Board's financial statement is free from material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

Puerto Rico Planning Board's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Puerto Rico Planning Board's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Puerto Rico Planning Board's response was not subject to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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.

Carolina, Puerto Rico
March 28, 2023



Stamp number E518222
of Puerto Rico CPA Society
has been affixed to the
original report





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the President of the Puerto Rico Planning Board

Report on Compliance for the Major Federal Program

Opinion on Major Federal Program

We have audited the Puerto Rico Planning Board compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2022. The Puerto Rico Planning Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Puerto Rico Planning Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Puerto Rico Planning Board's and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of Puerto Rico Planning Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Puerto Rico Planning Board's management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Puerto Rico Planning Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Puerto Rico Planning Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Puerto Rico Planning Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Puerto Rico Planning Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Puerto Rico Planning Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Puerto Rico Planning Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Puerto Rico Planning Board's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Puerto Rico Planning Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carolina, Puerto Rico
March 28, 2023

A handwritten signature in blue ink that reads "Aquino, De Córdova, Alfaro & Co., LLP". The signature is written in a cursive style and is contained within a faint rectangular border.

Stamp number E518223
Of Puerto Rico CPA Society
has been affixed to the
original report

**COMMONWEALTH OF PUERTO RICO
 PUERTO RICO PLANNING BOARD
 (AN AGENCY OF THE COMMONWEALTH OF PUERTO RICO)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2022**

Section I- Summary of Auditors' Results

Financial Statements

1. Type of auditor's report issued: Unmodified opinion Qualified opinion
 Adverse opinion Disclaimer of opinion
2. Internal control over financial reporting:
- a. Material weakness(es) identified? Yes No
- b. Significant deficiencies identified? Yes No
3. Noncompliance material to financial statements noted? Yes No

Federal Awards

1. Internal control over major programs:
- a. Material weakness(es) identified? Yes No
- b. Significant deficiencies identified? Yes None reported
2. Type of auditors' report issued on compliance for major programs: Unmodified opinion Qualified opinion
 Adverse opinion Disclaimer opinion
3. Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? Yes No

4. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant Program

5. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
6. Auditee qualified as low-risk? Yes No

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO PLANNING BOARD
(AN AGENCY OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
YEAR ENDED JUNE 30, 2022**

II. FINANCIAL STATEMENT FINDINGS:

Finding Number:	2022-001
Finding Type:	Federal Awards
Federal Program:	All federal programs
Category:	Internal Control - Significant deficiency
Compliance Requirement:	General Regulations of Uniform Guidance
Administration:	<i>The Puerto Rico Planning Board</i>

2022-001 Financial Management — Accounting System and Reporting Practices

Criteria

As stated in Uniform Guidance Part 200.302 — Standards for Financial management: (3) The financial management system of other grantees and sub-grantees must meet the following standards:

(3) Accounting records: Grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, un-obligated balances, assets, liabilities outlays or expenditures and income.

Condition

The accounting records did not identify any record or disclose information related to the funds, assets and liabilities.

Cause

The Board's accounting system is in the process of completing the integration of an accounting software to maintain records of funds, assets and liabilities. The Board's funds are, by law, under custody and control of the Secretary of the Treasury and are also accounted for in the Commonwealth's Central Government Accounting Systems (CGAS).

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO PLANNING BOARD
(AN AGENCY OF THE COMMONWEALTH OF PUERTO RICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED
YEAR ENDED JUNE 30, 2022**

Effect

The Board does not have complete financial information that could affect the decision-making process.

Questioned cost

None

Perspective information

N/A

Repeat finding

2021-001

Recommendation

The Board needs to complete the integration process of its accounting system that will provide complete financial information.

View of responsible Official

Management agrees.

Official

Mr. Andres Ruiz, Finance Director

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

COMMONWEALTH OF PUERTO RICO
PUERTO RICO PLANNING BOARD
(AN AGENCY OF THE COMMONWEALTH OF PUERTO RICO)
STATUS OF PRIOR YEAR'S AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

Finding Number	Finding Description	Questioned Costs	Status
Accounting and Finance Department			
2021-001	The accounting records did not identify any record or disclose information related to the funds, assets and liabilities.	-	The Department of Treasury is working on the new accounting system and hopes to have it ready in September 2023.

CORRECTIVE ACTION PLAN

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO PLANNING BOARD
(AN AGENCY OF THE COMMONWEALTH OF PUERTO RICO)
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2022**

FINDING NUMBER 2022-001

Financial Management – Accounting System and Reporting Practices

PRIFAS is the official accountability of Puerto Rico's Government. This system does not have compatibility with many sub-systems. The Department of the Treasury is working with the new accounting and financial system that would harmonize with government agencies and we hope to be ready in September 2023. The Puerto Rico Planning Board continues to monitor the Treasury Department in relation to this matter and to correct this finding. The Planning Board expects to complete it by 2023.

Contact Official: Mr. Andres Ruiz, Finance Director