

**GOVERNMENT OF PUERTO RICO  
TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**

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

**YEAR ENDED JUNE 30, 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

To the President of the  
Transport and Other Public Bureau  
San Juan, Puerto Rico

### **Report on the Financial Statement**

We have audited the accompanying statement of Cash Receipts and Cash Disbursements (the financial statement) of each major fund, of the Transport and Other Public Services Bureau (Bureau) for the year ended June 30, 2020, and the related notes to the financial statement.

### Management's Responsibility for the Financial Statement

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Bureau's management, as well as evaluating the overall presentation of the financial statement.

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

## **Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and cash disbursements of each major fund of the Transport and Other Public Services Bureau for the year ended June 30, 2020, in accordance with the basis of accounting described in Note B.

## **Emphasis of Matter**

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

## ***Report on Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement.

The schedule of expenditures of federal awards is the responsibility of the Bureau's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 statement taken as a whole.



## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2023, on our consideration of the Bureau's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bureau's internal control over financial reporting and compliance.

March 21, 2023  
Carolina, Puerto Rico

Aquino, De Córdova, Alfaro & Co., LLP

Stamp number E518186  
of Puerto Rico CPA Society  
has been affixed to the  
original report



**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2020**

	<b>Governmental Funds</b>			<b>Total</b>
	<b>General Fund</b>	<b>Business Type Activities</b>	<b>Federal Funds</b>	
<b>CASH RECEIPTS:</b>				
Annual Appropriations from the Commonwealth of Puerto Rico	\$ 8,785,000	\$ -	\$ -	\$ 8,785,000
General Royalties		1,217,956		1,217,956
US Department of Transportation: Federal Motor Carrier Safety Administration- Commercial Vehicle Safety Plan			1,009,398	1,009,398
	<u>8,785,000</u>	<u>1,217,956</u>	<u>1,009,398</u>	<u>11,012,354</u>
<b>CASH DISBURSEMENTS:</b>				
Annual Appropriations from the Commonwealth of Puerto Rico	8,304,825			8,304,825
General Royalties		742,120		742,120
US Department of Transportation: Federal Motor Carrier Safety Administration- Commercial Vehicle Safety Plan			1,009,398	1,009,398
	<u>8,304,825</u>	<u>742,120</u>	<u>1,009,398</u>	<u>10,056,343</u>
<b>EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS</b>	<u>\$ 480,175</u>	<u>\$ 475,836</u>	<u>\$ -</u>	<u>\$ 956,011</u>

The accompanying notes are integral part of this financial statement.

**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS  
YEAR ENDED JUNE 30, 2020

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**A. REPORTING ENTITY**

The Government of Puerto Rico Transport and Other Public Services Bureau ("TOPSB") was created by Law No. 211 of August 2018, which amended Law No. 109 of June 1962 and substituted what was known until then as The Office of the Puerto Rico Public Services Commissioner and now is a component under the Regulatory Board of Public Service. The TOPSB is presented as part of the Commonwealth's basic financial statements. The TOPSB is responsible for the regulation of all public service operating under private management which is not regulated directly by any other government entity. Furthermore, the TOPSB is entitled to request information and impose administrative fines when necessary.

The TOPSB consists of one Commissioner President and two Commissioners named by the Governor of the Commonwealth of Puerto Rico and approved by the Senate of Puerto Rico. The organizational structure is headed by the Office of the President, Office of the Secretary and the Office of the Legal Adviser.

The Commonwealth of Puerto Rico was constituted on July 25, 1952, under provisions of its Constitution as approved by the people of Puerto Rico and the Congress of the United States of America. The Commonwealth's Constitution provides for the separation of powers of the executive, legislative and judicial branches of the government. The Commonwealth assumes responsibility for public safety, public health, public housing, welfare, education, and economic development.

**B. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying statement of cash receipts and cash disbursements is prepared using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("US GAAP") as established by the Governmental Accounting Standard Board ("GASB"). This basis of accounting involves the recognition of revenue is recognized when cash is received or transferred-in and expenditures are recorded when the related disbursements is incurred or transferred-out. Because TOPSB participates in a pooled cash arrangement as further discussed below, cash receipts from Government appropriations are considered received when the related disbursement is made, except or cash receipts related to indirect costs and special accounts, which are recognized when cash is received. The timing of cash receipts from the Federal Government may differ from the date federally funded payments are made. TOPSB draws amounts from the pooled

**GOVERNMENT OF PUERTO RICO**

**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**

**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS-CONTINUED**

**YEAR ENDED JUNE 30, 2020**

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cash accounts when federal funds have not yet been received and the same is replenished once the federal funds are received. All these factors in cash receipts recognition results in an excess of cash receipts over (under) disbursements at year-end.

The accounts of the TOPSB are accounted for with a set of accounts, which only include cash receipts and cash disbursements. No balance sheet accounts are maintained or reported.

This cash basis of accounting differs from US GAAP primarily because revenue (cash receipts) is recognized when received in cash rather than when earned and susceptible to accrual, and expenditures (cash disbursements) are recognized when paid rather than when incurred for subject to accrual. The amounts reported as cash receipts are those received during fiscal year 2019-2020. No accrual is recognized.

Capital assets resulting from cash transactions are reported as cash disbursements in the acquiring governmental fund upon cash acquisition. No capital assets are recorded in the TOPSB financial statement. No long-term debt is reported in the TOPSB financial statement. No accrued compensated absences are reported in the TOPSB financial statement. Compensated absences resulting from cash transactions are reported as cash disbursements in the governmental funds column upon cash disbursements.

***Basis of Presentation***

The TOPSB fiscal year ends on June 30<sup>th</sup>. All references to year in these notes to financial statements represent the fiscal year ended, unless otherwise notes.

***Fund Financial Statements***

Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The financial activities of TOPSB that are reported in the accompanying statement of cash receipts and cash disbursements have been classified into governmental funds. Major individual government funds are reported as separate columns in the fund financial statements, with no-major funds being combined into a single column. The following are classified as major governmental funds:

- *General Fund*- The general fund is the main operating fund of the TOPSB. It is used to account for all financial resources except those required to be accounted for separately. Basically, is used to account the appropriations received from the Government of Puerto Rico.



## **GOVERNMENT OF PUERTO RICO**

### **TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**

#### **NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS-CONTINUED YEAR ENDED JUNE 30, 2020**

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- *General Royalties Fund* - The general royalties fund accounts cash receipts from authorizations conceded to transport people and to operate as a carrier, gas distributor, moving business and vehicle leasing.
- Federal Grants Fund- Federal grants funds accounts for the financial resources related to the federal grant awards administrated by the TOPSB. Basically, consist of funds approved by the U.S. Department of Transportation ("DOT").

#### ***Budgetary Accounting***

The TOPSB budget is integrated within the general budget of the Government. The budget is adopted in accordance with a statutory basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Cash receipts are generally recognized when cash is received for federal financial assistance programs or other grants that are received from sources other than the Government. TOPSB is granted the right to draw against available funds of the Secretary of the Treasury as its mean to incur in expenditures under the General Fund. Therefore, the budget approved by the Government represents the spending limit allowed to TOPSB as it relates to funds appropriated by the Government.

- Between November and December, the TOPSB submits to the Office of Management and Budget of the Government of Puerto Rico an operating budget petition for the fiscal year commencing the following July 1.
- At the beginning of the ordinary session of the Legislative Assembly of the Government of Puerto Rico, the Governor submits a proposed budget for the fiscal year covering the whole operations of the Government. This proposed budget includes estimated expenditures and the means of financing them.
- The annual budget is legally enacted through the approval by the Legislative Assembly of the Joint Resolution of the General Budget. Subsequently to the enactment, the Office of Management and Budget of the Government has the authority to make necessary adjustments to the budget.

Federal grant funds can be carried over for a specified amount of time, upon request to and approval by the Federal Agencies.

Cash disbursements - budgetary are generally recorded when the related payment, purchase order or contract is recorded as an encumbrance. For payroll and related payments, the cash disbursement is recorded on the effective date of the payroll being processed.

**GOVERNMENT OF PUERTO RICO**

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**NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS-CONTINUED**

**YEAR ENDED JUNE 30, 2020**

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Encumbrances lapse the year following the end of the fiscal year when the encumbrance was established, as established by Act No. 123 of August 17, 2001, which amended the then existing appropriations and encumbrances lapsing provisions of Act No. 230 of July 23, 1974. Unencumbered appropriations lapse at fiscal year-end.

Under the statutory basis of accounting, TOPSB uses encumbrance accounting to record the full amount of purchase orders, contracts, and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control.

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

***Cash***

The funds of the TOPSB from legislative appropriations and federal grants are under the custody of the Secretary of Treasury of the Government of Puerto Rico, pursuant to Act No. 230 of July 23, 1974, as amended, known as the "Government of Puerto Rico Accounting Law". The Department of Treasury of the Government of Puerto Rico follows the practice of pooling resources under the custody of the Secretary of the Treasury. Those portions of funds of the TOPSB are pooled in appropriation accounts and are available to meet the TOPSB current operating requirements.

***Compensated Absences***

The vacation policy of the Government of Puerto Rico that applies to the TOPSB employees provides for the accumulation of 2.5 days per month. Vacation time accumulated is fully vested to the employees from the first day of work up to a maximum of 60 days. The TOPSB employees accumulate sick leave at a rate of 1.5 days per month up to a maximum of 90 days. Upon retirement, an employee receives compensation for all accumulated unpaid leave at the current rate, if the employee has at least 10 years of service with the Government of Puerto Rico.

***Pension Costs***

The TOPSB adopted the provisions of Codification of Governmental Accounting and Financial Reporting Standard Section Pension Plans - Defined Benefit, by requiring disclosure of how the contractually required contribution rate is determined by governments participating in multi-employer cost-sharing pension plans.

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NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS-CONTINUED  
YEAR ENDED JUNE 30, 2020

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The TOPSB accounts for pension costs from the standpoint of a participant in a multiple- employer cost-sharing plan. Accordingly, pension costs recognized in the accompanying financial statement are equal to the statutory required contributions.

For the purpose of applying the requirements of the Codification, the Government is considered to be the sponsor of the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) and System 2000, a multiemployer cost-sharing defined benefit pension plan and a hybrid defined contribution plan, respectively, in which the employees of the TOPSB participate. The TOPSB is considered a participant, and not a sponsor, of these retirement systems since the majority of the participants in the aforementioned pension trust funds are employees of the Government and the basic financial statements of such retirement systems are part of the financial reporting entity of the Government.

***Operational Leases***

The TOPSB is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore neither the assets nor the liabilities of the lease agreements are reflected in the accounting records. Rent disbursed under such lease agreements for the year ended June 30, 2020 amounted to approximately \$233,187.

***Risk Management***

The Government's Secretary of the Treasury is responsible for purchasing commercial insurance covering casualty, theft, tort, claims, and other losses for the TOPSB. The TOPSB reimburses the Government for premium payments made on its behalf. The TOPSB current insurance policies have not been canceled or terminated. For workers' compensation, the State Insurance Fund Corporation, a component unit of the Government of Puerto Rico, provides the workers compensation insurance to the TOPSB employees.

**C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The budget of TOPSB is part of the general budget of the Government. As a result, legal control is maintained by the Director of the Office of Management and Budget of the Government. The budgetary control and accountability of the TOPSB is maintained by the Government. Accordingly, no budgetary comparison schedule is presented within this statement.

**GOVERNMENT OF PUERTO RICO**  
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NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS-CONTINUED  
YEAR ENDED JUNE 30, 2020

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**D. INDIRECT COST RATE PROPOSAL**

Generally, each year, the TOPSB submits an indirect cost rate proposal for approval by the United State Department of Transportation ("the DOT"), the Audit Cognizant Agency. On February 28, 2019, the DOT entered into an Indirect Cost Rate Agreement No. 2019-001 with the TOPSB. This agreement includes final rate which became effective on July 1, 2019 until June 30, 2020. The rate within the agreement for the year ended June 30, 2020 was 22.03% for the program, based on salaries and wages, including fringe benefits. This rate is used to allocate qualified types of expenditures from state funds to the federal financial assistance program.

**E. RETIREMENT PLAN**

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

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

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

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

Effective July 1, 2013, contributions by members are 10% of compensation. However, for Act No. 447 members who selected the Coordination Plan, the member contributions are 7% of compensation up to \$6,600 plus 10% of compensation in excess of \$6,600 during the 2013-2014

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fiscal year and 8.5% of compensation up to \$6,600 plus 10% of compensation in excess of \$6,600 during the 2014-2015 fiscal year. Members may voluntarily make additional contributions to their hybrid account.

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

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

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

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

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

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

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

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

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**YEAR ENDED JUNE 30, 2020**

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

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

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

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

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

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

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

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

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NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS-CONTINUED  
YEAR ENDED JUNE 30, 2020

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

The ERSs will determine and administer the amount of the payment by pensioner that will correspond to each of the Government Agencies. This charge is known as the "PayGo". During the fiscal year 2019-2020 TOPSB recorded as PayGo expenditures the amount of \$5,316,252. The PayGo expenditures were of \$5,316,000 plus approximately \$201,800 of employee contributions.

Additional information on the ERS is provided in its financial statements for the year ended June 30, 2021 a copy of which can be obtained from the *Administrator of the Retirement System: P.O. Box 42003, San Juan, Puerto Rico 00940*.

## **F. COMMITMENTS AND CONTINGENCIES**

### ***Federal Financial Assistance Programs***

The TOPSB is a grantee in various federal financial assistance programs. Entitlement to the resources is generally based on compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Based on this, the TOPSB is required to comply with the audit requirements established by the Uniform Guidance.

The TOPSB management believes, based on prior experience, that the amount of expenditures, which may be disallowed by the granting agencies from such audits if any, would not be material in relation to the operations of the TOPSB.

### ***Current Single Audit***

The Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program issued in connection with the single audit for the year ended June 30, 2020, findings that are considered events of noncompliance with applicable laws and regulations and significant deficiencies in internal control over compliance. Some of these significant deficiencies were also considered material weaknesses.

### ***Litigation***

The Government of Puerto Rico's Law 104 of June 30, 1955, as amended, known as Claims and Lawsuits against the State, provides that lawsuit initiated against an agency or instrumentality of the Government of Puerto Rico, present and former employees, directors, mayors, and other may be

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**YEAR ENDED JUNE 30, 2020**

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represented by the Department of Justice of the Government of Puerto Rico. Any adverse claims to the defendants are to be paid by the Government of Puerto Rico General Fund.

However, the Secretary of the treasury of the Government of Puerto Rico has the discretion of requesting reimbursement of the funds expended for these purposes from the public corporations, governmental institutions, and municipalities of the defendants.

TOPSB is, at present, the defendant in several lawsuits arising out of, and incident to its operations. Information as to the claims and related amounts has been produced by the Department of Justice of the Government of Puerto Rico to determine the extent and status of such legal actions. However, as explained above the outcome of such litigation has no impact on TOPSB budget, because amounts are paid through the general fund of the Government of Puerto Rico.

**G. SUBSEQUENT EVENTS**

TOPSB has evaluated subsequent events through March 21, 2023, the date which the financial statement was available to be issued. No additional subsequent events were identified that should be disclosed or adjusted in the financial statement or notes.



**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

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<u>Federal Grantor / Pass-Through Grantor Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Award Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<i>U.S. Department of Transportation</i>					
<i>Federal Motor Carrier Safety Administration</i>					
<i>Commercial Vehicle Safety Plan</i>					
Motor Carrier Safety Assistance Program	20.218	272-FMMHP- 0328117-2018	\$ -	\$ -	\$ 57,524
	20.218	272-FMMHP- 041918-0001- 2018	-	-	486,345
	20.218	272-FMMCG- 047519100- 2019	-	-	465,528
<b>Total Expenditures of Federal Awards</b>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009,398</u>

The accompanying notes are integral part of this schedule

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal award activity of the Government of Puerto Rico Transport and Other Public Service Bureau ("TOPSB"), an agency of the Government of Puerto Rico, under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 US. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the TOPSB, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the TOPSB.

Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The TOPSB reporting entity is defined in Note 1 to the schedule of cash receipts and disbursements activities. All federal awards received directly from federal agencies are included in the schedule of expenditures of federal awards.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is presented using the cash basis of accounting which is described in Note 1 to the TOPSB Statement of Cash Receipts and Cash Disbursements.

Expenditures reported on the Schedule are determined using the cost accounting principles and procedures set forth in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Puerto Rico Transport and Other Public Service Bureau has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**3. FEDERAL ASSISTANCE LISTING NUMBER**

The Assistance Listing numbers included in this Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance.

**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED  
YEAR ENDED JUNE 30, 2020

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**4. 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 TOPSB Statement of Cash Receipts and Cash Disbursements.

**5. INDIRECT COST RATE**

During the year TOPSB did not claim indirect costs from Federal Motor Carrier Program.



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

**To the President of the Transport and Other Public Services**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of cash receipts and cash disbursements of the Transport and Other Public Services Bureau, as of and for the year ended June 30, 2020, and the related notes to the financial statement and have issued our report thereon dated March 21, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Transport and Other Public Services Bureau internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Transport and Other Public Services Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transport and Other Public Services Bureau's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be material weakness.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transport and Other Public Services Bureau financial statement is free from material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

## Transport and Other Public Services Bureau's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Transport and Other Public Services Bureau's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Transport and Other Public Services Bureau response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

## Purpose of this Report

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

Carolina, Puerto Rico  
March 21, 2023



Stamp number E518187  
Of Puerto Rico CPA Society  
has been affixed to the  
original report





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

**To the President of the Transport and Other Public Services Bureau**

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

We have audited the Transport and Other Public Services Bureau compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Transport and Other Public Services Bureau's major federal program for the year ended June 30, 2020. The Transport and Other Public Services Bureau's major federal program are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of the Transport and Other Public Services Bureau's major federal program, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Transport and Other Public Services Bureau's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Transport and Other Public Services Bureau's compliance.

**Opinion on Each Major Federal Program**

In our opinion the Transport and Other Public Services Bureau complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

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

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

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



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

Carolina, Puerto Rico  
March 21, 2023

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

Stamp number E518188  
Of Puerto Rico CPA Society  
has been affixed to the  
original report





**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**I. Summary of Audit Results**

*Financial Statement*

- |   |                   |                  |
|---|-------------------|------------------|
| a. Type of auditor's report issued:   | <i>Unmodified</i> |                  |
| b. Internal control over financial reporting:                                       |                   |                  |
| - Material weakness (es) identified?  | <u>  x  </u> yes  | <u>      </u> no |
| - Significant deficiency identified that is not considered to be material weakness? | <u>      </u> yes | <u>  x  </u> no  |
| c. Noncompliance material to the financial statement noted?                         | <u>  x  </u> yes  | <u>      </u> no |

*Federal Awards*

- |   |                   |                  |
|---|-------------------|------------------|
| a. Internal control over major programs:  |                   |                  |
| - Material weakness (es) identified?  | <u>      </u> yes | <u>  x  </u> no  |
| - Significant deficiency identified that is not considered to be material weakness?                       | <u>      </u> yes | <u>  x  </u> no  |
| b. Type of auditors' report issued on compliance for major programs:                                      | <i>Unmodified</i> |                  |
| c. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | <u>  x  </u> yes  | <u>      </u> no |
| d. The program tested as major was:   |                   |                  |
| CFDA 20.218- Motor Carrier Safety Assistance Program  |                   |                  |
| e. Dollar threshold used to distinguish between Type A and Type B programs.                               | \$ 750,000        |                  |
| f. The Transport and Other Public Services Bureau was determined to be a low-risk                         | <u>      </u> yes | <u>  x  </u> no  |

**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED**  
**YEAR ENDED JUNE 30, 2020**

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**II. FINANCIAL STATEMENT FINDINGS:**

<i>Finding Number:</i>	2020-001
<i>Compliance Requirement:</i>	Reporting
<i>Category:</i>	Financial, Internal Control Weakness and Noncompliance

**Criteria**

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

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

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

**Condition**

The Single Audit Report for the fiscal year ended June 30, 2020 of the Bureau with due date of March 31, 2021 was submitted after the 9 months deadline. The Single Audit related to such period was completed after the 9 months deadline. Also, the Executive Office of the President issued a notice of waivers from M-20-17 memorandum to extend the Single Audit Submission (2 CFR 200.512) which establish "Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2020, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 -Audit

**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED**  
**YEAR ENDED JUNE 30, 2020**

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**Condition- continued**

Requirements, to six (6) months beyond the normal due date. No further action by awarding agencies is required to enact this extension. This extension does not require individual recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520 (a)- Criteria for a low-risk auditee."

**Cause**

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

**Effects**

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

**Questioned cost**

None

**Perspective information**

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

**Prior Year Audit Finding**

None

**Recommendation**

The bureau shall establish controls and procedures to enable compliance with completion and submission of the Single Audit Report to the Federal Clearinghouse before the 9 months deadline.

**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED**  
**YEAR ENDED JUNE 30, 2020**

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**View of responsible officials**

On August 3, 2020, the JRSP formalized contract 2021-000056 with an expiration date of June 30, 2021 for the preparation of the Single Audit 2020. However, the contracted company did not perform the work. For this reason, the company Aquino, De Córdova, Alfaro & Co. LLC was hired to prepare the Single Audit 2020.

As a corrective measure, there was a change in the company that performs the Single Audit. In addition, we have established deadlines for the contracting of services and the issuance of the Single Audit.

**Responsible Officials**

Shakira Hernández Ramirez, Finance Director

**Estimated Completion Date**

Implementation is expected to be completed on or before the end of fiscal year June 30, 2023.

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**

**GOVERNMENT OF PUERTO RICO**  
**TRANSPORT AND OTHER PUBLIC SERVICES BUREAU**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2020**

Original Finding Number	Category	Condition Found	Finding Status	Management Response / CAP	Assigned Responsibility	Expected Target Date												
2019-001	Internal Control	During our audit we observed that personnel files are not being kept current and in some instances were incomplete. In certain instances, forms such as I-9, among others, were not included in the files.	Corrected	The Public Service Regulatory Board's Human Resources Office established a checklist of the documents that the personnel file must have.	Human Resources Department	N/A												
2019-002	Internal Control	During the performance of our Audit procedures we noted that an employee who's effective retirement date was March 31, 2019 received his regular payroll compensation for the pay period ended April 15, 2019 in the amount of \$1,045.06. TOPSB should try and recover these funds.	Corrected	Invoice 2023-019 was issued to collect the improper payment. The employee contacted us to set up a payment plan.	Finance Department- Payroll	N/A												
2019-003	Internal Control	The petitions of federal funds are not timely requested, neither are they timely recorded.	Corrected	The Public Service Regulatory Board's Finance Department has been working with the Transport and Other Public Services Bureau's MCSAP Division in order to request the reimbursement from FMCSA on a monthly, at most quarterly, basis.	Finance Department	N/A												
2019-004	Internal Control	<p>While performing our audit procedures over reporting compliance requirement, we noticed that the submissions of the quarters of the Federal Financial Report (SF-425), required by the Federal Motor Carrier Safety Administration ("FMCSA"), was submitted late by the Motor Carrier Safety Assistance Program ("MCSAP").</p> <p>The due date and the MCSAP submitted date are as follows:</p> <table border="1"> <thead> <tr> <th><u>Grant</u></th> <th><u>Quarter</u></th> <th><u>FMCSA</u></th> <th><u>MCSAP</u></th> </tr> <tr> <th><u>Ending Date</u></th> <th><u>Due Date</u></th> <th><u>Submitted Date</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>FM-MCG-0364-17</td> <td>9/30/2018</td> <td>12/31/2018</td> <td>Reconsideration</td> </tr> </tbody> </table>	<u>Grant</u>	<u>Quarter</u>	<u>FMCSA</u>	<u>MCSAP</u>	<u>Ending Date</u>	<u>Due Date</u>	<u>Submitted Date</u>		FM-MCG-0364-17	9/30/2018	12/31/2018	Reconsideration	Corrected	The Transport and Other Public Services Bureau's MCSAP Division has improved on the submission of quarterly reports. However, in case a report cannot be timely submitted, an extension is requested to FMCSA prior to its due date.	Federal Funds Department	N/A
<u>Grant</u>	<u>Quarter</u>	<u>FMCSA</u>	<u>MCSAP</u>															
<u>Ending Date</u>	<u>Due Date</u>	<u>Submitted Date</u>																
FM-MCG-0364-17	9/30/2018	12/31/2018	Reconsideration															
2019-005	Internal Control	During our audit test, in certain instances we noted that certain approvals were missing from the disbursement package. In addition, we observed that the rents contracts are due.	Corrected	The Public Service Regulatory Board's Finance Department has implemented requesting approval of funding requests as part of the supporting documents in the file.	Administration Department	N/A												

**GOVERNMENT OF PUERTO RICO  
TRANSPORT AND OTHER PUBLIC SERVICES BUREAU  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2020**

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**FINDING NUMBER 2020-001**

**Corrective Action**

On August 3, 2020, the JRSP formalized contract 2021-000056 with an expiration date of June 30, 2021 for the preparation of the Single Audit 2020. However, the contracted company did not perform the work. For this reason, the company Aquino, De Córdova, Alfaro & Co. LLC was hired to prepare the Single Audit 2020.

As a corrective measure, there was a change in the company that performs the Single Audit. In addition, we have established deadlines for the contracting of services and the issuance of the Single Audit.

**Contact Official**

Shakira Hernández Ramirez, Finance Director