

**DEPARTMENT OF HEALTH OF THE  
COMMONWEALTH OF PUERTO RICO**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO  
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FISCAL YEAR ENDED JUNE 30, 2023

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## **PART I - FINANCIAL SECTION**



**Aquino, DeCordova, LLC**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Carlos R. Mellado López, MD  
Secretary  
Department of Health of the  
Commonwealth of Puerto Rico

### **Report on the Audit of the Financial Statement**

#### **Opinion**

We have audited the accompanying statement of cash receipts and disbursements of the governmental activities and governmental funds of the Department of Health of the Commonwealth of Puerto Rico (the "PRDH"), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statement.

In our opinion, the cash basis financial statement referred to above present fairly, in all material respects, the cash receipts and disbursements of the governmental activities, each major fund and the aggregate remaining fund information of the PRDH, as of June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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 Statements section of our report. We are required to be independent of the Department of Health 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 opinions.

#### **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 Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PRDH'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 Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 statements.

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 statements, 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 statements.
- 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 PRDH'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 PRDH'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 opinions on the financial statements that collectively comprise the PRDH's basic financial statements. 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 statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2024, on our consideration of the PRDH'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 PRDH'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 PRDH's internal control over financial reporting and compliance.

Carolina, Puerto Rico  
June 30, 2024

Aquino, De Cordova, LLC  
by Edward B. Green  
Lic. # 3171

Stamp number E580845  
of Puerto Rico CPA Society  
has been affixed to the  
original report



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Program	State Funds		Federal Funds		Totals	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Acquisition of Materials and Personal Protective Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assistance to first Responders	11,010,824	10,755,165	-	-	11,010,824	10,755,165
Auxiliary Services	4,862,256	5,630,049	-	-	4,862,256	5,630,049
Background Check	146,406	(31,232)	-	-	146,406	(31,232)
Bayamon Hospital	23,049,888	24,039,381	-	-	23,049,888	24,039,381
Bureau of Investigation	2,651,890	3,546,450	-	-	2,651,890	3,546,450
Clinical Laboratory Services	4,280,334	3,381,945	-	-	4,280,334	3,381,945
Commission for the Prevention of Suicide	300,000	339,114	-	-	300,000	339,114
COVID-19 Testing and Contact Tracing Program	-	(1,152,224)	-	-	-	(1,152,224)
Economic Aid to Medical Indigent	43,146,126	29,560,417	4,040,099,791	4,032,733,037	4,083,245,917	4,062,293,454
Emergency Assistance - Public Hospitals	-	372,159	-	-	-	372,159
Epidemiology and Investigation	-	-	856,895	935,809	856,895	935,809
General Management	12,645,006	1,093,419	9,652	28,450	12,654,658	1,121,869
Health and Promotion	-	-	8,572	8,026	8,572	8,026
Health Institutions	9,063,818	17,333,147	-	-	9,063,818	17,333,147
Health Institutions - Health Centers	1,075,564	1,059,185	-	-	1,075,564	1,059,185
Health Promotion and Protection	8,766,693	8,117,596	3,863,444	3,760,644	12,630,137	11,878,240
Health Promotion and Protection - Bloque Titulo V	776,293	433,335	-	-	776,293	433,335
Health Promotion and Protection - Epidemiology (BRFSS)	63,000	34,809	-	-	63,000	34,809
Health Promotion and Protection - Ley 107	6,004	-	-	-	6,004	-
Health Promotion and Protection - OCASET	1,319,676	1,071,160	-	-	1,319,676	1,071,160
Human Resources	42,380	-	-	-	42,380	-
Incentives Personal face-to-face work during pandemic	-	188,370	-	-	-	188,370
Indirect Costs	10,926,542	5,813,927	-	-	10,926,542	5,813,927
Integrated Services to Communities	2,100,000	1,279,765	70,724,054	71,166,441	72,824,054	72,446,206
Intellectual Disability	56,023,681	51,775,526	-	-	56,023,681	51,775,526
Management and Administration	71,775,038	148,647,702	65,042,217	26,627,483	136,817,255	175,275,185
Medicaid	26,027,016	17,735,082	-	-	26,027,016	17,735,082
Office of Research and Medicinal Cannabis	400,967	351,654	-	-	400,967	351,654
Own Income Fund including Bureau of Investigation-						
Facilities and Payments for Public Services	-	11,312	-	-	-	11,312
Own Income Fund including Bureau of Investigation - Materials and Supplies	-	(2,626,332)	-	-	-	(2,626,332)
Own Income Fund including Bureau of Investigation - Other Expenses	-	14,609	-	-	-	14,609
Own Income Fund including Bureau of Investigation - Services Purchased	-	177,560	-	-	-	177,560
Subtotal	290,459,402	328,953,050	4,180,604,625	4,135,259,890	4,471,064,027	4,464,035,380

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Program	State Funds		Federal Funds		Totals	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Own Income Fund - Transportation and Subsistence Expenses	-	100,847	-	-	-	100,847
Planning, Evaluation and Statistics in the Health Area	9,344	4,542,888	3,724,924	4,221,917	3,734,268	8,764,805
Planning, Evaluation and Statistics in the Health Area - NACHO	-	(30,383)	-	-	-	(30,383)
Planning, Evaluation and Statistics in the Health Area - OIAT	119,502	3,000	-	-	119,502	3,000
Planning, Evaluation and Statistics in the Health Area - OPIOIDES	435,000	96,599	-	-	435,000	96,599
Planning, Evaluation and Statistics in the Health Area - Vital Statistic Cooperative Program	63,220	245,650	-	-	63,220	245,650
Premium Pay - Hospitals	52,000	856,600	-	-	52,000	856,600
Program Integrity	589,035	-	-	-	589,035	-
Provided Enrollment	107,109	-	-	-	107,109	-
Public Health Preparation and Response Office	666,649	561,501	9,688,774	9,618,120	10,355,423	10,179,621
Registration and Issuance of Documents of the Demographic Register	7,116,979	8,115,454	-	-	7,116,979	8,115,454
Registration and Issuance of Documents of the Demographic Register - Enumeration at Birth	58,858	93,443	-	-	58,858	93,443
Registration and Issuance of Documents of the Demographic Register - Non Electronic Death Registration	49,088	-	-	-	49,088	-
Regulation and Accreditation of Health Facilities	4,240,856	2,745,877	1,105,617	958,075	5,346,473	3,703,952
Registration and Certification of Health Professionals	19,997,847	16,220,927	22,772	-	20,020,619	16,220,927
Subtotal	323,964,889	362,505,453	4,195,146,712	4,150,058,002	4,406,961,362	4,417,202,306

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Program	State Funds		Federal Funds		Totals	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Regulations on Health Environment	10,521,250	16,090,729	146,046,678	148,729,624	156,567,928	164,820,353
Regulations on Health Environment - MQSA	-	211,325	-	-	-	211,325
Radiological Health	-	-	-	-	-	-
Regulations on Health Environment - School Lunch	46,125	322,277	-	-	46,125	322,277
Remote Work Programs of the Government of Puerto Rico	-	37,849	-	-	-	37,849
Ryan White - ASES	51,529,148	24,404,326	-	-	51,529,148	24,404,326
Ryan White - Rebates	1,420,596	978,326	-	-	1,420,596	978,326
Service of Excellence to Citizens	189,310	-	-	-	189,310	-
Special Account	105,195,837	95,311,520	-	-	105,195,837	95,311,520
Special Supplemental Nutrition Program for Woman, Infants and Children	16,496	125	183,200,446	184,195,815	183,216,942	184,195,940
State Special Fund - Other Expenses	5,010	-	-	-	5,010	-
State Special Fund - Transportation and Subsistence Expenses	-	-	-	-	-	-
Telemedicine Program in Puerto Rico	-	(1,778,284)	-	-	-	(1,778,284)
Trauma Centers	7,825,974	9,230,490	-	-	7,825,974	9,230,490
University Adult Hospital	135,496,221	116,829,398	-	-	135,496,221	116,829,398
University Pediatric Hospital	95,195,184	78,901,731	1,843,474	1,391,524	97,038,658	80,293,255
Vaccination Incentive Program	-	1,718	-	-	-	1,718
Unutilized COVID Funds Retained by Treasury (Clawback)	-	12,641,387	-	-	-	12,641,387
Total	\$ 731,406,040	\$ 715,688,370	\$ 4,526,237,310	\$ 4,484,374,965	\$ 5,127,102,951	\$ 5,102,279,334

See notes to Statement of Cash Receipts and Disbursements.



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The Department of Health of the Commonwealth of Puerto Rico (“the PRDH”) is an executive department of the Commonwealth of Puerto Rico (“the Commonwealth”) established under Article IV Section 6 of the Constitution with the objective of promoting and preserving health as a state or condition of physical, emotional and social well-being, that would allow human beings the full enjoyment of life and their contribution to the productive creative efforts of the society as a whole.

The PRDH is under the direction and supervision of a Secretary appointed by the Governor of the Commonwealth. The Secretary is responsible for the design, implementation and supervision of the operations for the PRDH including its fiscal organization.

Oversight responsibilities of the Secretary of the PRDH

The Secretary of the PRDH is a compulsory board member and has oversight responsibilities over several public corporations and entities of the Commonwealth. The accompanying financial statement does not include the activities of these public corporations and entities. Their operations are subject to separate financial or single audits, as applicable or required. The financial statements of these entities are all included in the Commonwealth’s financial statement. A brief description of these entities is as follows:

- Puerto Rico Medical Services Administration (“PRMSA”) – is a public corporation and an instrumentality of the Commonwealth ascribed to the PRDH. It was created by Act No. 66 dated June 22, 1978, as amended, to plan, organize, and administer the centralized health services, provided in support of the hospital and other functions, offered by the member institutions and users of the medical complex known as the Puerto Rico Medical Center.
- Puerto Rico Health Insurance Administration (“PRHIA”) – is a public corporation created by Act No. 72 of September 7, 1993, as amended. It was created for implementing, administering, and negotiating a health insurance system through contracts with insurance underwriters to provide quality medical and hospital care to low-income individuals, employees of the Commonwealth and policemen who voluntary subscribe to the Puerto Rico health insurance medical plan. PRHIA financial support is provided through legislative appropriations of the Commonwealth.
- Cardiovascular Center Corporation of Puerto Rico and the Caribbean (“CCCPRC”) – is a public corporation created by Act No. 51 of June 30, 1986, as amended. The purpose of the CCCPRC is to provide special treatment to patients suffering from cardiovascular diseases. The Commonwealth provides financial support to the CCCPRC through legislative appropriations.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED**

- Mental Health and Anti-Addiction Services Administration (“MHAASA”) – was created by virtue of Public Law No. 67 of August 7, 1993. The MHAASA is responsible for the planning, implementation and evaluation of alcohol and drug abuse program, which use a dynamic approach across human development stages from prevention through treatment and rehabilitation. Also, the authority to approve the manufacturing, dispensing and distribution of controlled substances for therapeutic usage that previously rested on MHAASA has now been transferred to the Secretary. The operations of the MHAASA are funded through annual budgetary appropriations approved by the Legislature of the Commonwealth. In addition, MHAASA receives federal financial assistance for specific purposes. The Puerto Rico Department of the Treasury (“PRTD”) acts as the disbursing agent for MHAASA, except for certain payments made by specially appointed paymasters under the monitored supervision of the PRTD.

Complete financial statements of these entities can be obtained directly from their administrative offices at:

Puerto Rico Medical Services Administration  
PO BOX 2129  
San Juan, PR 00922-2129

Cardiovascular Center Corporation of  
Puerto Rico and the Caribbean  
PO Box 366528  
San Juan, PR 00936-6528

Puerto Rico Health Insurance Administration  
PO Box 195661  
San Juan, PR 00919-5661

Mental Health and Anti- Addiction  
Services Administration  
PO Box 607087  
Bayamón, PR 00960-7087

**Summary of significant accounting policies**

**Basis of Presentation**

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balanced set of accounts. The financial activities of the PRDH that are reported in the accompanying statement of cash receipts and disbursements have been classified into governmental funds. Major individual governmental funds are reported as separate columns, with non-major funds being combined into a single column. As more fully explained in Note A, each fund is accounted for with a set of accounts which include only cash receipts and cash disbursements. 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.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED**

The programs included in these fund types are:

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

*Auxiliary Services* – This program is used to account for the resources and expenditures related to the management and administrative support provided to the program areas of the PRDH to assist them in meeting their program objectives.

*Clinical Laboratory Services* – This program is used to account for resources and expenditures related to clinical services provided for general bacteriology, immunology, rabies, tuberculosis and parasitology, as approved by the Control Disease Center (“CDC”); toxicology services provided to the Agencies of Law Enforcement; certification of laboratories for drinking water; and monitoring the quality of services offered by public and private clinical laboratories in Puerto Rico.

*Economic Aid to Medical Indigent* – This program is used to account for resources and expenditures related to providing access to quality health care to the medically indigent population financing the hospital medical expenses for people whose income and/or resources are insufficient to meet the costs for health care.

*Health Institutions* – This program is used to account for the resources and expenditures related to the administration of public health facilities providing state medical and hospital services primary, secondary and tertiary levels in different specialties and subspecialties of medicine.

*Health Promotion and Protection-* This program is used to account for resources and expenditures related to the development of standards, planning and evaluation of primary health services with a preventive, comprehensive and holistic approach to the individuals within the context of family group.

*Indirect costs* – Funds claimed/ reimbursed as part of the federal proposal/grant to cover administrative efforts and/ or expenditures related to the federal grant. The amount is based on a ratio that may vary every year.

*Integrated Services to Communities* – This program is used to account for resources and expenditures related to the development of standards and planning and evaluation of primary health services, with a preventive and holistic approach of the individual, within the family context.



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED**

*Intellectual Disability* – This program is used to account for the resources and expenditures related to the offering of habilitation and clinical treatment services, focused on the individual, through Population Services Division with intellectual Disability.

*Management and Administration* - This program is used to account for resources and expenditures related to the supervision and coordination of all services and operation of central level to each department office around the island.

*Planning, Evaluation and Statistics in the Health Area* – This program is used to account for resources and expenditures related to health planning, evaluation and statistics which serves as the institutional instrument and support to different management levels of the PRDH to facilitate decision making and enable fulfillment of the mission of the PRDH, effectively and productively.

*Registration and Certification of Health Professionals* – Advises the Secretary of the Department of Health in the implementation of Law No. 11 of June 23, 1976, as amended, known as the “Puerto Rico Health Services Comprehensive Reform Act” and the Organic Laws of the Examining Boards; and supervises and audits the laws and regulations governing them. The Medical Discipline Examiner Board has the mission to regulate the practice of medicine in Puerto Rico and the development of education programs of medical clinic for students domiciled on the island and enrolled in foreign medical schools. In addition, it monitors and guards all records of health professionals, and warns these professionals to meet the requirements of registration and continuing education.

*Registration and Issuance of Documents of the Demographic Register* – This fund is used to account for resources and expenditures related to the registration services and the issuance of vital events of the highest quality to ensure confidentiality, privacy and security.

*Regulation and Accreditation of Health Facilities* – This program is used to account for resources and expenditures related to the planning, issuance of regulatory standards and operating licenses to health care institutions to regulate and accredit institutions and health services.

*Regulation and Certification of Health Professionals* – This program is used to account for resources and expenditures related to the development and implementation of administrative arrangements for the proper functioning of the Board of Examiners and monitoring and auditing of the laws and regulations that govern it.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED**

*Regulations on Health Environment* – This program is used to account for resources and expenditures related to the implementation and compliance with the sanitary laws and regulations established by the PRDH.

*State Special Funds* – The state special funds come from the Special Health Fund (Act. No. 220 of 9 August 1998), the Environmental Health Fund (Act No. 101 of 26 March 1999) and the Expert Fund of the Board of Licensing and Medical Discipline (Act. No. 139-2008, as amended by Act No. 57-2011). The use of these resources is provided by these laws to cover the operating costs of the PRDH.

*Special Supplemental Nutrition Program for Women, Infants, and Children* – This program is used to account for resources and expenditures related to the services provided in all municipalities to pregnant women, infants and children from 1 to 5 years of age, who have nutritional risk.

*University Adult Hospital* – This program is used to account for the resources and expenditures related to the tertiary health services provided to adults in the metropolitan area and the supra-tertiary services provided to all health regions in Puerto Rico.

*University Pediatric Hospital* – This program is used to account for the resources and expenditures related to the tertiary and supra-tertiary services provided to all children of Puerto Rico.

**Basis of Accounting**

The accompanying statement of cash receipts and disbursements has been prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, all transactions are recognized as either cash receipts or disbursements, when actual cash is received or paid, except for local funds appropriations for which cash is not received, but rather is made available for payments by the Treasury Department of the Commonwealth and non-cash transactions are not recognized.

**a. Budgetary Accounting**

Formal budgetary accounting is employed as a management control tool for all funds of the PRDH. Annual operating budgets are adopted each fiscal year through passage of an annual budget which is approved by the Legislature of the Commonwealth and amended as required throughout the year. All unencumbered budget appropriations of state funds lapse after the end of each fiscal year.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - CONTINUED**

The statement of cash receipts and disbursements is presented at the programmatic level. However, budgetary control and accounting is exercised at a lower level to provide management with detailed control over expenditures at the appropriate budget level.

**b. General Fund**

This is the main operating fund of the PRDH and is used to account for the funds appropriated by the Commonwealth.

**c. Medical Assistance Program Fund**

This fund consists of financial assistance received from federal agencies. Federal funds are legally restricted to expenditures for providing payments for medical assistance to low-income persons.

**d. Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program Fund**

This fund consists of financial assistance received from federal agencies. Federal funds are legally restricted to expenditures for provide supplemental nutritious foods, nutrition education (including breastfeeding promotion and support), and referrals to health care for low-income persons during critical periods of growth and development specified purposes.

**e. Other Federal Funds**

These funds basically consist of indirect costs claims and financial assistance received from federal agencies to educate, promote, and preserve health.

**NOTE B - GOING CONCERN**

The PRDH significantly depends on appropriations from the Commonwealth. As of June 30, 2023, the Commonwealth faces significant budgetary risk and uncertainties, including liquidity risk, which is the risk of not having sufficient liquidity or financial resources to meet their obligations when they become due. Because of budgetary constraints, the financial support that the Commonwealth provides to PRDH could be affected in the near future.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE C - RETIREMENT PLAN**

The Employee's Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (the "System") is a cost-sharing multiple employers defined benefit pension plan sponsored by the Commonwealth of Puerto Rico. All regular full-time public employees of the PRDH under five (5) years at the date of employment become members of the System as a condition to their employment.

The System provides retirement, death and disability benefits pursuant to Act No. 447 of May 15, 1951, as amended. Disability retirement benefits are available to members for occupational and non-occupational disability benefits. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after ten years of plan participation.

No benefits are payable if the participant receives a refund of higher accumulated contributions. Members 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, are entitled to an annual benefit, payable monthly for life.

The amount of the annuity shall be one and one-half percent of the average compensation, as defined, multiplied by the number of years of creditable service up to twenty (20) years, plus two percent of the average compensation, as defined, multiplied by the number of years of creditable service in excess of twenty (20) years.

In no case will the annuity be less than \$200 per month. Participants who have not attained fifty-five (55) years of age will receive 65% of the average compensation, as defined, or if they have attained age fifty-five (55) will receive 75% of the average compensation, as defined.

On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, which created the System, was enacted with the purpose of establishing a new pension program (System 2000). Employee participation in the current system as of December 31, 1999, may elect to stay in the defined benefit plan or transfer to the new program. Persons joining the PRDH on or after January 1, 2000, will only be allowed to become members of System 2000. System 2000 will reduce the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the System together with those of the current defined benefit plan. The Commonwealth will not guarantee benefits at retirement age. The annuity will be based on a formula which assumes that each year the employees' contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the ERS's investment portfolio (net of management fees), or (3) earn a combination of both alternatives.

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

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE C - RETIREMENT PLAN - CONTINUED**

Government legislation requires employees to contribute 5.775% for the first \$6,600 of their monthly gross salary and 8.275% for the salary in excess of \$6,600. The PRDH was required by the same statute to contribute 9.275% of the participant's gross salary.

On April 4, 2013, the Act 3 - 2013 was signed, to amend Act No. 447 of May 15, 1951, to include new guidelines as corrective measures to the actual plan's unfunded status. Amendments consist of: (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, 2013 were 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) increased 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 active System 2000 participants will be gradually increased from age 60 to age 65; (5) transitioning active participants under Act No. 1 and Act No. 447 to a defined contribution plan similar to System 2000; (6) eliminated the "merit annuity" available to participants who joined the System prior to April 1, 1990; (7) the retirement age for new employees was increased to age 67, except for new state and municipal police officers, firefighters, and custody officers, which will be age 58; (8) employee contribution rate was increased from 8.275% to 10%; (9) 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; (10) eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from \$600 to \$200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings will be contributed to the ERS; (11) disability benefits were eliminated and substituted for a mandatory disability insurance policy; and (12) survivor benefits were modified. The effective date of this Act will be July 1, 2013.

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 "ERSs"), 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".

On August 23, 2017, Law Number 106 was established to guarantee payment to pensioners and establish 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".



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE C - RETIREMENT SYSTEM- CONTINUED**

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 2022-2023 the Department budgeted the amount of \$70.9 million for purpose of the "PayGo".

Additional information on the Retirement System is provided in its financial statements, a copy of which can be obtained at: Retirement System, Minillas Station, P.O. Box 42003, San Juan, Puerto Rico 00940-2003.

**NOTE D - COMMITMENTS**

*Operating Leases* - The PRDH is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations; therefore, neither the assets nor the liabilities of the lease agreements are reflected in the accounting records. Real property is leased from the Puerto Rico Public Buildings Authority, a component unit of the Commonwealth, and from other private entities.

Rent paid during the fiscal year ended June 30, 2023, under these lease agreements amounted to approximately \$11.3 million. Information of the future minimum rental payments required under these operating leases was not available.

**NOTE E - CONTINGENCIES**

*Litigation and Claims* - The PRDH is a defendant in lawsuits arising in the normal course of operations. The Commonwealth's Act No. 104 of June 30, 1955, as amended, establishes that any claims and lawsuits initiated against an agency or instrumentality of the Commonwealth, or against any of its employees, directors, majors, and others, may be represented by the Department of Justice of the Commonwealth. Any adverse claim to the defendants is to be paid by the General Fund of the Commonwealth. However, the Secretary of the Treasury of the Commonwealth has the discretion of requesting reimbursement of the funds expended for these purposes from public corporations, governmental institutions, or municipalities of the defendants.

*Collective Bargaining Agreement* - As of June 30, 2023, PRDH had 3,508 employees of which 1,635 employees were covered by a collective bargaining agreement. Under the provisions of the agreement the PRDH must comply with specific requirements related to compensation, fringe benefits and other related matters. The union agreement expired on June 30, 2015. As of the date of the financial statement, there is no new collective bargaining agreement.

*Federal Awards* - The PRDH is a grantee in various Federal Financial Assistance Programs funded by the Federal Government. Entitlement to the resources is generally based on compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -**  
**CONTINUED**  
**FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE E - CONTINGENCIES- CONTINUED**

Substantially all grants are subject to financial and compliance audits by the grantor agencies. All disallowed costs as a result of these audits become a liability of the fund that receives the grant and must be reimbursed to the Federal Government from the PRDH's local funds. The Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2023, disclosed several instances of non-compliance with applicable laws and regulations and internal accounting and administrative control structure. The amount, if any, of expenditures which may be disallowed cannot be determined at this time.

**NOTE F – UNUTILIZED COVID FUNDS RETAINED BY TREASURY (CLAWBACK)**

The Unutilized COVID Funds Retained by Treasury represent the claw back of unused funds related to the COVID and American Rescue Plan Act Funds. These funds that represents \$12.6 million, were received during fiscal years 2020 through 2022 and were closed during the fiscal year 2023. The Government of Puerto Rico requested that the unused funds be allocated to other initiatives.

**NOTE G - SUBSEQUENT EVENTS**

The PRDH evaluated subsequent events through June 30, 2024, the date on which the financial statement was available to be issued. There are no material subsequent events that would require adjustments in the accompanying financial statement for the fiscal year ended June 30, 2023.

**PART II- SUPPLEMENTARY INFORMATION AND COMPLIANCE  
SECTION**



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>Federal Agency/Pass-Through Agency/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass- Through Entity Identity</b>	<b>Pass- Through to Subrecipient</b>	<b>Federal Expenditures</b>
<b><u>U.S Department of Agriculture</u></b>				
<b>Direct Programs</b>				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	NAV	-	\$ 177,939,489
W.I.C. Grants to States (WGS)	10.578	NAV	-	<u>6,256,326</u>
<b>Sub-total U.S Department of Agriculture</b>			<u>-</u>	<u>184,195,815</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<b>Direct Program</b>				
Covid-19 Housing Opportunities for Persons with	14.241	NAV	-	8,725
Housing Opportunities for Persons with AIDS	14.241	NAV	-	<u>67,349</u>
<b>Sub-total U.S Department of Housing and Development</b>			<u>-</u>	<u>76,074</u>
<b><u>U.S. Department of Transportation</u></b>				
<b>Direct Program</b>				
Alcohol Open Container Requirements	20.607	NAV	-	<u>301,358</u>
<b>Sub-total U.S Department of Transportation</b>			<u>-</u>	<u>301,358</u>
<b><u>U.S. Environmental Protection Agency/Office of Water</u></b>				
<b>Direct Programs</b>				
State Public Water System Supervision	66.432	NAV	-	706,328
Capitalization Grants for Drinking Water State Revolving Funds	66.468	NAV	-	<u>646,811</u>
<b>Sub-total U.S. Environmental Protection Agency/Office of Water</b>			<u>-</u>	<u>1,353,139</u>
<b><u>U.S. Department of Education</u></b>				
<b>Direct Program</b>				
Special Education-Grants for Infants and Families	84.181	NAV	-	948,583
Special Education-Grants for Infants and Families	84.181A	NAV	-	<u>1,878,174</u>
<b>Sub-total U.S. Department of Education</b>			<u>-</u>	<u>2,826,757</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<b>Direct Program</b>				
COVID-19- Disaster Grants- Public Assistance (Presidentially Declared Disaster)	97.036	NAV	-	14,963,549
Disaster Grants- Public Assistance (Presidentially Declared Disaster)- Hurricane Irma	97.036	NAV	-	(177,970)
Disaster Grants- Public Assistance (Presidentially Declared Disaster- Hurricane Maria	97.036	NAV	-	<u>2,476,736</u>
<b>Sub-total Department of Homeland</b>			<u>-</u>	<u>17,262,315</u>
Sub-total carried forward				206,015,458

See Notes to Schedule of Expenditures of Federal Awards

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>Federal Agency/Pass-Through Agency/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Federal Expenditures</b>
Sub total of Federal Grantor Programs from previous page				\$ 206,015,458
<b><u>U.S. Department of Health and Human Services</u></b>				
<b><u>Cluster Programs</u></b>				
Public Health Crisis Response	93.069	NAV	-	6,711,490
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	NAV	-	(27,562)
Total Cooperative Agreements to States / Territories for the Coordination			-	6,683,928
<b><u>Direct Programs</u></b>				
National Association of County and City Health Officials	93.008	NAV	-	11,960
COVID-19 Response for Aging and Disability Population	93.048	NAV	-	6,847
COVID-19 Promotion of Independence Living	93.048	NAV	-	34,361
COVID-19 Planification	93.048	NAV	-	157,980
Total Response for Aging and Disability Population			-	199,188
Puerto Rico Comprehensive Public Health Approach to Ashtma Control	93.070	NAV	-	332,433
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	NAV	-	573,302
Promotion Administration State Stable-Help Center For Rape Victims	93.110	NAV	-	9,318
PR State Systems Development Initiative	93.110	NAV	-	50,575
Project Grants and Coepetative Agreements for Tuberculosis Control	93.116	NAV	-	405,413
Territories for the Coordination and Development of Primary Care Officers	93.130	NAV	-	225,018
COVID-19- Injury Prevention and Control Research and State and Community Based Programs	93.136	NAV	-	184,578
COVID-19 Rape Prevention and Education	93.136	NAV	-	289,441
PR Overose Data to Action	93.136	NAV	-	1,201,229
Total Injury Prevention and Control Research and State and Community Based Programs			-	1,675,248
Puerto Rico Childhood Lead Poisoning Prevention Program (CLPPP)	93.197	NAV	-	284,940
Title V State Sexual Risk Avoidance Eduacation (Title V State SRAE) Program	93.235	NAV	-	(71,890)
State Sexual Risk Avoidance Education	93.235	NAV	-	1,255,956
Grants to States to Support Oral Health Worforce Activities	93.236	NAV	-	206,120
Early Hearing Detection and Intervention	93.251	NAV	-	262,404
Children's Hospitals Graduate Medical Education Payment Program	93.255	NAV	-	1,391,524
COVID 19 - Immunization Cooperative Agreements	93.268	NAV	-	3,689,825
Immunization Cooperative Agreements - Immunization and Vaccines PPHF	93.268	NAV	-	7,733,109
Integrated Viral Hepatitis Surveillance and Prevention Program	93.270	NAV	-	263,023
Sub- total for U.S. Department of Health and Human Services			-	25,181,394
Sub- total carried forward			-	231,196,852

See Notes to Schedule of Expenditures of Federal Awards

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<u>Federal Agency/Pass-Through Agency/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipient</u>	<u>Federal Expenditures</u>
Sub total of Federal Grantor Programs from previous page				231,196,852
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	NAV	-	157,808
COVID-19- Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323	NAV	-	146,968,324
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323	NAV	-	(168)
Total Epidemiology and Laboratory Capacity for Infectious Disease (ELC)			-	146,968,156
Behavioral Risk Factor Surveillance System	93.336	NAV	-	540,085
Public Health Emergency Response: Cooperative Agreement for Emergency Response:				
COVID-19- Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Reponse	93.354	NAV	-	9,187,177
COVID-19 Workforce Supplementary Funding	93.354	NAV	-	420,777
Public Health Crisis Reponse	93.354	NAV	-	20
Total Public Health Emergency Response			-	9,607,974
Prevention and Control of Chronic Disease and Associated Risk Factors	93.377	NAV	-	825,561
National and State Tobacco Control Program	93.387	NAV	-	74,316
COVID-19- Health Disparities - Health Department Response to Public Health or Healthcare Crises	93.391	NAV	-	2,596,482
COVID-19- Immunization and Vaccines PPHF	93.421	NAV	-	18,871
Family Violence Prevention and Services (ADFAN)	93.497	NAV	-	4,309
Administration for Children and Families	93.556	NAV	-	3,718
<u>Cluster Programs</u>				
State Survey and Certification of Health Care Providers and Suppliers - Clinical Laboratory Services	93.777	NAV	-	135,884
State Survey and Certification of Health Care Providers and Suppliers - Health Insurance Benefits Programs	93.777	NAV	-	802,514
State Survey and Certification of Health Care Providers and Suppliers - IMPACT Award	93.777	NAV	-	19,677
COVID-19- Medical Assistance Program	93.778	NAV	54,026,476	54,026,476
Medical Assistance Program	93.778	NAV	3,802,747,570	3,834,696,728
Total Medical Assistance Program			3,856,774,046	3,889,681,279
Children's Health Insurance Program	93.767	NAV	-	143,989,991
Sub-total for U.S. Department of Health and Human Services			3,856,774,046	4,194,468,550
Sub-total carried forward			3,856,774,046	4,425,665,402

See Notes to Schedule of Expenditures of Federal Awards

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>Federal Agency/Pass-Through Agency/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Federal Expenditures</b>
Sub total of Federal Grantor Programs from previous page			3,856,774,046	4,425,665,402
Money Follows the Person Rebalancing Demonstration	93.791	NAV	-	19,843
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	NAV	-	1,092,209
COVID-19 Maternal, Infant and Early Childhood Home Visiting Grant	93.870	NAV	-	12,384
COVID-19 Hospital Preparedness Program	93.889	NAV	-	2,501,456
HIV Care Formula Grants	93.917	NAV	3,102,513	28,337,766
HIV Prevention Activities Health Department Based	93.940	NAV	-	6,131,774
HIV Prevention Activities Health Department Based - Ending HIV Epidemic in SJ	93.940	NAV	-	104,903
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	NAV	-	667,263
Puerto Rico Pregnancy Risk Assessment System	93.946	NAV	-	153,380
US Public Health	93.967	NAV	-	28,450
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	NAV	-	1,998,477
Preventive Health Services Grant	93.991	NAV	-	2,085,088
Maternal and Child Health Services Grant	93.994	NAV	-	15,461,404
Puerto Rico Autism and Development	93.998	NAV	-	115,166
Sub-total carried forward (U.S. Department of Health and Human Services)			3,102,513	58,709,563
Total			\$ 3,859,876,559	\$ 4,484,374,965

See Notes to Schedule of Expenditures of Federal Awards

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the PRDH under programs of the federal government for the fiscal year ended June 30, 2023. The information in the Schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance")

**NOTE B - ACCOUNTING BASIS**

Expenditures reported on the Schedule are reported on the cash basis method of accounting. They are drawn primarily from the PRDH's internal accounting records, which are the basis for the PRDH's statement of cash receipts and cash disbursements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

**NOTE C - ASSISTANCE LISTING NUMBER (CATALOG OF FEDERAL DOMESTIC ASSISTANT ("CFDA") NUMBER)**

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

**NOTE D - MAJOR FEDERAL PROGRAMS**

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

**NOTE E - SUB-RECIPIENTS**

During fiscal year ended June 30, 2023, the PRDH disbursed \$3,859,876,559 to sub-recipients to carry out healthcare, public service, diagnosis and sexual education for HIV patients and the administration and negotiation with the health insurance providers to give all beneficiaries of Medical Assistance Program the access to quality medical-hospital care, regardless of the economic condition.

**NOTE F - DE MINIMIS COST RATE**

The PRDH has not elected to use the 10 percent de-minimis indirect cost rate allowed under the Uniform Guidance.



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**NOTE G - CLUSTERS**

A cluster of programs means federal programs with different Assistance Listing Numbers that are defined as a cluster of programs, because they are closely related programs that share common requirements. The Schedule includes the following clusters:

<b>Agency</b>	<b>Federal Program</b>	<b>Assistance Listing Number</b>	<b>Total disbursement amount</b>
U.S. Health and Human Services	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	\$ 958,075
	Medical Assistance Program	93.778	3,888,723,204
			<u>\$ 3,889,681,279</u>

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



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

Honorable Carlos R. Mellado López, MD  
Secretary  
Department of Health of the Commonwealth of  
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 of the governmental activities, each major fund, and the aggregate remaining funds information of the Department of Health of the Commonwealth of Puerto Rico, (the "PRDH") as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the PRDH's financial statement and have issued our report thereon dated June 30, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered PRDH'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRDH's internal control. Accordingly, we do not express an opinion on the effectiveness of PRDH's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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 statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the finding 2023-001 in the accompanying schedule of findings and questioned costs to be material weakness.



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. We consider the deficiencies described in finding 2023-002 in the accompanying schedule of findings and questioned costs to be significant deficiency.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PRDH's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

### PRDH's Response to Findings

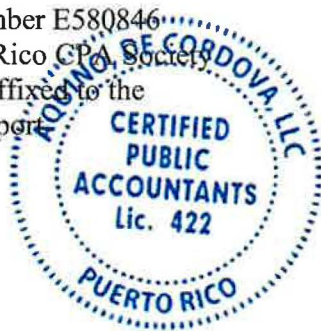
Government Auditing Standards requires the auditor to perform limited procedures on the PRDH's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The PRDH's responses were not subjected to the auditing procedures applied in the 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  
June 30, 2024

Stamp number E580846  
of Puerto Rico CPA Society  
has been affixed to the  
original report



Aquino, De Córdova, LLC  
by Edward G. Grier - Green  
Lic. # 3171





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

Honorable Carlos R. Mellado López, MD  
Secretary  
Department of Health of the Commonwealth of Puerto Rico

**Report on Compliance for Each Major Federal Program**

**Qualified and Unmodified Opinions**

We have audited the Puerto Rico Department of Health (the "PRDH")' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have direct and material effect on each of the PRDH's major federal programs for the fiscal year ended June 30, 2023. The PRDH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Qualified Opinion on Medical Assistance Program (AL 93.778), State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (AL 93.777), Maternal and Child Health Services Block Grants to the States (AL 93.994) and Epidemiology and Laboratory Capacity for Infectious Diseases (AL 93.323)*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, PRDH complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Medical Assistance Program (AL 93.778), State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (AL 93.777), Maternal and Child Health Services Block Grants to the States (AL 93.994) and Epidemiology and Laboratory Capacity for Infectious Diseases (AL 93.323) for the year ended June 30, 2023.

*Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, PRDH complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.



## Basis for Qualified and Unmodified Opinions

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 PRDH 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 qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of PRDH's compliance with the compliance requirements referred to above.

*Matter(s) Giving Rise to Qualified Opinion on Medical Assistance Program (AL 93.778), State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (AL 93.777), Maternal and Child Health Services Block Grants to the States (AL 93.994) and Epidemiology and Laboratory Capacity for Infectious Diseases (AL 93.323)*

**As described in the accompanying schedule of findings and questioned costs, PRDH did not comply with requirements that are applicable to AL 93.778, AL 93.777, AL 93.994 and AL 93.323.**

<u>Federal Awarding Agency</u>	<u>Federal Program</u>	<u>Assistance Listing Number</u>	<u>Compliance Requirement</u>	<u>Finding No.</u>
U.S. Department of Health and Human Services	Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	Repoorting	2023-003
U.S. Department of Health and Human Services	Maternal and Child Health Services Block Grants to the States	93.994	Earmarking	2023-004
U.S. Department of Health and Human Services	Medical Assistance Program	93.778 / 93.777	Special Test and Provisions	2023-005

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

## Responsibilities of Management for Compliance

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 PRDH'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 PRDH'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 PRDH'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 PRDH'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 PRDH'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 PRDH'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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal*





*control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-004 to 2022-008 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be significant deficiencies.

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 PRDH's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. PRDH's response was not subject 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  
June 30, 2024

Stamp number E580847  
of Puerto Rico CPA Society  
has been affixed to the  
original report



Aquino, DeCordova, LLC  
by Elvira G. G. Green  
Lic. # 3171



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section I- Summary of Auditor's Results**

A. Summary of audit results:

**Part I- Financial Statements**

1. Type of auditor's report issued:
- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Unmodified opinion | <input type="checkbox"/> Qualified opinion     |
| <input type="checkbox"/> Adverse opinion               | <input type="checkbox"/> Disclaimer of opinion |

Internal control over financial reporting:

2. Significant deficiencies identified? ☒ Yes ☐ No
3. Significant deficiencies reported as material weaknesses? ☒ Yes ☐ No
4. Noncompliance material to financial statements noted? ☒ Yes ☐ No

**Part II- Federal Awards**

Internal control over major programs:

1. Significant deficiencies identified? ☒ Yes ☐ No
2. Significant deficiencies reported as material weaknesses? ☒ Yes ☐ None reported
3. Type of auditors' reported on compliance for major programs:
- |   |   |
|---|---|
| <input type="checkbox"/> Unmodified opinion | <input checked="" type="checkbox"/> Qualified opinion |
| <input type="checkbox"/> Adverse opinion    | <input type="checkbox"/> Disclaimer opinion           |
4. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance ☒ Yes ☐ No

5. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women Infants and Children
97.036	Disaster Grants- Public Assistance (Presidentially Declared Disaster)
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases
93.767	Children's Health Insurance Program
93.777 / 93.778	Medical Assistance Program- Cluster
93.917	HIV Care Formula Grants
93.994	Maternal and Child Health Services Block Grant to the States

6. Dollar threshold used to distinguish between Type A and Type B programs:

\$13,453,125

7. Auditee qualified as low-risk? ☐ Yes ☒ No

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section II- Financial Statement Audit**

**Finding Number:** 2023-001

**Agency:** U.S. Department of Health & Human Services

**Federal Program:** All Programs

**CFDA:** 93.778 / 93.777, 93.767, 10.557, 93.994, 93.917, 93.323, 97.036

**Compliance Requirement:** Financial Administration- Standards for Financial Management System

**Category:** Financial, Internal Control Weakness and Noncompliance

**Criteria**

45 CFR, Part 74, Subpart C, Section 74.21; 7 CFR, Part 3016, Subpart C, Section 3016.20 establishes the following:

- a) A State must expend and account for grant funds in accordance with State Laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub-grantees and cost-type contractors, must be sufficient to:
  - 1. Allow preparation of reports required by this part and the statutes authorizing the grant, and
  - 2. Allow the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- b) The financial management systems of the grantees and sub-grantees must meet the following standards:
  - 1. Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant.
  - 2. Accounting records - Grantees and sub-grantees must maintain records that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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3. Internal control - Effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees and sub-grantees must adequately safeguard all such property and must ensure that it is used solely for authorized purposes.
4. Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or sub-grant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or sub-grant agreement. If unit cost data are required, estimates based on available documentation will be accepted, whenever possible.
5. Source documentation - Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

**Condition**

During our audit procedures for the fiscal year ended June 30, 2023, we noted the following deficiencies related with the accounting procedures and financial reporting practices of the PRDH:

- a) The PRDH has inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end reconciliation and closing procedures which prevent the timely processing of adjustments. Many transactions and adjustments are posted months after the applicable closing with a retroactive effect due to delays in the processing of information, especially those related to payroll transactions.
- b) During our audit procedures related to compliance with the reporting requirements, we noted that the Finance Department does not reconcile, on a timely basis, the accounting transactions recorded in their system with the subsidiary ledger and reports prepared by the federal programs administration.

**Cause**

PRDH management has not implemented effective internal controls to ensure a reliable accounting system to accurately account for funds administered. Also, is caused by the lack of analysis of financial transactions recorded during the fiscal year and the lack of monitoring and supervision by the PRDH's management.

**Effect**

The PRDH is unable to prepare accurate and complete financial reports on a timely basis. Due to significant reconciliation efforts, report may contain significant errors that may pass undetected.

**Questioned Costs**

None

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Perspective Information**

Finding represents a significant problem. The Department of Health must plan to improve accounting and financial reporting practices.

**Prior Year Audit Finding**

2022-001

**Recommendation**

PRDH should evaluate their current accounting and financial reporting software to ensure that the PRDH maximizes its use, establishment or revision of policies and procedures, establishment of periodic reconciliation and analysis of accounting transactions and additional training to accounting personnel related to accounting and financial reporting matters, including year-end closing procedures.

**Views of Responsible Officials**

The PRDOH agrees with the finding. However, PRDOH has implemented various corrective actions. Regarding Project Costing Module, the PRDOH already has implemented the Travel and Expenses Module, Payment Management System, which integrates with the Account Receivable to streamline revenue records and Payroll Solutions. The effectiveness of these will be observed during the fiscal year 2024-2025. Also, the PRDOH and Central Government are currently working on ERP implementation in all Government Agencies. This new ERP will be in place in the fiscal year 2024-2025.

Furthermore, the PRDOH has established control in order for all program to ensure the timely performed reconciliations between the finance office, the federal affair office, this procedure has started since august 2022. In the other hand the State Department of Treasury has begun a series of training with regard the new ERP that will, be in place by October 2024. This new system in order to close the monthly period all programs will need to reconcile first before closing of the period.

**Responsible Officials**

Mrs. Velmary Martinez Yace	Finance Director	Tel. 787-765-2929 ext. 3291
Mrs. Mayra Reyes	Accounting Office Supervisor	Tel. 787-765-2929 ext. 3294

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of October 2024.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Finding Number:** 2023-002

**Agency:** U.S. Department of Health & Human Services

**Federal Program:** All Federal Programs

**CFDA:** All Federal Agencies

**Compliance Requirement:** Payroll and Personnel Files

**Category:** Significant Deficiency in Internal Control over  
Payroll and Personnel Files - Accurate and  
Completeness of Personnel Files

**Criteria**

2 CFR 200.303 establish that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

2 CFR 200.430 establishes that the cost of compensation for personnel services is allowable to the extent that it follows an appointment made in accordance with the governmental unit's laws and rules and meets the merit system or other requirements required by federal law, where applicable. Compensation for personal services may also include fringe benefits which are addressed in §200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
  - (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
  - (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.
- (i) The Non-Federal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on Federal awards.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Condition**

- a. During our audit, on a sample of sixty (60) personnel files, we observed that the personnel files are not being kept current and in some instances were incomplete.

<b>Compliance Requirement</b>	<b>Documents not observed</b>
ID	3
Social Security Card	4
Birth Certificate	3
Criminal Record Certificate	1
I-9 Employment Eligibility	3
Withholding Form (499-R)	2
ASSUME Debt Negative Certification	4
Transcription of Credits	4
Resume	1
PR Treasury Department Debt Certification	1
Compliance Notification for "Drug Free"	7
State Registration for New Employees Form	2
CRIM Debt Certificate	3
Confidentiality Agreement	3
Public Policy of "Sustancias Controladas"	7
Annual Evaluation	2

- b. The PRDH does not have established written policies and manuals which can define standard internal controls for each program and / or region of the entity.

**Cause**

PRDH has not established an effective internal control designed to ensure the accuracy and completeness of the employee files. Also, the incompleteness of the files may depend on the time that the employee started working in the agency.

**Effect**

Due to law and regulation changes, incomplete files may result in inadequate documentation to support compliance with the criteria over management and administration of personnel files. Also, in the case of employees paid with federal funds, it may result in cost disallowances for personnel that do not meet the requirements to be employed by the corresponding federal program.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Questioned Costs**

None

**Perspective Information**

Finding does not represent a significant problem. The Department has addressed this finding and it's been taking the steps necessary to reduce incidences to a minimum. We selected 60 employee files from the agency.

**Prior Year Audit Finding**

2022-002

**Recommendation**

PRDH should immediately undertake a process to review all personnel files and validate that the minimum requirement documents are appropriately completed and included in each personnel file. Also, the PRDH must update the salary change form in file in order to reflect current salary as stated in the digital information system.

**Views of Responsible Officials**

The PRDOH agrees with the finding. However, PRDOH has implemented several corrective actions. The PRDOH established an internal control to ensure that the required documents are recorded in the files. The Director of Human Resources presented a work plan, in order to implement an effective procedure for reviewing files. A control sheet of documents required to the active records was established in which the Human Resources Officers of the regions and Hospital were requested to verify the employee's files for the required documentation that is need it in the files.

**Responsible Officials**

Lcdo. Luis Rivera Villanueva	Sec. Auxiliar de Recursos Humanos	787-765-2929 ext. 4273
Mrs. Luz S. Ramos Pedroza	Specialist	787-765-2929 ext. 4273
Mrs. Maribel Zayas	Payroll Officer Director	787-765-2929 ext. 4209

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of October 2024.



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section III- Federal Awards Audit**

<b>Finding Number:</b>	2023-003
<b>Agency:</b>	Department of Health & Human Services
<b>Federal Program:</b>	Epidemiology and Laboratory Capacity for Infectious Diseases
<b>CFDA:</b>	93.323
<b>Grant Number:</b>	19NU50CK000526
<b>Compliance Requirement:</b>	Reporting
<b>Category:</b>	Internal Control Weakness and Noncompliance

**Criteria**

2 CFR Part 200 Section 328 established unless otherwise approved by OMB, the Federal awarding agency must solicit only the OMB-approved governmentwide data elements for collection of financial information (at time of publication the Federal Financial Report or such future, OMB-approved, governmentwide data elements available from the OMB-designated standards lead. This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting. The Federal awarding agency must use OMB-approved common information collections, as applicable, when providing financial and performance reporting information.

2 CFR Part 200 Section 303 states that the entity must be establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards. Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

**Condition**

The annual SF-425 report was not filed on time:

<u>Report</u>	<u>Grant</u>	<u>Quarter</u>	<u>Due date</u>	<u>Filing Date</u>
SF-425	19NU50CK000526	7/31/2023	8/31/2023	10/28/2023

**Cause**

The PRDH has not established effective procedures for the timely filing of the required financial reports.

**Effect**

The PRDH is not in compliance with the federal regulations on reporting. The inaccurate and untimely reporting prevents the Federal awarding agency and PRDF's management from monitoring the program financial activities, assessing the achievements of the program, and evaluating the grant award for subsequent years.

**Questioned Costs**

None

**Perspective Information**

As part of our audit procedures over reporting requirements, we evaluated Federal Financial Reports (SF-425) for the quarter ended on July 31, 2023. The test revealed that the report was not in compliance.

**Prior Year Audit Finding**

None

**Recommendation**

Management should take appropriate actions to implement internal controls procedures should be enforced to ascertain that required reports are timely filed; otherwise, a waiver or extension of time must be obtained.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Views of responsible officials**

The PRDOH agrees with the finding. Also, for that particular report there was a confusion on the date as to when was need it to be submitted by the federal government. However, we have established procedures to meet the reporting requirements to all federal programs be submitted on time.

**Responsible Officials**

Mrs. Sylvianette Luna Anavitate	Program Director	787-765-2929 ext. 3121
Mr. Bryan Santos Martínez	Financial and Accountant Analyst	787-765-2929 ext. 3361

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of October 2024.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Finding Number:** 2023-004

**Agency:** Department of Health & Human Services

**Federal Program:** Maternal and Child Health Services Block Grants to the States

**CFDA:** 93.994

**Compliance Requirement:** Earmarking

**Category:** Material Weakness in Internal Control over Compliance

**Criteria**

45 CFR sections 92.20(a) and (b) (1) to (4) establish that:

a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be enough to,

1. Permit preparation of reports required by this part and the statutes authorizing the grant, and
2. Permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

b) The financial management systems of other grantees and subgrantees must meet the following standards:

1. Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
2. Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. if unit cost data are required, estimates based on available documentation will be accepted whenever possible.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Condition**

We noted the following deficiencies related to the grant awards B04MC40159, B04MC45241:

- a. The PRDH does not segregate financial records sufficiently in order to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the percentage restrictions of the grant award.
- b. We could not evaluate if the program is in compliance with the established earmarking requirements since the expenses were recorded for each of the award components and not the earmarking activity.

**Cause**

This situation occurs because the accounting records currently used by the PRDH do not have a reliable system to account for funds awarded to them. The chart of accounts in the financial system is not sufficiently expanded to account for each of the earmark requirements.

**Effect**

The PRDH could exceed the established expenditures limits per activity for the grant award. Noncompliance with the earmarking requirements could lead to significant administrative sanctions by the grantor, including reduction in the amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

**Questioned Costs**

None

**Perspective Information**

Finding represents a significant problem. The agency will review internal controls to ensure that comply with federal government requirements.

**Prior Year Audit Finding**

2022-004



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Recommendation**

The PRDH must expand the chart of accounts in order to account for the amounts claimed for administrative expenditures independently. This expansion would permit the tracing of funds to a level of expenditure to establish that such funds have not been used in violation of the restrictions and prohibitions of the program as defined in 42 USC 705(a)(3). Also, payroll expenses must be recorded into each of the corresponding program activities, as follows:

- a) Preventive and primary care services for children.
- b) Services for children with special health care needs.

**Views of Responsible Officials**

The PRDOH agrees with the finding. PRDOH has fixed the segregation of financial records, we have systems in place within our system People Soft 8.4 in which permit the tracing of funds to a level of the expenditures that will be adequate. PRDOH will implement this system for the proposal of 2024. Also, the same system will be used in the new ERP system by the treasury Department that should be starting by July 2025.

**Responsible Officials**

Dr. Manuel Vargas Bernier	Program Director	787-765-2929 ext. 4583
Mrs. Diana Ferrer Rivera	Senior Accountant	787-765-2929 ext. 4551

**Estimate Date of Completion**

Implementation is expected to be completed on or before the end of October 2024.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Finding Number:** 2023-005

**Agency:** U.S. Department of Health & Human Services

**Federal Program:** Medical Assistance Program

**CFDA:** 93.778 / 93.777

**Compliance Requirement:** Special Test and Provisions-  
ADP Risk Analysis and System Security Review

**Category:** Material Weakness and Noncompliance

**Criteria**

SMAs must establish and maintain a program for conducting periodic risk analyses to ensure appropriate and cost-effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. SMAs shall review ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The SMA shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

**Condition**

The security plan for ADP (Automatic Data Processing) system, including policies and procedures to address contingency plans in the event of unforeseen interruptions has not been implemented and tested.

**Cause**

This situation was primarily caused by the lack of effective internal control over ADP Risk Analysis and System Security Review.

**Effect**

Critical business functions may not be resumed on time in case an emergency or disaster causes the ADP system resources to become unable to meet critical processing needs in the event of a short or long-term interruption of service.

**Questioned Costs**

None

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Prior Year Audit Finding**

2022-007

**Recommendation**

The State Medical Agency (SMA) should carry-out or contract to perform independent audit no less than once every three years to each Manage Care Organizations to validate the accuracy, truthfulness, and completeness of the financial information submitted, and post the results on its websites.

**Views of Responsible Officials**

The DOH disagrees with this finding as they believe the MCO should have received a SOC 1 Type 1 and Type 2 Report. The DOH has requested this information from the MCO however it has not been provided yet due to the short time frame for gathering the requested information.

**Responsible Officials**

Dinorah Collazo Ortiz	Executive Director	787-765-2929 ext. 3402
Felmarie Cruz Morales	Fiscal Director	787-765-2929 ext. 6721
Marcia Berrios De La Torre	Financial Advisor	787-765-2929 ext. 6746

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of the year 2025.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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<b>Finding Number:</b>	2023-006
<b>Agency:</b>	All Federal Agencies in the SEFA
<b>Federal Program:</b>	All Federal Agencies in the SEFA
<b>CFDA:</b>	All Federal Agencies in the SEFA
<b>Grant Number:</b>	All Federal Agencies in the SEFA
<b>Compliance Requirement:</b>	Reporting
<b>Category:</b>	Significant Deficiency in Internal Control and Noncompliance

**Criteria**

OMB Uniform Guidance subpart B .200(a) establishes that Non-Federal entities that expend *\$500,000 (\$750,000 for fiscal years ending after December 25,2015)* or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

OMB Uniform Guidance subpart B .220 establishes that except for the provisions for biennial audits provided in paragraphs (a) and (b) of this section, audits required by this part shall be performed annually.

Public Law 104-156, known as the Single Audit Act, sections 7502 (h) (1) and (2)(B) establish that the non-Federal Organization shall transmit the reporting package, which shall include the non-Federal Organization's financial statements, schedule of expenditures of Federal awards, corrective action plan defined under subsection (i), and auditor's reports developed pursuant to this section, to a Federal clearinghouse designated by the Director, and make it available for public inspection within the earlier of 30 days after receipt of the auditor's report; or 9 months after the end of the period audited, or within a longer timeframe authorized by the Federal agency, determined under criteria issued under section 7504, when the 9-month timeframe would place an undue burden on the non-Federal Organization.

**Condition**

The Single Audit Report for the fiscal year ended June 30, 2023, of the PRDH with due date of March 31, 2024, was submitted after the 9 months deadline. The Single Audit related to such a period was completed after the 9 months deadline.

**Cause**

The PRDH did not have internal controls and processes to enable compliance with completing and submitting the Single Audit Report of the PRDH in the due date established by the Single Audit Act.

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Effect**

Non-compliance with the above-mentioned requirement could lead to administrative actions by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, and provisions of contracts and grant agreements.

**Questioned costs**

None

**Perspective Information**

Finding represents a significant problem. The agency will accelerate the process to contract auditors to carry out the audit and submit the report on time.

**Prior Year Audit Finding**

2022-008

**Recommendations**

The PRDH shall establish controls and procedures to enable compliance with completion and submission of the Single Audit Report of PRDH to the Federal Clearinghouse before the 9 months deadline. Also, the PRDH should establish procedures for the monthly and year end closing process to allow enough time for the performance and completion of the required single audit by its external auditors.

**Views of Responsible Officials**

PRDOH accepts the finding, due to a misinterpretation on the waiver given by the FAC with regard to Hurricane Fiona, the PRDOH incurred in a delay for the contracting for the 2023 single audit. Currently the Department has accelerated the hiring process of the auditors for 2023 and 2024. The 2023 report is in the final stages of revision. On the other hand, the 2024 report is in the process for the renewal of the contract which is expected to start at the end of August 2024.

**Responsible Official**

Héctor Stewart Torres	Director Federal Programs Division	787-765-2929 Ext.4871
Velmary Martinez Yace	Finance Department Director	787-765-2929 Ext.3291

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of March 2025.



**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Original Finding Number	Category	Condition Found	Finding Status	Management Response / CAP	Assigned Responsibility
2022-001	Financial, Internal Control Weakness	<p>During our audit procedures for the fiscal year ended June 30, 2022, we noted the following deficiencies related with the accounting procedures and financial reporting practices of the PRDH:</p> <p>a) The PRDH has inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end reconciliation and closing procedures which prevent the timely processing of adjustments. Many transactions and adjustments are posted months after the applicable closing with a retroactive effect due to delays in the processing of information especially those related to payroll transactions.</p> <p>b) During our audit procedures related to compliance with the reporting requirements, we noted that the Finance Department does not reconcile, on a timely basis the accounting transactions recorded in their system with the subsidiary ledger and reports prepared by the federal programs administration</p>	Prevails 2023-001	<p>PRDOH has implemented various corrective actions. Regarding Project Costing Module, the PRDOH already has implemented the Travel and Expenses Module, Payment Management System, which integrates with the Account Receivable to streamline revenue records and Payroll Solutions. The effectiveness of these will be observed during the fiscal year 2025-2026. Also, the PRDOH and Central Government are currently working on ERP implementation in all Government Agencies. This new ERP will be in place by July 2025.</p> <p>Furthermore, the PRDOH has established control in order for all program to ensure the timely performed reconciliations between the finance office, the federal affair office, this procedure has started since august 2022. In the other hand the State Department of Treasury has begun a series of training with regard the new ERP that will be in place by July 2024. This new system in order to close the monthly period all programs will need to reconcile first before closing of the period.</p>	Mrs. Velmary Martínez Yace

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Original Finding Number	Category	Condition Found	Finding Status	Management Response / CAP	Assigned Responsibility
2022-002	Significant Deficiency in Internal Control	<p>During our audit, on a sample of sixty (60) personnel files, we observed that the personnel files are not being kept current and in some instances were incomplete.</p> <p>Compliance Requirement Documents not observed</p> <p>ID 3</p> <p>Social Security Card 2</p> <p>Criminal Record Certificate 4</p> <p>I-9 Employment Eligibility 5</p> <p>Withholding Form (499-R) 7</p> <p>ASSUME Debt Negative Certification 15</p> <p>Certification of Academic Preparation 2</p> <p>Transcription of Credits 11</p> <p>Resume 10</p> <p>PR Treasury Department Debt Certification 15</p> <p>Compliance Notification for "Drug Free" 16</p> <p>State Registration for New Employees Form 10</p> <p>CRIM Debt Certificate 16</p> <p>Confidentiality Agreement 7</p> <p>Public Policy of "Sustancias Controladas" 12</p> <p>Annual Evaluation 5</p> <p>b. One personnel file of federal funds was not provided for our evaluation.</p> <p>c. The PRDH does not have established written policies and manuals which can define standard internal controls for each program and / or region of the entity.</p>	Prevails 2023-002	<p>Over the past few years we have developed an internal control, using a document entitled Check sheet, which contains the list of documents required for the appointment of employees and another for the audit of files. It contains three columns for the collation of documents required by the Analysts of the Appointments and Changes Section and ends with the collation of the Division Supervisor, before being referred to the Personnel Officers of our regions. This document has been modified according to needs, changes, procedures and new regulations. Of the aspects pointed out in the audit, the Department of Health has developed greater review and audit measures by the analysts of our agency, before the defunct Quality Control Section, who watched over and audited the personnel files of the Regions, providing control and compliance with the documents required according to the Regulations and Standards that govern the Office of Human Resources and Labor Relations.</p>	Lcdo. Luis Rivera Villanueva; Luz S. Ramos Pedroza

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Original Finding Number	Category	Condition Found	Finding Status	Management Response / CAP	Assigned Responsibility																																																																		
2022-003	Significant Deficiency and Noncompliance	<p>In a sample of fifteen (15) cash drawdown petitions for Epidemiology and Laboratory Capacity for Infectious Diseases, we observed transactions with the check issued after the required time lapsed in accordance with the program advance type request.</p> <table> <tr> <th>Drawdown No.</th><th>Type</th><th>Receipt Date</th><th>Document No.</th><th>Check Issuance Date</th><th>Amount</th></tr> <tr> <td>1525220890</td><td>Advance</td><td>June 27, 2022</td><td>425428</td><td>July 1, 2022</td><td>\$ 3,357,249</td></tr> <tr> <td>1525220890</td><td>Advance</td><td>June 27, 2022</td><td>425189</td><td>July 27, 2022</td><td>235,152</td></tr> <tr> <td>1525220694</td><td>Advance</td><td>April 4, 2022</td><td>414679</td><td>May 13, 2022</td><td>889,880</td></tr> <tr> <td>1525220800</td><td>Advance</td><td>May 17, 2022</td><td>417161</td><td>May 27, 2022</td><td>45,333</td></tr> <tr> <td>1525220869</td><td>Advance</td><td>June 9, 2022</td><td>423933</td><td>July 1, 2022</td><td>76,575</td></tr> <tr> <td>1525220869</td><td>Advance</td><td>June 9, 2022</td><td>423813</td><td>July 22, 2022</td><td>5,325</td></tr> <tr> <td>1525220692</td><td>Advance</td><td>April 3, 2022</td><td>414643</td><td>May 13, 2022</td><td>889,880</td></tr> <tr> <td>1525000606</td><td>Advance</td><td>March 14, 2022</td><td>411257</td><td>March 30, 2022</td><td>147,258</td></tr> <tr> <td>1525220437</td><td>Advance</td><td>January 12, 2022</td><td>404916</td><td>February 11, 2022</td><td>33,955</td></tr> <tr> <td>1525220786</td><td>Advance</td><td>May 12, 2022</td><td>420316</td><td>June 8, 2022</td><td>18,730</td></tr> </table>	Drawdown No.	Type	Receipt Date	Document No.	Check Issuance Date	Amount	1525220890	Advance	June 27, 2022	425428	July 1, 2022	\$ 3,357,249	1525220890	Advance	June 27, 2022	425189	July 27, 2022	235,152	1525220694	Advance	April 4, 2022	414679	May 13, 2022	889,880	1525220800	Advance	May 17, 2022	417161	May 27, 2022	45,333	1525220869	Advance	June 9, 2022	423933	July 1, 2022	76,575	1525220869	Advance	June 9, 2022	423813	July 22, 2022	5,325	1525220692	Advance	April 3, 2022	414643	May 13, 2022	889,880	1525000606	Advance	March 14, 2022	411257	March 30, 2022	147,258	1525220437	Advance	January 12, 2022	404916	February 11, 2022	33,955	1525220786	Advance	May 12, 2022	420316	June 8, 2022	18,730	Corrected	<p>The Treasury Department asked us to change the modality for terms of cash requests from "advanced" to reimbursement. This began to be implemented as of September 2023. This method of reimbursement makes it easier for the program to have better control over cash management. With this method, the program requests the funds on the days that the Treasury Department makes the payment rolls. Once the petition is created on the same day of the print run and approved by the Program Director, it is submitted to the Office of Federal Affairs to prepare the request for funds to the federal government. The Office of Federal Affairs has the flexibility and agility to process such a request within two days. This helps us to meet the requirements of cash management.</p>	<p>Mrs. Sylvianette Luna Anavitate, Program Director</p>
Drawdown No.	Type	Receipt Date	Document No.	Check Issuance Date	Amount																																																																		
1525220890	Advance	June 27, 2022	425428	July 1, 2022	\$ 3,357,249																																																																		
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**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>Original Finding Number</b>	<b>Category</b>	<b>Condition Found</b>	<b>Finding Status</b>	<b>Management Response / CAP</b>	<b>Assigned Responsibility</b>
2022-004	Significant Deficiency and Noncompliance	<p>We noted the following deficiencies related to the grant awards B04MC40159, B04MC45241:</p> <p>a. The PRDH does not segregate financial records sufficiently in order to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the percentage restrictions of the grant award.</p> <p>b. We could not evaluate if the program is in compliance with the established earmarking requirements since the expenses were recorded for each of the award components and not the earmarking activity.</p>	Prevails 2023-004	<p>The PRDOH partially agrees with the finding. PRDOH has fixed the segregation of financial records, we have systems in place within our system People Soft 8.4 in which permit the tracing of funds to a level of the expenditures that will be adequate. PRDOH will implement this system for the proposal of 2024. Also, the same system will be use in the new ERP system by the Treasury Department that should be starting by July 2025.</p>	Dr. Manuel Vargas Bernier, Program director

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Original Finding Number	Category	Condition Found	Finding Status	Management Response / CAP	Assigned Responsibility																																			
2022-005	Material Weakness in Internal Control - Financial Reporting	<p>For our tests, we requested copies of the Federal Financial Reports (FFR 425) and Quarterly Statement of Expenditures for the Medical Assistance Program (CMS 64) for the fiscal year ended on June 30, 2023. After our examination of the Quarterly Statement of Expenditures for the Medical Assistance Program, we noted that there are significant discrepancies between what is reported on CMS 64 versus what is registered on general ledger. The differences are the following:</p> <table><tr><th>Program</th><th>Report</th><th>Basis</th><th>Date Submitted</th><th>Expenses per report</th><th>Expenses per general ledger</th><th>Difference</th></tr><tr><td>MAP</td><td>CMS 64 September 30, 2021</td><td>Quarterly</td><td>November 15, 2021</td><td>\$ 248,317,622</td><td>\$ 747,807,739</td><td>\$ (499,490,117)</td></tr><tr><td>MAP</td><td>CMS 64 December 31, 2021</td><td>Quarterly</td><td>July 18, 2022</td><td>1,235,153,429</td><td>522,743,022</td><td>712,410,407</td></tr><tr><td>MAP</td><td>CMS 64 March 31, 2022</td><td>Quarterly</td><td>May 13, 2022</td><td>723,048,025</td><td>918,195,205</td><td>(195,147,180)</td></tr><tr><td>MAP</td><td>CMS 64 June 30, 2022</td><td>Quarterly</td><td>July 18, 2022</td><td>101,255,383</td><td>1,023,652,462</td><td>(921,797,079)</td></tr></table>	Program	Report	Basis	Date Submitted	Expenses per report	Expenses per general ledger	Difference	MAP	CMS 64 September 30, 2021	Quarterly	November 15, 2021	\$ 248,317,622	\$ 747,807,739	\$ (499,490,117)	MAP	CMS 64 December 31, 2021	Quarterly	July 18, 2022	1,235,153,429	522,743,022	712,410,407	MAP	CMS 64 March 31, 2022	Quarterly	May 13, 2022	723,048,025	918,195,205	(195,147,180)	MAP	CMS 64 June 30, 2022	Quarterly	July 18, 2022	101,255,383	1,023,652,462	(921,797,079)	Corrected	The Office of Finance of the PRDOH is working together with the Puerto Rico Medicaid Program (PRMP) to review the policies and procedures to comply with the reconciliation between what is reported on CMS-64 with what is registered in PeopleSoft. This procedure will be in place by June 15, 2024. Also, PRMP has successfully completed the reconciliation between PeopleSoft and CMS-64 for 2024 Quarter 1 and Quarter 2.	Dinorah Collazo Ortiz, Executive Director
Program	Report	Basis	Date Submitted	Expenses per report	Expenses per general ledger	Difference																																		
MAP	CMS 64 September 30, 2021	Quarterly	November 15, 2021	\$ 248,317,622	\$ 747,807,739	\$ (499,490,117)																																		
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**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Original Finding Number	Category	Condition Found	Finding Status	Management Response / CAP	Assigned Responsibility																																			
2022-006	Material Weakness in Internal Control - Financial Reporting	<p>For our tests, we requested copies of the Federal Financial Reports (SF 425) for the fiscal year ended on June 30, 2023. After our examination of the Federal Financial Reports (SF-425) we noted that there are significant discrepancies between what is reported on SF-425 versus what is registered on general ledger. The differences are the following:</p> <table><tr><th>Program</th><th>Report</th><th>Base</th><th>Date</th><th>Expenses per report</th><th>Expenses per general ledger</th><th>Difference</th></tr><tr><td>MAP</td><td>SF 425 September 30, 2021</td><td>Quarterly</td><td>October 29, 2021</td><td>\$ 719,011,505</td><td>\$ 722,061,899</td><td>\$ (3,050,394)</td></tr><tr><td>MAP</td><td>SF 425 December 31, 2021</td><td>Quarterly</td><td>January 27, 2022</td><td>503,521,319</td><td>500,804,847</td><td>2,716,472</td></tr><tr><td>MAP</td><td>SF 425 March 31, 2022</td><td>Quarterly</td><td></td><td>943,210,159</td><td>891,127,015</td><td>52,083,144</td></tr><tr><td>MAP</td><td>SF 425 June 30, 2022</td><td>Quarterly</td><td></td><td></td><td>985,902,638</td><td>(985,902,638)</td></tr></table>	Program	Report	Base	Date	Expenses per report	Expenses per general ledger	Difference	MAP	SF 425 September 30, 2021	Quarterly	October 29, 2021	\$ 719,011,505	\$ 722,061,899	\$ (3,050,394)	MAP	SF 425 December 31, 2021	Quarterly	January 27, 2022	503,521,319	500,804,847	2,716,472	MAP	SF 425 March 31, 2022	Quarterly		943,210,159	891,127,015	52,083,144	MAP	SF 425 June 30, 2022	Quarterly			985,902,638	(985,902,638)	Corrected	PRMP successfully certified the CMS-64 form to Centers for Medicare & Medicaid Services (CMS) required on a quarterly basis. CMS uses this information to compute the Federal Financial Participation (FFP) for the State's Medicaid Program costs. On the other hand, Money Follows the Person (MFP) successfully submitted the semi-annual Federal Financial Report (FFR, or SF-425).	Dinorah Collazo Ortiz, Executive Director
Program	Report	Base	Date	Expenses per report	Expenses per general ledger	Difference																																		
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**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>Original Finding Number</b>	<b>Category</b>	<b>Condition Found</b>	<b>Finding Status</b>	<b>Management Response / CAP</b>	<b>Assigned Responsibility</b>
2022-007	Significant Deficiency and Noncompliance	<p><b>Condition</b></p> <p>The security plan for ADP (Automatic Data Processing) system, including policies and procedures to address contingency plans in the event of unforeseen interruptions has not been implemented and tested.</p>	Prevails 2023-005	PRDOH implemented the corrective action plan by contracting Mercer Health Benefits, LLC., to perform financial data audits once every three years in accordance with 42 § CFR 438.602(e). To come into compliance with the External Quality Review (EQR) requirements and conduct retroactive review for contract years 2018-2022, CMS authorized PRMP to post EQR technical reports for the contract years mentioned on or before April 30, 2024, which was successfully submitted and published.	Dinorah Collazo Ortiz, Executive Director

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS- CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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<b>Original Finding Number</b>	<b>Category</b>	<b>Condition Found</b>	<b>Finding Status</b>	<b>Management Response / CAP</b>	<b>Assigned Responsibility</b>
2022-008	Material Weakness in Internal Control over Compliance and Complian	The Single Audit Report for the fiscal year ended June 30, 2022, of the PRDH with due date of March 31, 2023, was submitted after the 9 months deadline. The Single Audit related to such period was completed after the 9 months deadline.	Prevails 2023-006	PRDOH accepts the finding, due to a misinterpretation on the waiver given by the FAC with regard to Hurricane Fiona, the PRDOH incurred a delay for the contracting for the 2023 single audit. Currently the Department has accelerated the hiring process of the auditors for 2022 and 2023. The 2023 report is in the final stages for distribution and upload to the FAC. On the other hand, the 2024 report the PRDOH is on track to finish the report within time period.	Hector Stewart Torres, Director Federal Programs Division

**DEPARTMENT OF HEALTH OF THE COMMONWEALTH OF PUERTO RICO**  
**AUDITOR'S REBUTTALS TO PRDOH AUDIT FINDINGS RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Auditor's Rebuttals to PRDOH Findings Response**

We have consider PRDOH response and planned corrective action plan. However the response to this finding does not change the condition and our recommendation



# GOBIERNO DE PUERTO RICO

Departamento de Salud

## **Corrective Action Plan**

### **Single Audit 2023**

#### **Finding 2023-001**

##### **Financial Administration- Standards for Financial Management System**

##### **Financial Internal Control Weakness and Noncompliance**

The PRDOH agrees with the finding. However, PRDOH has implemented various corrective actions. Regarding Project Costing Module, the PRDOH already has implemented the Travel and Expenses Module, Payment Management System, which integrates with the Account Receivable to streamline revenue records and Payroll Solutions. The effectiveness of these will be observed during the fiscal year 2024-2025. Also, the PRDOH and Central Government are currently working on ERP implementation in all Government Agencies. This new ERP will be in place in the fiscal year 2024-2025.

Furthermore, the PRDOH has established control in order for all program to ensure the timely performed reconciliations between the finance office, the federal affair office, this procedure has started since august 2022. In the other hand the State Department of Treasury has begun a series of training with regard the new ERP that will, be in place by October 2024. This new system in order to close the monthly period all programs will need to reconcile first before closing of the period.

#### **Responsible Official**

Mrs. Velmary Martinez Yace

Finance Director

Tel. 787-765-2929 ext. 3291

Mrs. Mayra Reyes

Accounting Office Supervisor

Tel. 787-765-2929 ext. 3294

#### **Estimated Completion Date**

Implementation is expected to be completed on or before the end of October 2024.



## **Finding 2023-002**

### **Payroll and Personnel Files**

#### **Significant Deficiency in Internal Control over Payroll and Personnel Files - Accurate and Completeness of Personnel Files**

The PRDOH agrees with the finding. However, PRDOH has implemented several corrective actions. The PRDOH established an internal control to ensure that the required documents are recorded in the files. The Director of Human Resources presented a work plan, in order to implement an effective procedure for reviewing files. A control sheet of documents required to the active records was established in which the Human Resources Officers of the regions and Hospital were requested to verify the employee's files for the require documentation that is need it in the files.

#### **Responsible Official**

Lcdo. Luis Rivera Villanueva	Secretario Auxiliar de Recursos Humanos	787-765-2929 ext. 4273
Mrs. Luz S. Ramos Pedroza	Specialist	787-765-2929 ext. 4273
Mrs. Maribel Zayas	Payroll Officer Director	787-765-2929 ext. 4209

#### **Estimated Completion Date**

Implementation is expected to be completed on or before the end of October 2024.

**Finding 2023-003****Epidemiology and Laboratory Capacity for Infectious Diseases****Reporting****Internal Control Weakness and Noncompliance**

The PRDOH agrees with the finding. Also, for that particular report there was a confusion on the date as to when was need it to be submitted by the federal government. However, we have established procedures to meet the reporting requirements to all federal programs be submitted on time.

**Responsible Officials**

Mrs. Sylvianette Luna Anavitate	Program Director	787-765-2929 ext. 3121
Mr. Bryan Santos Martínez	Financial and Accountant Analyst	787-765-2929 ext. 3361

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of October 2024.

**Finding 2023-004****Maternal and Child Health Services Block Grants to the States****Earmarking****Material Weakness in Internal Control over Compliance**

The PRDOH agrees with the finding. PRDOH has fixed the segregation of financial records, we have systems in place within our system People Soft 8.4 in which permit the tracing of funds to a level of the expenditures that will be adequate. PRDOH will implement this system for the proposal of 2024. Also, the same system will be used in the new ERP system by the treasury Department that should be starting by July 2025.

**Responsible Officials**

Dr. Manuel Vargas Bernier	Program Director	787-765-2929 ext. 4583
Mrs. Diana Ferrer Rivera	Senior Accountant	787-765-2929 ext. 4551

**Estimate Date of Completion**

Implementation is expected to be completed on or before the end of October 2024.

**Finding 2023-005**

**Medical Assistance Program**

**Special Test and Provisions- ADP Risk Analysis and System Security Review**

**Material Weakness and Noncompliance**

The DOH disagrees with this finding as they believe the MCO should have received a SOC 1 Type 1 and Type 2 Report. The DOH has requested this information from the MCO however it has not been provided yet due to the short time frame for gathering the requested information.

**Responsible Officials**

Dinorah Collazo Ortiz	Executive Director	787-765-2929 ext. 3402
Felmarie Cruz Morales	Fiscal Director	787-765-2929 ext. 6721
Marcia Berrios De La Torre	Financial Advisor	787-765-2929 ext. 6746

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of the year 2025.

**Finding 2023-006****All Federal Agencies in the SEFA****Reporting****Financial, Internal Control Weakness and****Noncompliance**

PRDOH accepts the finding, due to a misinterpretation on the waiver given by the FAC with regard to Hurricane Fiona, the PRDOH incurred in a delay for the contracting for the 2023 single audit. At this time the Department has accelerated the hiring process of the auditors for 2023 and 2024. The 2023 report is in the final stages of revision. On the other hand, the 2024 report is in the process for the renewal of the contract which is expected to start at the end of August 2024.

**Responsible Official**

Hector Stewart Torres	Director Federal Programs Division	787-765-2929 Ext.4871
Velmary Martinez Yace	Finance Department Director	787-765-2929 Ext.3291

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of March 2025.