
COMMONWEALTH OF PUERTO RICO
STATE HISTORIC PRESERVATION OFFICE

**FINANCIAL STATEMENTS – CASH BASIS,
SUPPLEMENTARY INFORMATION AND INDEPENDENT
AUDITORS' REPORT
(WITH THE ADDITIONAL REPORTS AND
INFORMATION REQUIRED BY THE *GOVERNMENT*
AUDITING STANDARDS AND THE *UNIFORM GUIDANCE*)**

For the Fiscal Year Ended June 30, 2022



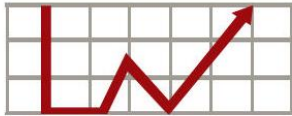
P.O. Box 9023935, San Juan, Puerto Rico 00902-3935

Visit our website at www.oech.gobierno.pr

Architect – Carlos A. Rubio Cancela, Executive Director

TABLE OF CONTENTS

	<u>Pages</u>
<u>FINANCIAL STATEMENTS</u>	
Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-9
Fund Financial Statement - Cash Basis:	
Governmental Funds:	
Statement of Cash Receipts and Cash Disbursements	10
Proprietary Fund:	
Statement of Cash Receipts and Cash Disbursements	11
Notes to Financial Statements - Cash Basis	12-24
<u>SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedule - General Fund	25
Notes to Budgetary Comparison Schedule - General Fund	26
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	28
<u>INTERNAL CONTROL AND COMPLIANCE WITH LAWS AND REGULATIONS</u>	
Independent Auditors' Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	29-30
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	31-33
<u>FINDINGS AND QUESTIONED COSTS</u>	
Schedule of Findings and Questioned Costs	34-36
Summary Schedule of Prior Year Audit Findings	37-38



López-Vega, CPA, PSC

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INDEPENDENT AUDITORS' REPORT

To the Executive Director
Commonwealth of Puerto Rico
State Historic Preservation Office
San Juan, Puerto Rico

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying cash basis financial statements and the business-type activities of the **State Historic Preservation Office (Office)** which comprise the Statements of Cash Receipts and Disbursements – Governmental and Proprietary Fund for the fiscal year ended June 30, 2022, and the related notes to the cash basis financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements transactions of the **Office's** governmental funds, and the respective cash basis net changes thereof, for the fiscal year ended June 30, 2022, in conformity with the basis of accounting described in **Note 1**.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Statement section of our report. We are required to be independent of the **Office** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

As described in **Note 1**, the **Office** prepares its Statements of Cash Receipts and Disbursements – Governmental and Proprietary Funds on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in **Note 1**, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Responsibilities of Management for the Financial Statements – (continued)

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Office'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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 **Office'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Office'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.

Emphasis of Matter

As described on **Note 9** on March 15, 2022, the Commonwealth of Puerto Rico's Plan of Adjustment was confirmed and approved. Accordingly, at that date the Plan became effective. Also, the **Office's** Statements are intended to present fairly the cash receipts, disbursements, and net changes of the governmental funds and proprietary fund of only that portion of the financial reporting entity of the Commonwealth of Puerto Rico that is attributable to the transactions of the **Office**.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Emphasis of Matter – (continued)

They do not purport to, and do not, present fairly the financial position of the Commonwealth of Puerto Rico as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the **Office's** 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 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 March 27, 2023, on our consideration of the **Office'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 or on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Office's** internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Office's** internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

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



LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 27, 2023

Stamp No. E486955 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

INTRODUCTION

As management of the **State Historic Preservation Office (Office)**, we offer to the readers of this annual financial report our discussion and analysis of the **Office's** financial performance during the fiscal year ended June 30, 2022. The following discussion and analysis has been designed to accomplish the following goals:

- Assist the reader in focusing on significant financial issues;
- Provide an overview of the **Office's** financial activity;
- Identify any material deviations from the financial plan (the approved budget), and;
- Identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the **Office's** financial statements.

ORGANIZATION AND MISSION STATEMENT

The **Office** was created on August 20, 2000, the Governor of the Commonwealth of Puerto Rico signed a law to attach the **Office** to the Governor's Office and to consider the **Office** as an individual management entity in conformity to the disposition of Law Number 5 of October 14, 1975, as amended, to comply with and provide continuity to the projects of permanent betterments from the Legislature of Puerto Rico, the Governor of the Commonwealth of Puerto Rico and the Federal Government.

The **Office** provides the following services: administer state and federal assistance programs for the preservation of the Puerto Rico cultural resources, educate the public in preservation matters, restore and preserve several buildings in the historical sites of the Old San Juan and coordinate interagency activities related to special projects.

FINANCIAL HIGHLIGHTS

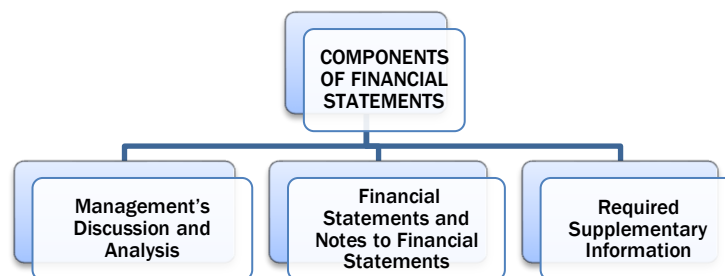
- In the **Office's** Statement of Cash Receipts and Cash Disbursements – Governmental Fund Types, the actual cash receipts exceeded actual cash disbursements by \$894,069.
- The **Office's** Statement of Cash Receipts and Cash Disbursements – Business Type Activities, the actual cash receipts exceeded actual cash disbursements by \$279,408.
- The General Fund (the primary operating fund) cash receipts amounted to \$1,920,201 and represents 45.53% of total cash receipts during the fiscal year. Also, cash disbursements of the General Fund amounted to \$1,406,945 and represents 42.33% of total cash disbursement for the fiscal year.
- During the fiscal year 2022, federal funds received amounted to \$2,297,180 and federal funds disbursements amounted to \$1,916,367.
- On a budgetary basis, actual cash receipts exceeded actual cash disbursements by \$513,256.

FINANCIAL STATEMENTS PRESENTATION

The approach used in the presentation of the financial statements of the **Office** is based on a government-wide view of such statements as well as a presentation of individual funds behavior during fiscal year 2021-2022. The combination of these two perspectives provides the user the opportunity to address significant questions concerning the content of said financial statements and provide the basis for a comparable analysis of future years performance.

Overview of the Financial Statements

The **Office’s** financial statements comprise three components: (1) management discussion and analysis, (2) financial statements, and (3) required supplementary information.



- **Financial Statements** – The **Office** uses the cash basis of accounting to account for all funds administered. Under this method, revenue received is recognized as cash when funds are transferred – in and expenditures are recognized when funds are disbursed or transferred – out. Therefore, the statements are not intended to present the **Office** results of operations in accordance with accounting principles generally accepted in the United States of America.

The Statement of Cash Receipts and Cash Disbursements presents, within its cash receipts, the funds appropriated by the Commonwealth and the grants received from U.S. Department of the Interior. It also presents its cash disbursements by program. The difference between the cash receipts and cash disbursements is presented as an excess or deficiency for the year. All this combined provides the general financial information of the **Office**; however, one will need to consider other nonfinancial factors within any comprehensive analysis.

- **Notes to the Financial Statements** – Provides integral information needed to explain the basis for the numbers used within the Financial Statements and provide more detailed data.
- **Required Supplementary information** – Provides additional information to better understand the financial position of the **Office** and contains the Budgetary Comparison Schedule for the General Fund.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Governmental Fund Financial Statements

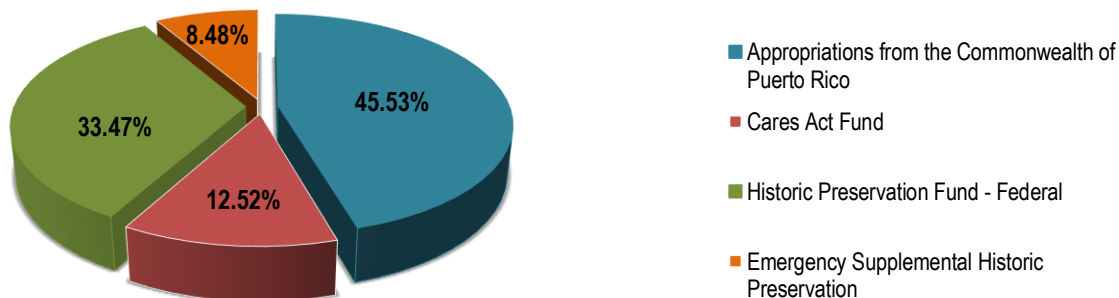
The governmental fund financial statements focus on major funds. The **Office’s** major funds are the general fund (which accounts for the main operating activities of the **Office**), special revenue fund (which account for legislative resolution and insurance recovery) and federal funds (which account for historic preservation grant, CARES Act and disaster grants). Funds that do not comply with this criterion are grouped and presented in a single column as other governmental funds. This year the **Office’s** funds were six (6) funds and the same were presented in the financial statements.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE (CONTINUED)

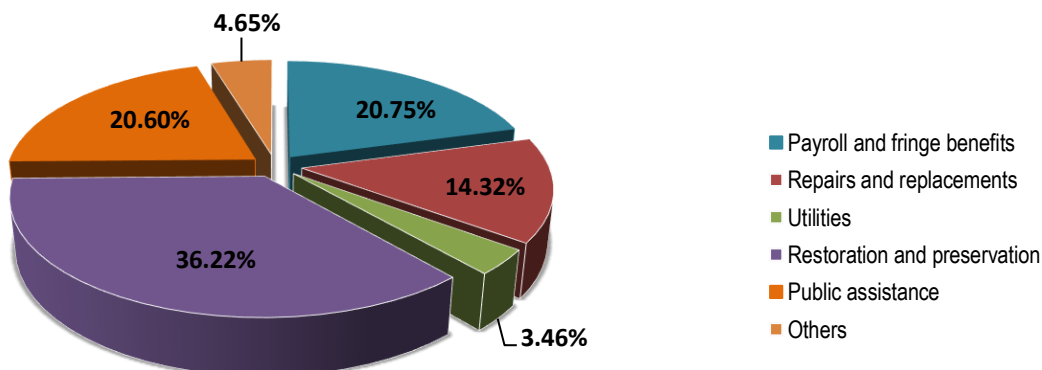
Governmental Fund Financial Statements (continued)

The following figures present how governmental activities of the **Office's** services were financed and distributed. These activities are primarily financed through state assignments, federal grants, charges for services and other revenues. The accounts of the **Office** are organized on three fund types: general fund, special revenue fund and federal funds. The **Office** maintains appropriations for various individual state and federal funds within each fund type. The state appropriations are presented as general fund and other governmental funds, which correspond to the funds accounted for the operations of the **Office** and appropriations granted for specific purposes, respectively. The measurement focus of the **Office's** governmental funds is to provide information on near-term inflows, outflows and balances of resources available for spending and determination of the excess (deficiency) of receipts over (under) cash disbursements, rather than upon net income determination. Such financial information is useful in assessing the **Office's** financing requirements.

Cash Receipts 2022



Cash Disbursements 2022

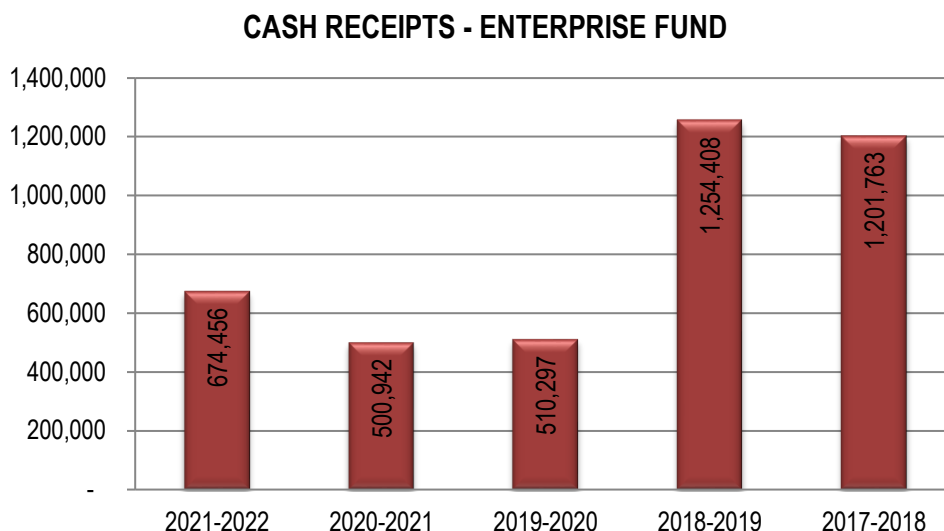


FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE (CONTINUED)

Proprietary Fund – Business-Type Activities – Enterprise Fund

The Enterprise Fund is used to account for operations (1) that are financed and operated in a similar manner as private business enterprises where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing basis, are financed or recovered primary through user charges; (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following figure provides information about the behavior of the **Office’s** Enterprise Fund during past five years. The **Office’s** Cash Receipts-Enterprise Fund increase in comparison with the previous fiscal years.



GENERAL FUND BUDGETARY HIGHLIGHTS

A budget is prepared for the General Fund and represents legislative appropriations for the general operation of the **Office**. The procedures followed for approval and operations of the budget are defined by the laws of Commonwealth of Puerto Rico. On a budgetary basis, actual cash receipts exceeded actual cash disbursements by \$513,256.

ECONOMIC FACTORS

Approval of Commonwealth’s Plan of Adjustment

Prior to March 15, 2022, the Commonwealth and many of its component units suffered a fiscal, economic and liquidity crisis, the culmination of many years of significant governmental deficits, an economic recession that persisted since 2006, prior liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. As the Commonwealth’s tax base shrunk and its revenues were affected by prevailing economic conditions, an increasing portion of the Commonwealth’s general fund budget consisted of health care and pension-related costs and debt service requirements through fiscal year 2019, resulting in reduced funding for other essential services. The Commonwealth’s historical liquidity constraints, among other factors, adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates.

ECONOMIC FACTORS (CONTINUED)**Approval of Commonwealth's Plan of Adjustment(continued)**

On June 30, 2016, the United States Congress enacted the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) to address these problems, which included the establishment of the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), an in-court restructuring process under Title III of PROMESA, and an out-of-court restructuring process under Title VI of PROMESA. Thereafter, the Commonwealth and other governmental entities, including the Puerto Rico Sales Tax Financing Corporation (COFINA), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (ERS), the Puerto Rico Highways and Transportation Authority (HTA), the Puerto Rico Electric Power Authority (PREPA), and the Public Building Authority (PBA) initiated proceedings under Title III, and the GDB, the Puerto Rico Infrastructure Financing Authority (PRIFA), and CCDA initiated proceedings under Title VI, each at the request of the Governor to restructure or adjust their existing debt. On July 30, 2021, the Oversight Board—as representative to the Commonwealth, ERS, and PBA in their respective Title III cases—filed its Seventh Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 17629] (the Seventh Amended Plan) and a corrected disclosure statement related thereto [ECF No. 17628], which was approved by the United States District Court for the District of Puerto Rico (the Title III Court).

On October 26, 2021, the Governor signed into law Act No. 53 of 2021 (Act 53), known as the “Law to End the Bankruptcy of Puerto Rico,” which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

On November 3, 2021, the Oversight Board filed its Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 19053] (the Eighth Amended Plan), which further revised the Seventh Amended Plan to eliminate its monthly pension cut provisions consistent with Act 53, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021, and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1] (as confirmed, the Commonwealth Plan of Adjustment).

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Eighth Amended Plan [ECF No. 19812] (the Findings of Fact) and an order confirming the Eighth Amended Plan [ECF No. 19813] (the Commonwealth Confirmation Order). In both the Commonwealth Confirmation Order and Findings of Fact, the Title III Court found that Act 53 properly authorized the issuance of new bonds and provided adequate means for implementation of the Commonwealth Plan of Adjustment. Between January 28, 2022, and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. On March 8, 2022, the First Circuit entered an order dismissing the appeal by the Judge's Association [Case No. 22-1098] following a motion to voluntarily dismiss.

By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Commonwealth Plan of Adjustment with respect to the appeal filed by the teachers' associations. See Case No. 22-1080. Oral argument on the merits of the remaining four appeals [Case Nos. 22-1079, 22-1092, 22-1119, 22-1120] was held on April 28, 2022, but a final determination on those appeals remains pending. On March 15, 2022 (the Effective Date), the conditions precedent to the Effective Date of the Commonwealth Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

ECONOMIC FACTORS (CONTINUED)

American Rescue Plan Act (ARPA)- Stimulus Package

On March 11, 2021, was signed into law the American Rescue Plan Act (ARPA) of 2021, the latest COVID-19 stimulus package. Within ARPA, the Coronavirus State and Local Fiscal Recovery Fund provides **\$350** billion for states, municipalities, counties, tribes, and territories, including **\$130.2** billion for local governments split evenly between municipalities and counties. The **Office** was assigned **\$528** thousand in ARPA funds during 2021-2022 fiscal year.

CARES Act – Stimulus Package

The CARES Act has assigned funds to the Puerto Rico Government where part of such funds was allocated as transfers grant to the local governments and agencies, including the **Office**, and other as participating funds transferred through approved proposals. This should help the **Office** to cover costs arising from the said emergency. Accordingly, the **Office** received a grant agreement with National Endowment for the Arts for a total amount of **\$83,211** thousand.

FINANCIAL CONTACT

The **Office's** financial statements are designed to present the readers with a general overview of the cash receipts and cash disbursements of the **Office**. Questions or concerns regarding any information in this report or requests for additional information should be addressed to the Commonwealth of Puerto Rico State Historic Preservation Office Executive Director, PO Box 9023935, San Juan, PR 00902-3935.

	General Fund	CARES Act Fund	Historic Preservation Fund	Emergency Supplemental Historic Preservation Fund	Public Assistance Disaster Grants Fund	Total Governmental Funds
CASH RECEIPTS						
Appropriations from the Commonwealth of Puerto Rico	\$ 1,920,201	\$ -	\$ -	\$ -	\$ -	\$ 1,920,201
Federal Grants	-	528,000	1,411,381	357,799	-	2,297,180
Total receipts	<u>1,920,201</u>	<u>528,000</u>	<u>1,411,381</u>	<u>357,799</u>	<u>-</u>	<u>4,217,381</u>
CASH DISBURSEMENTS						
Payroll and fringe benefits	689,519	-	-	-	-	689,519
Facilities and public services	476,000	-	-	-	-	476,000
Utilities	114,920	-	-	-	-	114,920
Restoration and preservation	-	-	607,529	596,161	-	1,203,690
Public assistance	-	-	-	-	684,677	684,677
Others	126,506	28,000	-	-	-	154,506
Total disbursements	<u>1,406,945</u>	<u>28,000</u>	<u>607,529</u>	<u>596,161</u>	<u>684,677</u>	<u>3,323,312</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>\$ 513,256</u>	<u>\$ 500,000</u>	<u>\$ 803,852</u>	<u>\$ (238,362)</u>	<u>\$ (684,677)</u>	<u>\$ 894,069</u>

See accompanying notes to financial statements – cash basis

	Business - Type Activities
	Enterprise Fund
CASH RECEIPTS:	
Rent of property	\$ 674,456
Total receipts	674,456
CASH DISBURSEMENTS:	
Operations and maintenance	395,048
Total disbursements	395,048
Excess of cash receipts over (under) cash disbursements	\$ 279,408

See accompanying notes to financial statements – cash basis

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On August 20, 2000, the Governor of the Commonwealth of Puerto Rico signed a law to attach the **State Historic Preservation Office (the Office)** to the Governor's Office and to consider the **Office** as an individual management entity in conformity to the disposition of Law Number 5 of October 14, 1975, as amended, to comply with and provide continuity to the projects of permanent betterments from the Legislature of Puerto Rico, the Governor of the Commonwealth of Puerto Rico and the Federal Government.

The **Office** provides the following services: administer state and federal assistance programs for the preservation of the Puerto Rico cultural resources, educate the public in preservation matters, restore and preserve several buildings in the historical sites of the Old San Juan and coordinate interagency activities related to special projects.

The main programs administered by the **Office** consist of:

1. **Historic Preservation Program** – The general objective of this Program is to expand and maintain a National Register of Historic Places composed of districts, sites, buildings, structures and objects significant in American History, architecture, archeology, engineering and culture. In addition, administer a program of matching-in-aid to the State for projects of survey and planning related to historic preservation purpose. Funds are awarded under the National Historic Preservation Act of 1966, Public Law 89-655.
2. **Construction, Restoration and Preservation Program** – The general objective of this program is to carry out certain construction, restoration, conservation and rehabilitation activities in the infrastructure comprised in the Special Plan of Interior Reform of the Office of San Juan Historic Zone located in the Ballajá Ward and in the Santa Catalina Palace.

Financial Reporting Entity

The **Office** is for financial reporting purposes, part of the Commonwealth of Puerto Rico. The **Office** accompanying financial statements is issued solely to comply with the Single Audit Amendments of 1996 (P.L. 104-156) and for the information and use of **Office** management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Its financial data is included as part of the Commonwealth of Puerto Rico's financial statements, and as such, the Treasury of the Commonwealth of Puerto Rico serves as trustee of the funds assigned to the **Office** by the Legislative Branch and Federal Agencies. The Treasury Department of Puerto Rico also handles and records expenditures made with such funds and provides the **Office** with reports regarding such activities.

The financial information included in the accompanying Statement of Cash Receipts and Cash Disbursements was obtained from the Puerto Rico Treasury Department's Integrated Financial Accounting System (PRIFAS) and is issued solely to comply 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 of America and for the information to the federal awarding agencies, pass-through entities, regulators, management and those charged with the governance.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

The accounts of the **Office** are organized on the basis of the four fund types: general fund, federal fund, other governmental funds and proprietary fund. The **Office** maintains appropriations for several individual state and federal funds within each fund type. Those state appropriations are presented as general fund and other governmental funds, which correspond to the funds accounted for the **Office** and appropriations granted for specific purposes, respectively. As more fully explained in the section “Basis of Accounting” below, each fund is accounted for with a set of accounts which include only receipts and disbursements. No balance sheet accounts are reported. The individual funds account for the governmental resources allocated to them for purposes of carrying on specific activities in accordance with laws, regulations, and other restrictions. State funds are appropriated by the Legislature of the Commonwealth of Puerto Rico and are funds through which most functions typically are financed. Federal funds reflect the federal financial assistance managed by the **Office** from programs funded by the Federal Government. The individual funds included in this fund type are classified in accordance with their cost category.

Basis of Accounting

The **Office’s** accompanying financial statement has been prepared in accordance with the cash basis of accounting, which is a special purpose framework other than generally accepted accounting principles (GAAP) in the United States of America, as established by the Governmental Accounting Standards Board (GASB).

The **Office** follows a receipts and disbursements method of accounting to account for all funds administered under this method, cash, or funds transfer-in are recognized as revenues when received, and expenditures are recognized when funds are disbursed or transferred-out. Therefore, the Statement of Receipts and Disbursements is not intended to present the **Office’s** results of operations in accordance with generally accepted accounting principles in the United States of America.

Budgetary Accounting

Formal budgetary accounting is employed as a management control tool for all funds of the **Office**. Annual operating budgets are adopted each fiscal year through passage of an annual budget, which is approved by the Legislature of the Commonwealth of Puerto Rico and amended, if is required, throughout the year. Budgetary control procedures required the obligation of funds before purchase orders can be placed; it means that applicable appropriations must be reserved before purchase orders or contracts can be entered into. Obligated appropriations at year end carryover to the next fiscal year and are not reported as part of the next fiscal year’s budget. For budgetary purposes, encumbrances accounting is used. The encumbrances (that is, purchase order and contracts) are considered expenditures when paid.

The operations of the **Office** are funded through annual budgetary appropriations approved by the Legislature of the Commonwealth of Puerto Rico. The original budgetary appropriation amounted to \$1,894,000 and its final revision amounted to \$1,805,281, for the fiscal year ended June 30, 2022.

Measurement Focus

The basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenue is recognized when received in cash rather than when earned and subject to accrual, and expenditures are recognized when paid rather than when incurred subject to accrual.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus (continued)

This financial statement has been prepared pursuant to the provision of Law No. 230 of July 23, 1974, as amended, known as the “Puerto Rico Government Accounting Act”. This law establishes public policy with respect to the control of an accounting for public funds and property. The **Office** funds are, by law, under custody and control of the Secretary of Treasury in the PRIFAS accounting system.

Financial information of the **Office** is presented in this report as follows:

1. **Management’s discussion and analysis** – Introduces the financial statements and provides an analytical overview of the **Office** financial activities.
2. **Financial Statements** – The **Office** uses the cash basis of accounting to account for all governmental and proprietary funds administered. Under this method, revenue received is recognized as cash when funds are transferred in and expenditures are recognized when funds are disbursed or transferred out. Therefore, the statements are not intended to present the **Office’s** results of operations in accordance with accounting principles generally accepted in the United States of America.

The Statements of Cash Receipts and Cash Disbursements presents, within its cash receipts, the funds appropriated by the Commonwealth and the grants received from U.S. Department of the Interior for governmental funds. For the Proprietary Fund cash receipts are derived from rental revenues. It also presents the cash disbursements for governmental and proprietary funds. The difference between the cash receipts and cash disbursements is presented as an excess or deficiency for the year. All this combined provides the general financial information of the **Office**; however, one will need to consider other nonfinancial factors within any comprehensive analysis.

3. **Notes to the Financial Statements** – Provides integral information needed to explain the basis for the numbers used within the Financial Statements and provide more detailed data.
4. **Supplementary Information** – Provides additional information to better understand the financial position of the **Office** and contains the Budgetary Comparison Schedule for the General Fund. Formal budgetary accounting is employed as a management control tool for all funds of the **Office**. Annual operating budgets are adopted each fiscal year through passage of an annual budget, which is approved by the Legislature of the Commonwealth of Puerto Rico and amended, if required, throughout the year. Budgetary control procedures required the obligation of funds before purchase orders can be placed, it means that applicable appropriations must be reserved before purchase orders or contracts can be entered into. Obligated appropriations at year end carryover to the next fiscal year and are not reported as part of the next fiscal year’s budget. For budgetary purposes, encumbrances accounting is used. The encumbrances (that is, purchase order and contracts) are considered expenditures when paid.

Governmental fund types

Governmental funds are those through which most governmental functions are financed. The acquisition uses and balances of the **Office** expendable financial resources and the related current liabilities are accounted for through governmental funds.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Governmental fund types (continued)**

The measurement focus is upon determination of changes in financial position, rather than upon net income determination. Fund financial statements focus on information about the **Office's** major governmental funds. Major individual governmental funds are reported as separately columns in the Combined Statement of Cash Receipts and Cash Disbursements on the cash basis of accounting.

The following are the **Office** major governmental fund types:

General Fund – This fund is the general operating fund of the **Office**. It is used to account for and report all financial resources, except for those required to be accounted for in another fund. It is presumed that the **Office's** governmental activities have been reported in the general fund except for transactions for which one of the following compelling reasons has required the use of another fund: (1) legal requirements, (2) USGAAP requirements or (3) the demands of sound financial administration requiring the use of a governmental fund other than general fund. Its revenue consists mainly of state appropriations.

CARES Act Fund – This fund is used to account for and report revenue sources from the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) to cover costs arising from public health emergency, or its negative economic impacts. The CARES Act requires that the payments, only be used to cover expenses that: (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the budget most recently approved as of March 27, 2020.

Historic Preservation Fund – This fund is a major governmental fund used to account for and report the proceeds of revenues derived from the Department of the Interior, National Park Services, used to maintain a National Register of Historical Places, composed of districts, sites, buildings, structures and objects significant in American History, architecture, archeology, engineering and culture. In addition, administer a program of matching-in-aid to the State for projects of survey and planning related to historic preservation purpose. Funds are awarded under the National Historic Preservation Act of 1966, Public Law 89-655.

Emergency Supplemental Historic Preservation Fund – This fund is a major governmental fund used to account for and report the expenses related to the consequences of Hurricanes Irma and Maria. The use of federal funds to improve public buildings, to finance services or programs contained in public buildings, or alter any building or facility financed in whole or in part with Federal funds (except privately owned residential structures). The costs needed to administer the program; and cost for the preservation, stabilization, rehabilitation, and repair of historic properties that are listed in, or considered eligible for listing in, the National Register of Historic Places damaged by the above-named storms within such as areas.

Public Assistance Disaster Grants Fund – This fund is used to account for and report revenue sources from the Federal Emergency Management Agency (“FEMA”) for assistance in debris removal, emergency protective measures, and the repair, restoration reconstruction, or replacement of public facilities or infrastructure damaged or destroyed by the devastating effects of natural disasters, the most significant Hurricanes Irma and Maria. Funds are received through the Puerto Rico Central Office for Recovery, Reconstruction, and Resiliency, the grantee for FEMA State Agreement DR-4336 (Hurricane Irma) and DR-4339 (Hurricane Maria).

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds – Enterprise fund

Proprietary funds consist of the enterprise fund. Enterprise funds are used to account for operation that are financed and operate in a manner similar to private business enterprise where the intent is that the cost of the providing goods and services be financed or recovered primarily through user charges.

Excess (deficiency) Statement Line

The excess (deficiency) of receipts over (under) disbursement statement lines represent a summation of the combined receipts and disbursements. Consequently, amounts shown in these lines are not comparable to an excess or deficiency over funds assigned and not represent a deficit of the **Office**.

Property and equipment acquisitions

Property and equipment resulting from cash transactions are reported as cash disbursements in the acquiring governmental fund upon cash acquisition. No capital assets are recorded in **Office's** financial statement.

Interfund transactions

The **Office** has the following types of transactions among funds:

1. Interfund transfers

Interfund transfers represent temporary loans between the funds.

2. Operating transfers

Operating transfers represent transfers between funds to specific purposes designated by the management.

Compensated absences

The **Office** employees are granted 15 days of vacation and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of 60 days and sick leave up to a maximum of 90 days. In the event of an employee resignation, the employee is reimbursed for accumulated vacation days up to the maximum allowed. Separation from employment prior to the use of all or part of the sick leave before 10 years of service terminates all rights for compensation. Employee's vested annual leave is recorded as expenditure when utilized. No accrued compensated absences are reported in the **Office's** financial statements. Compensated absences resulting from cash transactions are reported as cash disbursements in the governmental funds column upon cash payment.

Insurance

The **Office** has insurance coverage for its public facilities, primarily to provide protection from catastrophic losses. The Secretary of the Treasury Department of the Commonwealth of Puerto Rico is the agent commissioned to place all of the **Office's** insurance coverage.

Claims and judgments

The amount owed by the **Office** for claims and judgments, if any, which is due on demand, such as from adjudicated or settled claims, is recorded when paid.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for pension costs

Effective on July 1, 2017, the **Office** and other participants of the Employee Retirement System of the Government of the Commonwealth of Puerto Rico converted to a new “pay-as-you-go” (“PayGo”) model. Under the PayGo funding, the participant employers directly pay the pension benefits as they are due rather than attempt to build up assets to pre-fund future benefits. PayGo payments are recorded as expenditures/expenses in the financial statements.

At that date, the **Office’s** pension costs accounting transitioned from GASB Statement No. 68 to the requirements of GASB Statement No. 73 “*Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 68*”. Accordingly, pension costs are reported based on the employer total pension liability, pension expense and deferred outflows/inflows of resources reported by the ERS. For purposes of measuring, pension costs have all been determined on the same basis as they are reported by the ERS.

Accounting for other postemployment benefits (“OPEB”)

GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” is effective for the **Office** starting on July 1, 2017. As required by the accounting pronouncement, OPEB transactions should be accounted based on its proportional share of the collective net OPEB liability, OPEB expense and deferred outflows/inflows of resources reported by the Plan. For purposes of measuring, OPEB costs should have all been determined on the same basis as they are reported by the Plan. The **Office’s** contribution for OPEB is included as part of the PayGo charges billed on a monthly basis by the Puerto Rico Department of Treasury (“PRDT”). PayGo payments are recorded as expenditures/expenses in the financial statements.

2. CASH WITH FISCAL AGENTS

Department of the Treasury of the Commonwealth of Puerto Rico

The funds of the **Office** are under the custody and control of the Secretary of the Treasury Department of Puerto Rico pursuant to Act No. 230 of July 23, 1974, as amended, known as “Commonwealth of Puerto Rico Accounting Law”. The Treasury Department follows the practice of pooling cash equivalents under the custody and control of the Secretary of the Treasury. The funds of the **Office** in such pooled cash accounts are available to meet its current operating requirements.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution, the **Office** will not be able to recover its cash and investments or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the Investment Guidelines for the Commonwealth, as amended, adopted by the **Office** may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, or banker’s acceptance. Therefore, **Office’s** management has concluded that at June 30, 2022, the custodial credit risk associated with the **Office’s** cash and cash equivalents is considered low.

3. FUND ADVANCES

Office receives fund advances from the Treasury Department of Puerto Rico for the interim financing of federal programs, as authorized by Act No. 21 of 1979. This Act established that all fund advances made will be reimbursed to the General Fund of the Commonwealth's Treasury as the corresponding federal funds are received. During the fiscal year ended June 30, 2022, funds were advanced to **Office** for this purpose.

4. COMPENSATED ABSENCES

The employees of the **Office** are classified as either civil or members of the **Office**. All employees accrue regular vacation and sick leave at 1.25 days and 1.5 days per calendar month, respectively. The maximum allowed number of accumulated days of regular vacation and sick leave is 60 days and 90 days, respectively.

During fiscal year 1997-98, the Legislature of the Commonwealth of Puerto Rico amended the Public Service Personnel Law to allow certain component units and the executive agencies of the Commonwealth to pay annually the accrued vacations and sick leave earned in excess of the limits mentioned above.

On February 4, 2017, the Government enacted Law No. 8 for the Administration and Transformation of the Human Resources of the Government of Puerto Rico. Effective on that date, this Law established and recognizes that the government is a Single Employer. Under the provisions of this law annual vacation days were reduced from thirty (30) to fifteen (15) days. The vacation days may be accumulated to a maximum of sixty (60) days.

Also, the employees hired before the effectiveness of this law, will be granted annually with eighteen (18) days of sick leave. In addition, the employees hired after the effectiveness of this law, will be granted annually with twelve (12) days of sick leave. In both cases, the sick leave days may be accumulated to a maximum of ninety (90) days.

5. PENSION PLAN

Act No. 106 of August 23, 2017 ("Act 106") was enacted to reform the Commonwealth retirement systems and, among other dispositions, provide the necessary legal and operational structure of the determination and payment of accrued pension benefits as of June 30, 2017, the creation and transition to a new defined contribution plan and the reform of ERS's governance and administration, effective on July 1, 2017. Those dispositions are summarized as follows:

Determination of accrued pension benefits as of June 30, 2017 and payments

Effective July 1, 2017, participants ceased to accrue new pension benefits and are no longer able to make direct credit payments or to make additional contributions to the ERS. The ERS created and will maintain, for each participant or actual beneficiary, an individual record as of June 30, 2017 which includes the accrued pension benefits, employment history and accumulated contributions made. All benefits including retirement, disability, death, and other pensioner additional benefits were determined in accordance to the specific benefit structures under Act 447, Act 1, Act 305 and Act 3 and will be paid based on the information provided in the individual record. The accrued pension benefits will be funded through:

- The net proceeds of the sale of ERS's assets,
- A pay-as-you-go ("PayGo") charge to the participant employers determined by ERS and billed by the P.R. Department of Treasury ("PRDT"),
- Commonwealth's legislative expenditure appropriations,

5. PENSION PLAN (CONTINUED)

Determination of accrued pension benefits as of June 30, 2017 and payments (continued)

- Donations by any public or private entity,
- 25% of first or periodic payments on public-private partnership contracts,
- Other funds determined by the Commonwealth's Legislature.

On June 27, 2017, the PRDT issued the Circular Letter No. 1300-46-17 to communicate to the Commonwealth, the **Office** and other participants of the ERS the conversion procedures to a new PayGo model, effective on July 1, 2017. Under the PayGo funding, the participant employers directly pay the pension benefits (including other special laws and additional pensioner benefits) as they are due rather than attempt to build up assets to pre-fund future benefits. This funding method allows the retirement systems to continue to pay benefits even after the plans' assets have been exhausted. In addition, as a result of the implementation of PayGo funding, employers' contributions related to additional uniform contributions were eliminated. Payments are made by the employers (the Agency) through a government treasury single account (TSA) maintained on a separate trust under the custody of PRDT. TSA funds are deposited and maintained in a private commercial bank. It is expected that, as the ERS's assets become depleted, the PayGo charge will increase. On July 20, 2017 ERS sold investments for approximately \$297 million.

Act 106 includes penalties and specific procedures for collection of unpaid PayGo charges. Each beneficiary, participant or pensioned will have personal collection rights against every incumbent, head of agency, director of budget or finance or any officer with responsibility at government, public enterprise or Administration to claim unpaid contributions starting on the effective date of the Act and demand that they be paid as required. During the fiscal year 2021-2022, the **Office** was billed and recorded the amount of \$267,000 as PayGo expenditures.

Creation and transition to a new defined contribution plan

General - Effective July 1, 2017, a new defined contribution plan ("DC Plan") is created and maintained in a separate trust. It covers all active participants of the ERS as of that date and participants enrolled in the public service after that date. The Retirement Board (as discussed later) is responsible for oversight of the DC Plan; the PRDT currently serves as the trustee and custodian of the DC Plan's assets, which are deposited in a private bank account. The transition to the new DC Plan is currently in process. In accordance with Act 106 requirements, the Retirement Board is evaluating proposals to appoint a plan administrator which will perform recordkeeping and management functions for the DC Plan, including the development and adoption of a plan document, effective July 1, 2019. The transition includes the creation of a separate trust and the transfer of participant accounts.

Participant accounts and contributions - Funds are maintained in individual accounts for each participant which are credited with participant's pre-tax contributions and investment earnings. Participants are required to contribute at least 8.5% of gross salary. The Plan provides for voluntary additional pre-tax contributions as permitted by the Puerto Rico Internal Revenue Code of 2011 ("2011 PR Code"). After July 1, 2019, participants may direct the investment of their contributions into various investment options offered by the DC Plan. During the fiscal year ended June 30, 2022, employees' contributions amounted to \$113,485.

5. PENSION PLAN (CONTINUED)

Creation and transition to a new defined contribution plan (continued)

Payment of benefits - Upon termination of service a participant or the participant beneficiaries may elect to receive an amount equal to the value of the participant's interest in his or her account in a lump-sum amount, maintain his or her account in the DC Plan, or roll-over their account to a qualified plan under the 2011 PR Code. Upon participant's death the account balance will be distributed to its designated beneficiaries. Distributions are subject to income tax in accordance with the provisions of the 2011 PR Code. For participants of the DC Plan with accrued pension benefits as of June 30, 2017, benefits will include amounts participant's interest in his or her account plus accrued pension benefits funded through the PayGo system.

Reform of ERS's governance and administration

Act 106 creates a Retirement Board composed of thirteen (13) members (government officials, representatives of teachers, judicial system, public corporations and mayors) which replaces the Board of Trustees and perform overall governance of all retirement systems, including ERS, the Teachers and Judiciary Retirement Systems. ERS's employees that are not retained under the new administrative structure will be transferred to public agencies in conformity to Act No. 8 of 2018.

Plan description

The Administration is a participating employer in the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities Medical Insurance Plan Contribution ("ERS-MIPC"). ERS MIPC is an unfunded, cost sharing, multi-employer defined benefit plan sponsored by the Commonwealth. Substantially all fulltime employees of the Commonwealth's primary government, and certain Administration of Puerto Rico and certain component units of the Commonwealth not having their own postemployment benefit plan, are covered by the OPEB. Commonwealth employees became members upon their date of employment. Plan members were eligible for benefits upon reaching the pension benefits retirement ages.

Benefits provided

ERS-MIPC covers a payment of up to \$100 per month to the eligible medical insurance plan selected by the member provided the member retired prior to July 1, 2013 (Act No.483, as amended by Act No. 3).

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Contributions

The contribution requirement of ERS-MIPC is established by Act No. 95 approved on June 29, 1963. This OPEB plan is financed by the Commonwealth on a pay-as-you-go basis. The funding of the OPEB benefits is provided to the ERS through legislative appropriations each July 1 by the Commonwealth's General Fund for former government and certain public corporations without own treasuries employees, and by certain public corporations with own treasuries and Administration for their former employees. The Administration's contribution is financed through the monthly PayGo charge. There is no contribution requirement from the plan member during active employment. Retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. As a result, these OPEB are 100% unfunded. The legislative appropriations are considered estimates of the payments to be made by the ERS for the healthcare benefits throughout the year.

7. VOLUNTARY TERMINATION BENEFITS

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the **Office**. Act No. 70 establishes that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50% of each employee's salary, as defined. In this early retirement benefit program, the **Office** will make the employee and the employer's contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirement age and 30 years of credited service.

Economic incentives are available to eligible employees who have less than 15 years of credited service, who have at least 30 years of credited service and the age for retirement, or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years.

For eligible employees that choose the economic incentives and have at least 30 years of credited service and the age for retirement or have the age for retirement, the **Office** will make the employee and the employer's contributions to the Retirement System for a five year period. Additionally, eligible employees that choose to participate in the early retirement benefit program of that choose the economic incentive and have less than 15 years of credited service are eligible to receive health plan coverage for up to 12 months in a health plan selected by the management of the **Office**.

8. COMMITMENTS AND CONTINGENCIES

Litigation - The **Office** is defendant in lawsuits arising in the normal course of operations, principally from claims for alleged violation of civil rights and discrimination in employment practices. According to the laws of the Commonwealth of Puerto Rico, the **Office** is fully represented by the Puerto Rico Department of Justice in defense of all legal cases against the **Office**. Any claims with negative financial impact will be paid from the General Fund of the Commonwealth of Puerto Rico, with no effect on the budget or resources of the **Office**.

Federal Awards - The **Office** participates in a few federal financial assistance programs funded by the Federal Government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriated grantors or their representatives. If expenditures are disallowed due to noncompliance with grant program regulations, the **Office** may be required to reimburse the grantors for such expenditures.

Comptroller's Office of Puerto Rico Reports - The **Office** is also subject to audits by the Comptroller's Office (COPR). As of financial statements of cash receipts, disbursements, and excess (deficiency) of receipts over (under) disbursement statement date, **Office** has no outstanding audits from COPR. Subsequently, the central government has issued several executive orders to deal with the impact of the COVID-19 pandemic.

The **Office's** operational and programmatic performance has been impacted due to resources constraints and challenges associated with social distancing and remote work policies put in place. On July 1, 2020, the **Office's** administrative and programmatic work was resumed as usual, following the protective measures established by the COVID-19 Contingency Plan issued by the **Office**.

9. APPROVAL OF COMMONWEALTH'S PLAN OF ADJUSTMENT

Prior to March 15, 2022, the Commonwealth and many of its component units suffered a fiscal, economic and liquidity crisis, the culmination of many years of significant governmental deficits, an economic recession that persisted since 2006, prior liquidity challenges, a high unemployment rate, population decline, and high levels of debt and pension obligations. As the Commonwealth's tax base shrunk and its revenues were affected by prevailing economic conditions, an increasing portion of the Commonwealth's special revenue fund budget consisted of health care and pension-related costs and debt service requirements through fiscal year 2019, resulting in reduced funding for other essential services. The Commonwealth's historical liquidity constraints, among other factors, adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates.

On June 30, 2016, the United States Congress enacted the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) to address these problems, which included the establishment of the Financial Oversight and Management Board for Puerto Rico (the Oversight Board), an in-court restructuring process under Title III of PROMESA, and an out-of-court restructuring process under Title VI of PROMESA. Thereafter, the Commonwealth and other governmental entities, including the Puerto Rico Sales Tax Financing Corporation (COFINA), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (ERS), the Puerto Rico Highways and Transportation Authority (HTA), the Puerto Rico Electric Power Authority (PREPA), and the Public Building Authority (PBA) initiated proceedings under Title III, and the GDB, the Puerto Rico Infrastructure Financing Authority (PRIFA), and CCDA initiated proceedings under Title VI, each at the request of the Governor to restructure or adjust their existing debt.

On July 30, 2021, the Oversight Board—as representative to the Commonwealth, ERS, and PBA in their respective Title III cases—filed its Seventh Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 17629] (the Seventh Amended Plan) and a corrected disclosure statement related thereto [ECF No. 17628], which was approved by the United States District Court for the District of Puerto Rico (the Title III Court).

On October 26, 2021, the Governor signed into law Act No. 53 of 2021 (Act 53), known as the “Law to End the Bankruptcy of Puerto Rico”, which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

On November 3, 2021, the Oversight Board filed its Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 19053] (the Eighth Amended Plan), which further revised the Seventh Amended Plan to eliminate its monthly pension cut provisions consistent with Act 53, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021, and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1] (as confirmed, the Commonwealth Plan of Adjustment).

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Eighth Amended Plan [ECF No. 19812] (the Findings of Fact) and an order confirming the Eighth Amended Plan [ECF No. 19813] (the Commonwealth Confirmation Order). In both the Commonwealth Confirmation Order and Findings of Fact, the Title III Court found that Act 53 properly authorized the issuance of new bonds and provided adequate means for implementation of the Commonwealth Plan of Adjustment.

9. APPROVAL OF COMMONWEALTH'S PLAN OF ADJUSTMENT (CONTINUED)

Between January 28, 2022, and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit. On March 8, 2022, the First Circuit entered an order dismissing the appeal by the Judge's Association [Case No. 22-1098] following a motion to voluntarily dismiss. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Commonwealth Plan of Adjustment with respect to the appeal filed by the teachers' associations. See Case No. 22-1080. Oral argument on the merits of the remaining four appeals [Case Nos. 22-1079, 22-1092, 22-1119 and 22-1120] was held on April 28, 2022, but a final determination on those appeals remains pending.

On March 15, 2022 (the effective date), the conditions precedent to the effective date of the Commonwealth Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 27, 2023, the date the financial statements were available to be issued.

Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico

On February 21, 2023, the Office of the Administration and Transformation of Human Resources of the Government of Puerto Rico issued the Normative Letter No. 1-2023 in order to comply with the provisions and requirement of Law 8-2017 enacted on February 4, 2017.

Law No. 8-2017, as amended, known as the "Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico," establishes the Government of Puerto Rico as the Sole Employer, which means that public employees will be employees of the Central Government and not of the agencies. In addition, it centralizes the human resources administration system, eliminating from the category of individual administrators all those agencies and public instrumentalities of the Government of Puerto Rico, to guarantee the best use of the services offered by public servants.

Also, Law No. 8-2017, in its Article 4, creates the System of Administration and Transformation of Human Resources of the Government of Puerto Rico (hereinafter, Human Resources System) which will be administered by the Office of Administration and Transformation of Human Resources of the Government of Puerto Rico (hereinafter, OATRH by its Spanish acronym) with the main purpose of achieving a job classification system aimed at applying, strengthening, evaluating and protecting the Merit Principle in public service. In addition, Law No. 8-2017 gave the OATRH the responsibility of centralizing and unifying the job classification plans of the agencies and public instrumentalities attached to the Central Government.

The classification of positions is based on criteria of uniformity, which is the basis of the equal and fair treatment that the Merit Principle would enter into public service. A job classification plan is a system by which the duties, responsibilities and authorities of positions are studied, analyzed and ordered and grouped into classes or series of classes. Accordingly, uniform treatment of posts and the employees occupying them is ensured in all matters relating to human resources administration. Among the advantages offered by a job classification plan are the following:

- Facilitates the job classification process
- Establishes the basis for the recruitment and selection of job candidates, as the class specifications contain the minimum requirements required for classes

10. SUBSEQUENT EVENTS (CONTINUED)

Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico – (continued)

- Provides for the determination of training needs to employees
- Facilitates the preparation of the budget
- Facilitates the processes of promotions, transfers and descents
- Establishes uniform occupational terminology
- Serves as an instrument for solving problems that may arise in the organization

The OATRH shall establish and maintain a rational structure of functions that tends to the greatest possible uniformity and that serves as a basis for the different human resources actions in the Central Government, as a Single Employer. The functions for carrying out government programs will be organized in such a way that logical units of work can be identified. These, in turn, will be integrated by groups of duties and responsibilities that will constitute the basic unit of work, that is, the position.

In accordance with the above, the OATRH developed the Job Classification Plans for the Career Service and the Trust Service (hereinafter, Classification Plans) of the Central Government, by virtue of the legal authority conferred on this Office by Article 4, Section 4.3, subsection (2) (o) and (p) of Law No. 8-20173. The implementation of the Classification Plans was effective as of July 1, 2019. In these Rules to Complete the Implementation Process of the Job Classification Plan of the Central Government Career Service, effective July 1, 2019 and the New Salary Structure that will govern the Career Service of the Central Government, effective January 1, 2023 (hereinafter, the Rules), explains the process of implementing job classification and the new salary structure of the Central Government Career Service.

As of the date of the financial statements, the economic impact, if any, of the implementation of the job classification system described above has not been determined.

END OF NOTES

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
CASH RECEIPTS				
Appropriations from the Commonwealth of Puerto Rico:	\$ 1,894,000	\$ 1,805,281	\$ 1,920,201	\$ 114,920
Total cash receipts	<u>1,894,000</u>	<u>1,805,281</u>	<u>1,920,201</u>	<u>114,920</u>
CASH DISBURSEMENTS AND ENCUMBRANCES				
Payroll and fringe benefits	1,293,000	973,000	816,025	156,975
Facilities and public services	476,000	476,000	476,000	-
Utilities	-	114,920	114,920	-
Others	125,000	241,361	-	241,361
Total cash disbursements and Encumbrances	<u>1,894,000</u>	<u>1,805,281</u>	<u>1,406,945</u>	<u>398,336</u>
Excess (deficiency) of cash receipts over (under) cash disbursements and encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,256</u>	<u>\$ 513,256</u>

See notes to Budgetary Comparison Schedule.

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Control

On January 2, 2017, the Governor of Puerto Rico signed the Executive Order No. 2017-005, which required that all departments, agencies, and instrumentalities of the Government of Puerto Rico and those expressly required by the Governor, are ordered to implement the Zero-Base Budget methodology for the preparation of the budget for fiscal year 2018-2019 and subsequent fiscal years, per the applicable techniques and approaches of Zero-Base Budget and should be in conformity with the Fiscal Plan approved by the Oversight Board for Puerto Rico, pursuant to the Federal Law Pub. L. 114-187, *Puerto Rico Oversight, Management and Economic Stability Act* (PROMESA).

The financial statements are presented at the programmatic level. The revenues recognized in the General Fund consist of appropriations from the **Office** of Management and Budget of the Commonwealth of Puerto Rico for recurrent and ordinary functions of **Office**. The procedures followed in approving the annual budget is as follows:

1. Between November and December **Office** submits to the Office of Management and Budget of the Commonwealth of Puerto Rico an operating budget petition for the fiscal year commencing the following July 1.
2. At the beginning of the ordinary session of the Legislative Assembly of the Commonwealth of Puerto Rico, the Governor submits a proposed budget for the fiscal year covering the whole operations of the Commonwealth. This proposed budget includes estimated expenditures and the means of financing them.
3. The annual budget is legally enacted through the approval by the Legislative Assembly of the Joint Resolution of the General Budget. Subsequently to enactment, the Office of Management and Budget of the Commonwealth has the authority to make the necessary adjustments to the budget.
4. Beginning with fiscal year 2021-2022 the budget procedure to be used for the confection of the budget must be the methodology of Zero-Base budgeting.

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

The budget is adopted in accordance with a budgetary basis of accounting which differs from USGAAP. The Commonwealth of Puerto Rico Department of Treasury and the Office of Management and Budget have the responsibility to ensure that budgetary spending control is maintained on an individual appropriation account basis. Budgetary control is exercised through the PRIFAS Accounting System.

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal ALN	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR:				
Direct Program:				
National Park Service		P21AF11061	\$ -	\$ 369,361
Historic Preservation Fund Grants – In Aid	15.904	P20AP00044	-	238,168
Emergency Supplemental Historic Preservation Fund	15.957	P19AP00010	-	596,161
Total U.S. Department of the Interior			-	1,203,690
U.S. DEPARTMENT OF THE TREASURY:				
Pass-through from Commonwealth of Puerto Rico Governor's Office of Management and Budget Coronavirus Relief Fund				
	21.019	N/AV	-	28,000
Total U.S. Department of the Treasury			-	28,000
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Pass-through the Government of Puerto Rico Central Office for Recovery, Reconstruction, and Resiliency				
Disaster Grants – Public Assistance (Presidentially Declared Disaster)	97.036	FEMA 4339-DR-PR	-	684,677
Total U.S. Department of Homeland Security			-	684,677
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,916,367

See Notes to Schedule of Expenditures of Federal Awards.

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the funds expended by the **State Historic Preservation Office (Office)** from all federal programs for the year ended June 30, 2022. The **Office's** reporting entity is defined in **Note 1** to the financial statements.

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the 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)*. Therefore, some of the amounts presented in the Schedule may differ from the amounts presented in, or used in the presentation of, the financial statements. Because the Schedule presents only a selected portion of the operations of the **Office**, it is not intended to and does not present the financial position and changes in net position of the **Office**.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures presented on the Schedule are reported on the cash basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The financial transactions are recorded by the **Office** accordance with the terms and conditions of the grants, which are consistent with US GAAP. Expenditures for Public Assistance Grants (FEMA) are recognized in the period under: (1) FEMA has approved the PW, and (2) eligible expenditures are incurred.

The Federal Assistance Listing Number (ALN), formerly known as Catalog of Federal Domestic Assistance Number (CFDA), is a program identification number. The first two digits identify the federal department of agency that administers the program, and the last three numbers are assigned by numerical sequence.

State or local government redistributions of federal awards to the **Office**, known as "pass-through awards", should be treated by the Agency as though they were received directly from the federal government. The Uniform Guidance requires the schedule to include the name of the "pass-through entity" and the identifying number assigned by the "pass-through entity" for the federal awards received as a sub recipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

RECONCILIATION TO FINANCIAL STATEMENTS

Information reported in the accompanying Schedule of Expenditures of Federal Awards agreed with or has been reconciled to the information reported in the **Office's** financial statements.

INDIRECT COST RATE

The **Office** has elected not use the 10% de minimis cost rate and did not charge indirect cost to federal grants during the year ended June 30, 2022.



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

Member of:

- American Institute of Certified Public Accountants
- Puerto Rico Society of Certified Public Accountants

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

**To the Executive Director
Commonwealth of Puerto Rico
State Historic Preservation Office
San Juan, Puerto Rico**

We have audited, 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 of America, the financial statements – cash basis of the governmental activities, business – type activities, and each major fund of the **State Historic Preservation Office (the Office)**, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the **Office's** financial statements as listed in the table of contents, and have issued our report thereon dated March 27, 2023.

Emphasis of Matter

As described on **Note 9** on March 15, 2022, the Commonwealth of Puerto Rico's Plan of Adjustment was confirmed and approved. Accordingly, at that date the Plan became effective. Also, the **Office's** Statements are intended to present fairly the cash receipts, disbursements, and net changes of the governmental funds and proprietary fund of only that portion of the financial reporting entity of the Commonwealth of Puerto Rico that is attributable to the transactions of the **Office**. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Puerto Rico as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

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

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

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Report on Compliance and Other Matters

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

Purpose of this Report

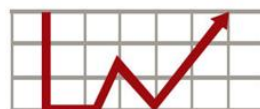
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Office's** internal control or on compliance. This report is an integral part of an audit performed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



LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico
March 27, 2023

Stamp No. E486956 of the Puerto Rico Society of Certified Public Accountants was affixed to the record copy of this report.



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

To the Executive Director
Commonwealth of Puerto Rico
State Historic Preservation Office
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the **State Historic Preservation Office (Office)** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the **Office's** major federal programs for the year ended June 30, 2022. The **Office's** major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the **Office** complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis Opinion on Each Major Federal Program

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

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

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 the **Office's** federal programs.

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

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 the **Office'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 for 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 the **Office'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 the **Office'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 the **Office'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 the **Office'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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)**

Report on Internal Control over Compliance (continued)

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

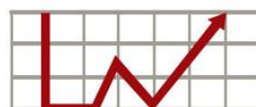


LOPEZ-VEGA, CPA, PSC

San Juan, Puerto Rico

March 27, 2023

Stamp No. E486957 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.



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Section I – Summary of Auditors’ Results

The independent auditors’ report on the cash basis financial statements expressed an unmodified opinion, and that such cash basis financial statements were prepared using the cash basis method of accounting, which is a basis of accounting other than US GAAP.

Internal control over financial reporting:

Material weakness identified? Yes No
 Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal awards

Internal Control over major programs:

Material weakness (es) identified? Yes No
 Significant deficiency (ies)? Yes No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a) of the Uniform Guidance? Yes No

Identification of Major Federal Programs:

<u>Federal ALN</u>	<u>Name of Federal Program or Cluster</u>
15.904	Historic Preservation Fund Grants – In Aid

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statements Findings

During our audit, we did not detect significant deficiencies, material weakness and instances of noncompliance related to basic financial statements that are required to be reported in accordance with *Governmental Auditing Standards*.

Section III – Major Federal Award Program Findings and Questioned Costs

During our audit, we did not detect deficiencies, material weaknesses, or instances of compliance related to federal awards that are required to be reported in accordance with OMB Uniform Guidance.

Audit Report: Reports on Compliance and Internal Control 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

Audit Period: July 1, 2021 – June 30, 2022

Fiscal Year: 2021-2022

Principal Executive: Carlos A. Rubio Cancela, Executive Director

Contact Person: Vilmarie Collazo Alicea, Finance Officer

Phone: (787) 721-3737

Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Costs	Status
2020-001	Office Materials Warehouse Operations - Subsidiary Ledger	<p>During our audit, we noted the following exceptions:</p> <p>a. The Office management has not followed with the procedures established to perform a perpetual inventory. The written policies of the minimum and maximum levels of the material have not been followed either.</p> <p>b. A perpetual inventory register was not maintained by a person not related with the operations of the warehouse.</p> <p>c. A physical inventory duly documented and approved was not performed.</p>	The Office's Property Department staff plans to continue its efforts in order to update the subsidiary ledger.	None	Audit finding has been partially corrected. See Management Letter.

Audit Report: Reports on Compliance and Internal Control 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

Audit Period: July 1, 2021 – June 30, 2022

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Original Finding Number	Finding	Condition	Corrective Actions for finding not corrected or partially corrected	Questioned Costs	Status
2019-001	Office Materials Warehouse Operations - Subsidiary Ledger	<p>During our audit, we noted the following exceptions:</p> <p>a. The Office management has not followed with the procedures established to perform a perpetual inventory. The written policies of the minimum and maximum levels of the material have not been followed either.</p> <p>b. A perpetual inventory register was not maintained by a person not related with the operations of the warehouse.</p> <p>c. A physical inventory duly documented and approved was not performed.</p>	The Office's Property Department staff plans to continue its efforts in order to update the subsidiary ledger.	None	Pending of final action of the Agency's Management.

